

SUSTAINABILITY PLAN

**FOR THE
BETTER WORK JORDAN**

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Abbreviations

BFC	Better Factories Cambodia
BWG	Better Work Group
BWJ	Better Work Jordan
FLA	Fair Labor Association
IFC	International Finance Corporation
ILO	International Labor Organization
JGATE	Jordan Garments, Accessories and textiles Exporters Association
MOL	Ministry of Labor
MoIT	Ministry of Industry and Trade
PAC	Project Advisory Committee
PSA	Private Shareholding Company
VVGNI	VV Giri National Labor Institute

Executive Summary

This report presents a strategy for achieving lasting sustainability for the Better Work Jordan (BWJ) program by looking at its long-term political, financial, and managerial viability. Through the utilization of a participatory approach for the investigation, the views of stakeholders, including factory suppliers and their associations, international buyers, trade unions, and the Government of Jordan, as well as senior BWJ staff, are incorporated and analyzed throughout the report. Further, and with the aim of providing comprehensive conclusions, the structures of entities that are similar to BWJ are studied.

The assessment of the program's long-term political, financial and managerial viability identifies several important factors that are key to a successful transition to a national entity. This transition will be an intricate process that should be managed carefully to maintain the support and involvement of stakeholders.

From a political perspective, the legal structure, involvement of the ILO, and capacity of the local entity are chief topics of our investigation. Although, perceptions vary among stakeholders, a not-for-profit company is the legal structure that balances the needs of key stakeholders. It is also found that the political viability of BWJ's activities would expand through enhancing the added value of the apparel industry to the Jordanian economy as well as enabling BWJ to replace or substantially reduce buyers' audits. These steps go hand in hand with the financial viability aspects and will make international buyers more confident in the program's continuing capacity.

As for the managerial viability, the investigation reflects that the main value of the program lies with its core services of factory assessment and advisory. Other program services are seen by stakeholders as complimentary to the core services (although this view may be narrow in that stakeholders clearly value such BWJ initiatives work as determining and increasing the value-added of the sector to Jordan's economy, facilitating the development of a 5-year industry strategy, and the Workers' Centers). Most importantly in this respect, maintaining a clear association with the ILO is highlighted and stakeholders unanimously agree that the ILO must be involved in governing the national entity and in quality assurance. Stakeholders also believe that the ILO brand must be maintained throughout the future structure.

Assessment of financial viability indicates that financial support will be needed from the government and the donor community. Cost recovery ratios are not expected to be higher than 37% by the end of Phase 2 of the program that concluded on December 31, 2016. The managerial viability of the future national entity is strongly dependent on maintaining a relationship with the ILO and the Better Work Global program through an MOU or some other appropriate means. This relationship is seen to be essential in maintaining the quality of services provided and to allow the future national entity to use the ILO and BWG brand.

The national entity will need to boost revenues generated through the sale of reports, as well as training. Even in this case, the cost recovery ratio is not projected to surpass 47% by 2018. Thus, financial assistance extended by the government and donor agencies is imperative for the long-term sustainability of the structure. With the elimination of or substantial reduction in buyers' audits, it is viable to increase the factories' annual membership fees. Furthermore, redefining the market so that it would involve a wider spectrum of factories and exploring the inclusion of regional markets would provide further revenue streams that enhance financial viability.

Based on the outcomes of the assessment and the critical success factors mentioned above, a viability matrix specifying political, managerial and financial indicators over a four-year transition period is presented. Furthermore, a transition plan identifies activities that need to take place to successfully localize BWJ. The transition plan is also supported by a monitoring and evaluation plan that defines progress indicators against the implementation schedule in addition to impact indicators associated with the key success factors mentioned above. Finally, it is crucial for the current BWJ program to continue to actively engage stakeholders in the development of the transition roadmap to a national entity and its implementation.

1. Political Viability

In order to assess the political viability of a localized Better Work program in Jordan, several interviews took place with stakeholders including the Government of Jordan, the buyers, the factories, the garment union and relevant business associations¹.

With the aim of assessing the commitment of local stakeholders and international buyers to support a localized Better Work program in Jordan, the interviews tried to answer the following questions:

1. Does the government of Jordan support the sustainability of BWJ activities and sufficiently committed to its localization?
2. Do the social partners and other stakeholders support the localization of BWJ activities?
3. Do the international buyers demonstrate confidence in BWJ activities and support the transition to a national entity?
4. Do the business and workers' organizations support the localization of BWJ activities and are they prepared to have a governance role in the local structure?

The following sections indicate stakeholders' interests in sustaining the activities of BWJ through a localized structure.

1.1 The Government of Jordan

The Ministry of Labor and the Ministry of Industry and Trade are the two government entities that would play a major role in localizing BWJ and both entities are currently represented on the Project Advisory Committee (PAC). Agreement that BWJ played an important role in improving the work environment in the participating factories is further supported by a shared opinion of both entities that the project brought added value to the garment sector. Although both entities expressed support for the localization of BWJ, several aspects of the localization process will affect the degree of government's support for the localization plan and its commitment to the future national entity. These factors are (1) the legal structure and funding, (2) involvement of the ILO, and (3) the capacity of the national entity.

1.1.1. Legal Structure and Funding

Based on a belief that Better Work services are essentially part of the government functions, the government is inclined towards the localization of BWJ in a structure that is connected to, or part of the government. An independent government entity that has the ability to attract donor funding in addition to government resources was perceived as the most sustainable set-up. Yet, the government recognizes that such a set-up will be difficult to realize in light of the current constraints on public spending and difficulties associated with creating a new government entity.

Localization of Better Work activities through a "private not-for-profit company" or an NGO, is less sustainable –in the eyes of the government. On the other hand, the government realizes that such a structure (not-for-profit company or an NGO) fits better with the needs of the buyers who have more confidence in the services of a non-governmental body. The government believes that there is a strong

¹ A full list of the interviews that took place is available in Annex (5).

case to support the local structure of Better Work, yet if the local structure is a government entity the funding will be more stable because it would come from the government's budget. Generally, the current constraints on government expenditure will require that the Ministry of Labor and the Ministry of Industry and Trade, present a strong business case to guarantee support and funding of the future local entity. Highlighting the anticipated added value of sustaining Better Work activities in relation to the expected government funding is vital to obtaining and sustaining government support and commitment to its localization.

The government will seek donor funding to support the national entity that will sustain the functions of BWJ. It was also affirmed that it would not be able to provide any form of in-kind support such as providing office space or the needed staff due to the severe lack of both resources. Moreover, and while the government did contribute US\$1million as part of the original budget, and subsidized the factories' subscription fees for three years, it might not be able to do so during the second phase. Current budgetary constraints caused by the energy crises, and the widening budget deficit and growing public debt, make it highly unlikely that additional public funding of that magnitude would be made available. Therefore, reasonable assumptions of government contributions were made. The section titled "Managing the Transition" suggests the financial contributions anticipated from the government and the donors.

1.1.2. Involvement of the ILO

Although different groups are already reaping the benefits of Better Work, it is evident from the stakeholder interviews is that the sustainability of the program will be in jeopardy without some form of ILO involvement. The validity of this argument is supported by a number of assumptions. First, the ILO is perceived as an influential international player, whose involvement contributes to the credibility of the services provided to the different entities, both on the local and international levels. If the ILO's presence was to be omitted from the equation, then Better Work would become less attractive to international buyers and factories, in particular, and they will no longer feel compelled to participate in the program.

Second, the ILO's involvement builds more confidence in the garment sector. Aware that the Ministry of Labor has made several endeavors in order to improve its inspection practices, most buyers still prefer the engagement of an international entity such as the ILO, specifically in regards to issuing reports and conducting assessments. Thus, in the eyes of the government, the involvement of the ILO in the national structure adds notable value to BWJ's quality. The Ministry of Industry and Trade emphasized ILO's involvement especially if this involvement is requested by the buyers. Additionally, the Ministry of Labor asserted that while an entity without the ILO brand could function, it is however more credible if the brand is maintained.

1.1.3. Capacity of the Local Entity

The Jordanian government considers that BWJ's replacement of all audits conducted by buyers is a key success factor to the sustainability of the program. The decision to enforce mandatory participation received some unpopular feedback amongst factories, primarily because BWJ's assessments fail to completely replace the audits of international buyers. Thus, it is believed that a fundamental step towards ensuring the sustainability of the program is to eliminate all of the buyers' audits and rely solely

on assessments conducted by BWJ. BWJ data indicates that there in fact has been a significant reduction in audits by buyers participating in BWJ. Three of the largest buyers in Jordan, for example, have as a matter of policy eliminated or significantly reduced their own audits except on an exceptional basis. A remaining challenge is that there are many buyers, most of whom only source at a small number of factories in Jordan, that are not participating in BWJ.

1.2. Buyers and Factories

1.2.1. Legal Structure, Funding & Involvement of the ILO

There is a widespread belief –among buyers and factories- that the Jordanian government lacks the resources to carry out the quality functions of BWJ on its own. The shortcoming in competencies and changes in the policies of consecutive governments are chief concerns of international buyers and factories, in particular.

From the perspective of participating factories, the ILO's mandate has more authority than any other domestic organization, which makes meeting labor standards a binding issue. The absence of the ILO's supervision may hinder the factories' abidance to international and local labor standards, thus, adversely affecting the working environment in factories.

Buyers and factories reflected their support of a localized structure operating through an independent entity that is separate from the government. However, they profoundly believe that the ILO brand must be maintained throughout.

In regards to fees and costs, buyers and factories think that the prices they are charged for BWJ's services are reasonable. If BWJ's structure were to change, they would agree to pay the same fees prior to the localization of the program without any increase. With this said, the actual cost for most factories is significantly greater than the current annual fee charged by BWJ as the factories customarily pay for multiple audits throughout the year. So there appears to be room to increase BWJ's annual fees without this representing an increase in cost for factories.

1.2.2. Capacity of the Local Entity

According to international buyers, the capacity of the local entity –once it is in place-and the involvement of the ILO are key factors in determining whether BWJ's assessments are sufficient and able to replace the buyers' audits. Making this decision, however, is not an easy process and does not happen overnight. There must be a transition period during which international buyers gradually handover the responsibility to BWJ.

In Jordan, the program's assessments have succeeded in replacing the audits of several buyers, due to the relatively small number of factories. In other countries, nonetheless, taking this decision is a much more complex and intricate process, as it involves a large number of factories and an even larger number of workers.

The factories believe that a major achievement of BWJ is the reduction of buyers' audits. Consequently, they are interested in sustaining the program activities preferably to completely replace buyers' audits.

Based on a strong belief that several issues of labor rights could only be dealt with through the Garment Union, the union is also interested in sustaining the activities of BWJ, yet with a wider scope of activities. The union would like to see the national entity provide support to the union, labor rights and freedom of association. It is worth mentioning here, that BWJ is currently supporting the union through a three-year capacity building project that ends in 2013.

2. Managerial Viability

2.1. Services

Stakeholders indicated interest in sustaining the services of BWJ through a local structure. Due to the importance of Better Work core services (assessment, advisory and training) to the sector, the stakeholders are notably interested in sustaining these services. In fact, assessment and advisory services are the most significant to sustain, since training providers offer a wide spectrum of quality training services in Jordan. Furthermore, the stakeholders pointed out that the “development functions” of Better Work, such as policy oriented research, buyers’ forums and stakeholders’ capacity building compliment the core services and enhance the added value to the sector.

Although there is a unanimous agreement on sustaining the core services of BWJ, different stakeholders have different priorities regarding the “development functions”. The factories value the buyers’ forums because they connect them to new buyers, which is one of the key challenges they face. Consequently, it is important that the local entity provides services that connect the factories with buyers including buyers’ forums. Although there is recognition that policy oriented research, added value to the sector, several stakeholders suggested that a substantial amount of research could be done by other actors, including policy units at the Ministries of Labor and Industry and Trade. These priorities also reflected the different interests of the two government entities that were interviewed. While MoIT paid significant attention to the role of BWJ in enhancing linkages with buyers and increasing the sector’s added value to the economy, MOL’s priority was sustaining labor compliance assessment and related reporting.

Which Better Work services should be sustained?		
	High priority	Medium priority
Core BW services	Assessment Advisory	Training
Supporting services	Buyers’ forum/connection with buyers	Policy oriented research

2.2. Governance

The national entity should be governed by a Board that represents the sector’s stakeholders including the government, workers’ organization, employers and business associations. This will support the objective of Better Work to develop a competitive sector that provides decent jobs. Since the current PAC represents the sectors’ stakeholders, the PAC would evolve into the board of the newly formed local entity. Consequently, it is envisioned that the following stakeholders will be represented in the board of the national entity:

- Ministry of Industry and Trade and Ministry of Labor, representing the government,
- The Garment Union, representing the workers,
- J-GATE, Foreign Investors Association (FIA) and the Chambers of Industry, representing the employers

The localization process will entail a shift in the role of the sector’s stakeholders from providing advice to BWJ -in the case of the PAC, to exercising sound governance –in the case of the board of the local entity. Exercising sound governance requires establishing the vision and the long-term goals of the local entity, in addition to providing guidance and support to the executive management. To facilitate this

shift, it is important to engage PAC members in developing the localization roadmap and in developing the Terms of Reference of the Board of the local entity.

2.3. Relation with ILO

The involvement of the ILO in the governance and operation of the national entity was perceived positively by all stakeholders. In fact, buyers indicated that ILO's involvement in BWJ plays a major role in building confidence in the assessments and services the program provided. Consequently, the buyers expressed concern if the ILO is not involved in the governance of the national entity or in ensuring the quality of the services it provides. This suggests that localizing the activities of BWJ should ensure that the ILO plays a role in the governance of the national entity and/or maintenance of the quality of services it provides.

When considering the relationship with the ILO, it is important to pay attention to three critical success factors: (1) the ILO should have a role in the governance of the future entity, (2) the ILO should play a role in the quality assurance of the service delivery, (3) the ability of the local entity to use the ILO and/or BW brand and practices.

ILO's involvement was captured in two structures providing services similar to Better Work: Cambodia and India. VVGNI, an Indian entity that was established in 1962, provides labor training services under a Memorandum of Understanding (MOU) with the ILO's training center. In operations for over 12 years, Better Factories Cambodia, is still connected with the ILO through an MOU.

Based on these examples the coordination between the local entity that will sustain the services of BWJ and the ILO could be established through an MOU.

This MOU would define the role of the ILO in the governance of the local entity and in quality assurance of service delivery. Regular audits or assessment by the ILO would support the local entity at the initiation phase, sustain the quality and high standards of the services provided and maintain the confidence of the buyers in the assessment services. Further investigation is needed to find out if such an MOU would provide sufficient assurance for the ILO to allow the local entity to use either the ILO or the Better Work logo to brand its services and at the current fees paid to BWG and the ILO.

3. Financial Viability

In order to achieve sustainability, it's imperative that revenues substantially cover BWJ running costs, while maintaining the quality of service expected in line with ILO standards.

The table below, prepared using current business model assumptions, illustrates the expected revenues, costs and surpluses (deficits) forecasted over the projection period. The projection period covers the last four years of the BWJ program (2013-2016) and the first two years of the local entity (2017-2018). This suggests a transition period of 4 years extending from 2013 to 2016. The main driver of the projected deficit is the weakness on the revenue side. The table below indicates that the cost recovery ratio is expected to reach 37% by the end of the BWJ program. Once the future local entity is established a higher cost recovery ratio is reached at 47% at year two of operation.

	5%	2013	2014	2015	2016	2017	2018
Revenue							
Membership fees		180,000	195,000	260,000	325,000	350,000	375,000
Sale of reports		40,000	60,000	80,000	100,000	110,000	120,000
Training		10,000	12,000	14,000	16,000	18,000	20,000
Total Revenue		230,000	267,000	354,000	441,000	478,000	515,000
Expenses							
Salaries		837,511	624,275	655,488	688,263	590,530	590,530
Training		28,500	29,925	31,421	32,992	34,642	36,374
Office costs		56,000	58,800	61,740	64,827	68,068	71,472
Rent		42,150	42,150	42,150	42,150	41,255	41,255
Security		38,889	38,889	38,889	38,889	-	-
Transportation		36,000	37,800	39,690	41,675	43,758	45,946
Seminars & meetings		37,000	38,850	40,793	42,832	44,974	47,222
Travel		40,000	42,000	44,100	46,305	48,620	51,051
Outside contractors		36,000	37,800	39,690	41,675	43,758	45,946
BWG Fees		85,500	85,500	85,500	85,500	85,500	85,500
ILO Fees	7%	86,628	72,519	75,562	78,757	70,077	71,071
Total Expenses		1,324,178	1,108,507	1,155,023	1,203,864	1,071,184	1,086,368
Surplus (deficit)		1,094,178-	841,507-	801,023-	762,864-	593,184-	571,368-
Cover ratio		17%	24%	31%	37%	45%	47%

3.1. Revenue Assumptions

The table below illustrates the most significant revenue assumptions. Main streams of revenue are subscription fees, training fees and revenues from the sale of reports to international buyers. Strong growth is expected to derive from increasing sale of reports as well as increase in subscription fees. In 2017 and 2018, the market is expected to expand to include other exporting industries in Jordan or regionally in North Africa or the Gulf.

	5%	2013	2014	2015	2016	2017	2018
Subscription Revenue							
Number of Factories		60	65	65	65	70	75
Annual Subscription (\$)		3,000	3,000	4,000	5,000	5,000	5,000
Subscription Revenue		180,000	195,000	260,000	325,000	350,000	375,000
Sale of Reports							
Number of factories		20	30	40	50	55	60
Number of reports		2	2	2	2	2	2
Fee per report (\$)		1,000	1,000	1,000	1,000	1,000	1,000
Sale of Reports Revenue		40,000	60,000	80,000	100,000	110,000	120,000
Training Revenue		10,000	12,000	14,000	16,000	18,000	20,000
Total Revenue		230,000	267,000	354,000	441,000	478,000	515,000

The following is profitability analysis by type of revenue.

3.1.1. Assessment, Advisory and Sale of Reports Revenue

The Assessment and Advisory revenues are calculated by multiplying the number of participating factories and the program subscription fee paid by each factory. The factories that are currently mandated to participate in the program are the ones exporting to the USA and Israel, as well as their sub-contractors. As of October 2012, the number of participating factories reached 55. Going forward, this number is expected to grow to reach 65 by end 2014.

The annual fee per factory to participate in this program is USD 3,000, for the years 2011, 2012 and 2013. As a sign of support to the program, the Government of Jordan, represented by Ministry of Labor, is subsidizing this fee to the factories over the periods 2011, 2012 and 2013 by 50%, 35% and 20% respectively. Furthermore, factories whose staff is fully composed of Jordanian workers can enjoy a 100% subsidy throughout the period.

The projection is based on the assumption that the fee will remain instated after the year 2013 and increased to USD 4,000 and USD 5,000 in 2015 and 2016 respectively. This projection is based on BWJ's

ability to retain current factories and their buyers and further attract new buyers to add to its clients' base. From the point of view of factories, this process is a mere consolidation of, and probably reduction of overall cost of its assessment services into the hands of one service provider that is BWJ. Assessment and Advisory activities are carried over by a team of 6 Enterprise Advisors headed by a Team Leader.

Conducting the assessment requires a total of 8 working days for a factory per annum on average, excluding interpreters' time, although assessments for small factories may require only 2 working days. An assessment report is issued a month after the visit, and a first progress report is issued five months following the assessment report, followed by a second progress report five months later. The total Assessment and Advisory cycle (initial and two follow-up visits) and three reports (assessment, 1st and 2nd progress reports) consume about 16 working-days and last between 11 and 12 months.

In order to conduct assessment and advisory services for 75 factories, the minimum number of advisors required is 5. The table below shows the calculation. However, in order to align with ILO best practices, which require rotating the advisors over the factories and tasks (for each factory, teams engaging in assessment are different from those conducting advisory), the number of advisors should be higher than 5. In our opinion, a team of 6 advisors is sufficient to maintain the ILO quality of service requirements.

	Assessment	1st Progress	2nd Progress
Field Visit	2	2	2
Office	2	2	2
Total	4	4	4
Number of Advisors	2	1	1
Total	8	4	4
Man-days per factory	16		
Number of factories	75		
Total Man-days for all factories	1,200		
Number of man-days in calendar year	225		
Minimum number of Advisors	5.00		

Now that we have established that the number of advisors is reasonable and in line with the required level of effort, we shift attention towards the fees charged in exchange of services rendered. Total generated revenues (assessment, advisory and sale of reports) comes to USD 3,537 per factory (on average for 2012), which is not sufficient to offset the direct cost (salaries and social security) of Enterprise Advisors and Team Leader, estimated at USD 4,551 per factory. Going forward, projected revenues from subscription fees and sale of reports are expected to increase revenue per factory to USD 6,600 while freezing number of advisors at 6 auditing 75 factories. BWJ is projected to generate surplus from assessment and advisory services in 2018 to contribute towards covering other overhead costs. The table below illustrates the calculation of revenue and cost per factory.

As of end 2012			Projected by end 2018		
Number of Factories	55		Number of Factories	75	
Annual Fees per factory (\$)	3,000		Annual Fees per factory (\$)	5,000	
Assessment Revenue (\$)	165,000		Assessment Revenue (\$)	375,000	
Sale of reports (\$)	29,525		Sale of reports (\$)	120,000	
Total Revenue (\$)	194,525		Total Revenue (\$)	495,000	
Blended Average revenue per factory (\$)	3,537		Blended Average revenue per factory (\$)	6,600	
	Advisors	Team Leader		Advisors	Team Leader
Monthly Salary (\$)	2,860	3,701	Monthly Salary (\$)	2,778	3,589
Number	6	1	Number	6	1
Total Monthly (\$)	17,160	3,701	Total Monthly (\$)	16,670	3,589
Total Annual (\$)	205,920	44,412	Total Annual (\$)	200,038	43,064
	250,332			243,101	
Blended Average cost per factory (\$)	4,551		Blended Average cost per factory (\$)	3,241	

3.1.2. Training Revenue

At USD 9k in 2012, training is not considered a major source of revenue for BWJ. On the other hand, there is no committed cost element associated with it, except for the Supervisory Training, which has a full time employee. Other training material as Occupational Safety, Human Resources and Sexual Harassment are delivered by external consultants and therefore the course timings and class sizes can be managed to reach sustainability.

With respect to Supervisory Training, and assuming a daily fee per trainee of USD 56 (JOD 40), the break-even point is 161 trainees each year, each sitting through a 4-day course. Total revenue generated comes to USD 36k annually, which is a very distant objective from the current levels of USD 4k.

Nevertheless, Consultants increase a pickup in training revenue to reach 20k by 2018, slightly offsetting part of the direct cost.

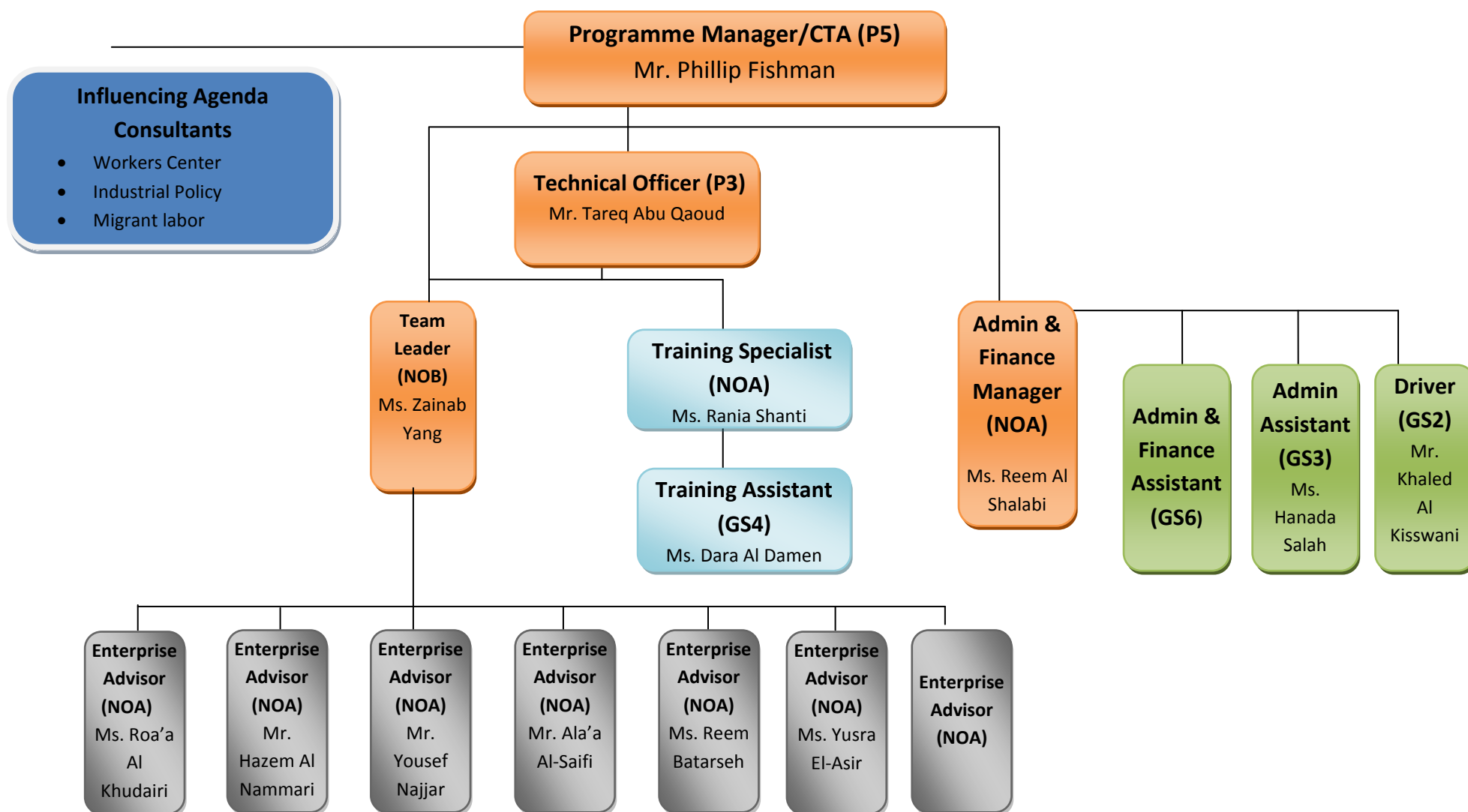
3.2. Expenses Assumptions

Salaries compose the majority of BWJ expenses so we will cover this item in more detail. Other expense line items are mostly derived from historical accounts 2008 - 2012 and budget 2013. An inflation factor of 5% p.a. is applied for periods 2014 onwards to some expense items that are not contractually fixed. Expenses such as rent, salaries, BWG fees (to be negotiated) are not adjusted for inflation. A provision is made for BWJ and ILO fees at same level as historical amounts. In order to be able to use the affiliation to ILO and BWJ after the end of the program, an annual fee should accrue the two international entities.

3.2.1. Human Resources Assumptions

The projected staffing requirements assume a structure that is closely aligned with the existing one. BWJ has invested in training and certifying the current staff in accordance with ILO best practices and international standards and thus no provision was taken to do mass training of new employees, aside from regular staff development courses included in annual budgets. Two important assumptions were made that affected the projected salaries of the future national entity (for the years 2017-2018). First, is the reduction in the number of international staff from two to one. Second, the national entity will have more flexible recruitment requirements, which will allow appointing fresh graduates to be trained to assist the advisors. Both assumptions results in the projected reduction of salaries once the anticipated future entity is established.

The following is an organization chart diagram as of Oct 2012. Also illustrated, is a breakdown of staffing requirements.



	Monthly Basic Salary (\$)	2013	2014	2015	2016	2017	2018
			5%	5%	5%	0%	0%
Manager - International	17,000	204,000	-	-	-	-	-
Manager – Local	10,000	-	126,000	132,300	138,915	134,331	134,331
Technical Officer	10,000	120,000	-	-	-	-	-
Consultant	3,500	42,000	44,100	46,305	48,620	48,620	48,620
Training Specialist	3,000	36,000	37,800	39,690	41,675	41,675	41,675
Training Assistant	1,300	15,600	16,380	17,199	18,059	18,059	18,059
Team Leader	3,100	37,200	39,060	41,013	43,064	43,064	43,064
Enterprise Advisor	2,400	28,800	30,240	31,752	33,340	33,340	33,340
Enterprise Advisor	2,400	28,800	30,240	31,752	33,340	33,340	33,340
Enterprise Advisor	2,400	28,800	30,240	31,752	33,340	17,503	17,503
Enterprise Advisor	2,400	28,800	30,240	31,752	33,340	17,503	17,503
Enterprise Advisor	2,400	28,800	30,240	31,752	33,340	17,503	17,503
Enterprise Advisor	2,400	28,800	30,240	31,752	33,340	17,503	17,503
Admin & Finance Manager	2,800	33,600	35,280	37,044	38,896	38,896	38,896
Finance Assistant	1,300	15,600	16,380	17,199	18,059	18,059	18,059
Admin Assistant	1,300	15,600	16,380	17,199	18,059	18,059	18,059
Driver	900	10,800	11,340	11,907	12,502	12,502	12,502
Basic Salary		703,200	524,160	550,368	577,886	509,957	509,957
Social Security Rate		15.8%	15.8%	15.8%	15.8%	12.5%	12.5%
Social Security Expense		111,106	82,817	86,958	91,306	63,745	63,745
Health Insurance Rate		3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
Health Insurance Expense		23,206	17,297	18,162	19,070	16,829	16,829
Total Salaries Exepense		837,511	624,275	655,488	688,263	590,530	590,530

4. Transition or Localization Plan

The transition towards a local entity must address several issues including those of ownership, the fate of the Executive Order mandating the participation of factories, the relationship with the ILO, the transfer of assets, contracts, trade marks from BWJ/ILO/IFC to the local BWJ, and legal structure of the new entity. Each of these issues is explained in the following sub-sections.

A timetable (annex 3) provides a transition plan that spans over 4 years (2013-2016), which is a suitable transition period that takes into account managerial, financial and political viability aspects (which are presented in the viability matrix in annex 4).

4.1. Ownership of the new entity

The owners will be responsible for establishing the new entity and receiving the assets from the ILO (the previous owner of BWJ). Under Jordanian law, using either of the two structures detailed below, there is no liability expected against the owners. However, in order to assure the new entity the necessary level of independence and objectivity, factories should not have a control or ownership relationship with the new entity.

Government ownership may not add value to the new entity as it will duplicate the monitoring and inspection efforts regularly implemented by government officials. Subjecting BWJ current staff to government salary scale will cause losing many of the good talents developed throughout the past three years. The section on the proposed legal structure provides further clarification on this matter.

4.2. Fate of the Executive Order

The program was started with the dual objective of improving compliance with international labor standards and national labor law and enhancing the competitiveness of the sector. Towards that end, in 2010 factories exporting garments to the U.S. and Israel were required to join the BWJ program, which, according to the definition derived from the instructions, is an affiliate of ILO and IFC. Once the link with ILO and IFC is broken, it can be argued that this Executive Order is no longer valid since it lost one of its main conditions. Reversing this Executive Order falls within the authorities of the Minister of Labor and does not require ratification by any higher government authority, although it will take some extensive lobbying by the factories before this could happen. This further emphasizes the importance of maintaining the relationship with the ILO/BWG through the local entity. If this relation is maintained to the satisfaction of the stakeholders, then there is no reason for the Executive Order to be rescinded.

4.3. The relationship with the ILO

After establishing the new entity, it's important to maintain a linkage with the ILO, in the form of an MOU for example or other means. Drafting this MOU and defining the authorities and responsibilities of the two parties should commence early on.

4.4. Transfer of assets, contracts and trade marks

Under Jordanian law, and irrespective of either legal structures proposed (a society or company), the new local entity is considered a legal person independent from its own owners or founders with all rights and obligations bestowed upon in accordance with the law and the relevant articles of association. Societies and companies are entitled to own movable and immovable assets, appoint employees, open and manage bank accounts, to name a few. Assets currently owned by BWJ (mostly movable and believed to be depreciated by end 2013) can be donated by BWJ to the new local entity or sold at fair value.

Service contracts (rental, insurance, security, maintenance, IT networks,...) that are still enforceable as of end 2013 and if indeed financially feasible, can be assigned in favor of the new local entity, subject to approval of the service provider and terms of original agreement. For the remainder of BWJ mandate, it is recommended to insert an assignment clause in new contracts to be signed by BWJ in anticipation of the eventual transition to the local entity.

Employee contracts (given they are ILO employees / subcontractors) cannot be automatically assigned. If staff is to be "relocated" to the new entity, current employees need to resign their current positions and simultaneously enter into a new employment agreement with the local entity in accordance with Jordanian Labor Law. While the current basic salary scale is competitive in relation with market salaries for similar experience and education profiles, benefits may be different between ILO and local contracts. Understandably the transition from ILO to local salary structure will affect the welfare of current employees to varying degrees, especially in areas of schooling allowances, social security, tax deductions, annual leaves,... to name a few. Considering the investment made in training and certifying the existing staff, the Consultants recommend smoothing the transition phase for the existing staff in order to minimize disruptions inside the work place. Furthermore we recommend evaluating the current human resources needs individually and drafting a succession plan in place.

Most important is the right to use the logo and trademarks of ILO and BWJ in order to keep the perspective of continuity.

4.5. Proposed legal structure

The interviews that took place with the different stakeholders indicated several legal structures for the future local entity. The government thought that the most sustainable structure would be thorough an independent government body, while buyers and factories preferred an independent entity in the form of an NGO or a not-for-profit company. The option of sustaining Better Work services through a government entity was not explored in details for three reasons. First, although the government perceived that an independent government body is the most sustainable legal structure, it saw the merit of sustaining Better Work activities through an NGO or a not-for-profit Company since it is a preference to the factories and the buyers.

Second, buyers and factories were concerned of lack of resources and capacity in the government to sustain Better Work services, in addition to changes of policies. Consequently, they considered that NGO or a not-for-profit company would overcome their concerns and constitute a better and more sustainable legal structure for the future entity.

Third, the current economic situation in Jordan combined with the stringent government restrictions on spending makes establishing a new government entity almost impossible. In fact, the government recommended the merger of some entities recently in an effort to reduce expenditures and in an attempt to comply with the requirements of the latest funding agreement with the IMF. Consequently, the option of sustaining better work activities through a government entity was not investigated.

A not-for-profit structure is more conducive for the future relationship with the ILO. Under the Jordanian law, a not-for-profit can be structured around a "Society" or a "Company". Both forms are used, however a Society structure comes under heavy regulation and restrictions on relations with foreign parties, being in the form of ownership or as financiers. Decision making on these issues falls in the hands of the Cabinet of Ministers. Consequently, a "Not-for-Profit Private Shareholding Company (PSC)" provides more flexibility for operations and decision making. The table below highlights the major differences between these two structures.

	Society	Not-for-Profit Private Shareholding Company (PSC)
Pertinent Law	Societies Law 51/2008	Companies Law 22/1997
Related Regulations	– Reg 57/2010 - Societies Indicative Articles of Association – Reg 32/2010 - Private Societies – Reg 13/2009 - Regulating Societies	Reg 73/2010 - Not-for-Profit Companies
Related Executive Orders	Executive Order 147/2010 - Regulating Societies	
Founding Members	1. Minimum 3 members (in case of Private Society)	Minimum 2 members. Upon approval of Companies Controller, number of PSC shareholders can be reduced to 1.
	2. Legal or natural person. If legal person, Ministers Cabinet approval required.	Legal or natural persons.
	3. Citizen and non-citizens. However, if non-Jordanian Cabinet of Ministers approval required	No citizenship restrictions.
Purposes	1. Social, charitable, developmental, childhood, poverty alleviation. Concerned Ministry Social Development. 2. Educational, cultural, restoration. Concerned Ministry Culture. 3. Environmental. Concerned ministry Environment. 4. Health, preventive health. Concerned Ministry Health. 5. Human rights. Concerned Ministry Political Development. 6. Religious. Concerned Ministry Islamic Endowments. 7. Agricultural. Concerned Ministry	1. Microfinance. 2. Investment Promotion 3. Training 4. Health 5. Educational 6. Other

	Society	Not-for-Profit Private Shareholding Company (PSC)
	Agriculture. 8. Tourism. Concerned Ministry Tourism. 9. Other. Concerned Ministry Interior.	
Establishing Process	An application to be filed with Societies Department at Ministry of Social Development. Application, signed by all founding members, to include: – Names of founding members and ID information – Articles of Association – Authorized signatories	An application to be filed with Companies Controller at Ministry of Industry and Trade. Application, signed by all founding members, to include: – Names of founding shareholders and ID information – Articles of Association – Authorized signatories – Company name – Paid-in Capital – Board of directors – Company objectives
Articles of Association	Proposed articles of Association to include the following: 1. Society name 2. Open membership or closed. 3. Address & geographical scope of work. 4. Society purposes 5. Membership conditions 6. Membership fees 7. General Assembly meetings 8. Quorum Requirements 9. Authorities of AGM 10. Authorities of EGM 11. Society Board of Directors 12. Sources of funding and other financial Matters 13. Society Dissolution	Proposed articles of Association to include the following: 1. Company name 2. Company address 3. Objectives 4. Names of founding shareholders, citizenships, addresses and number of shares subscribed by each 5. Declared capital, authorized number of shares, par value, and rights. 6. Rules governing shares transfers 7. Board of directors 8. General assembly meetings and quorum requirements 8. Company dissolution 10. Authorities of AGM 11. Authorities of EGM 12. Any pre-emptive rights in case of capital increase
Application Review	Within 60 days, unless a founder is non-citizen or legal person	Within 15 days.
Funding	1. All donations / grants should be disclosed. 2. Donations from non-Jordanian sources can be accepted subject to Cabinet of Ministers approval. If request not turned down in 30 days, funding considered approved.	No restrictions

	Society	Not-for-Profit Private Shareholding Company (PSC)
Tax Status	Profits from operations are tax exempt.	Profits from operations are tax exempt
Dividends	Surpluses (excess of receipts over expenditures) cannot be distributed back to founders. Surpluses should be accumulated in the society accounts and dispensed in its operations.	Surpluses (excess of receipts over expenditures) cannot be distributed back to founders. Surpluses should be accumulated in the society accounts and dispensed in its operations
Dissolution	1. Upon Extra-ordinary General Assembly's resolution. 2. If accepted illegal funding from non-Jordanian sources. 3. In case of breach of laws, and provided the breach not remedied in two months from warning date. 4. If Board of Directors not elected. 5. If society never commenced its operations. 6. Once dissolved, founders are entitled to recoup their original contributions but not any profits. Surpluses are diverted to either another society named in the Articles or to government Societies Fund.	1. If company in violation of law or its own Articles, provided breach is not remedied in 30 days from warning date. 2. If company engaged in unlicensed activities. 3. If company in violation of general ethical conduct. 4. Upon EGM resolution. 5. Converted to for-profit company at same capital. Net assets in excess of original capital (accumulated surplus) is transferred to public entities or Jordanian not-for-profit entities. 6. If dissolved, shareholders are entitled to recoup their original contributions in company's capital but not any profits. Surpluses are diverted to either a public entity or a not-for-profit company.
Other	– The Concerned Ministry (in the case of BWJ, the Concerned Ministry is MOL) should have oversight authority over society. – The Concerned Ministry should be invited to all General Assembly meetings. A representative of the Ministry may attend the meetings. – Copy of general assembly minutes of meetings should be filed with Concerned Ministry – Board of Directors should submit annual plans, annual reports, audited financials to Concerned Ministry.	A not-for-profit structure can also be applied to other company types as Limited liability (LLC) or partnerships. However a PSC structure has many advantages over other forms.

5. Managing the Transition

The transformation into an independent and sustainable entity calls for a new business perspective. This section aims at highlighting some of the key aspects that are highly relevant for improving the sustainability of the new entity. It is divided under three main categories: financial viability, political viability and managerial viability.

5.1. Financial Viability

Redefine the market

Rather than being confined to the Jordanian apparel sector, BWJ can consider delivering the same services to other markets within the Middle East and North Africa (MENA) region. This aspect should be further investigated during the transition period by assessing the demand of assessment services of apparel sectors in MENA.

On the other hand, a wider local factory base may be considered in close cooperation with the government of Jordan. This suggests delivering BWJ core services to factories exporting to Europe and other parts of the world.

Redefine the product

In addition to the products currently delivered by BWJ, namely assessment, advisory and training in accordance with ILO best practices, BWJ can also consider doing audits using third party standards such as WRAP (Worldwide Responsible Accredited Production) and FLA (Fair Labor Association).

Redefine the customer

The focus needs to shift from the factories to the buyers. The number of reports sold does not compensate for the effort spent in auditing and monitoring the factories. This is partially because the buyers are utilizing the services of third party service providers. Other service providers such as Intertek Testing, Level Works, and Moody among others are auditing Jordanian factories upon the request of certain buyers. Solidifying the ties with the buyers' communities is highly recommended in order to diversify service delivery into other sectors and markets. Potential for increased buyers' contributions to Better Work activities should also be considered. These could include in-kind support to training activities and introducing good management systems to their suppliers, and for special projects such as the Workers' Centers.

Other service providers

During the start up phase (2008-2013), BWJ did not have to compete with other service providers. Once it becomes a local entity, BWJ would be in direct competition with other service providers providing monitoring and auditing. Prices would have to be aligned closely in relation to overall market.

Cost recovery and funding

The financial projections indicates that the cost recovery of BWJ activities will only reach 37% by the end of BWJ project period and it is expected to reach 47% by the second year of operations of the future

local entity. These cost recovery ratios emphasize the government and the donor community is expected to contribute to the funding of the future local entity. It is reasonable to suggest that the government will provide 20% of the funding while the donor community provides 30% of the funding. Some of the government's funding could be financed from the revenue of work permit fees granted to foreign workers in the garment sector.

5.2. Political Viability

The commitment of the government and other stakeholders to sustaining the activities of BWJ is strongly associated with the factors explained earlier in this report (political viability). The following are important considerations to enhance the political viability of the local entity. These factors are also summarized in the viability matrix included in annex 4.

Enhancing the added value of the apparel sector

The current BWJ program could enhance the commitment of the stakeholders by increasing the sector's added value to the Jordanian economy and improving the legal framework for the working environment. Consequently, BWJ should fund and coordinate a "Garment Sector Enhancement Strategy". This should include a gap analysis regarding current labor legislation regulating the work environment. Progress on these two ends, is anticipated to further enhance the commitment of the government and other stakeholders to the suitability of the future national entity.

Elimination of Buyers Audits

The BWJ program is working towards the elimination of buyers' audits. This is expected to enhance the commitment of the factories, the confidence of the buyers and will support financial viability.

5.3. Managerial Viability

Relationship with the ILO

The relation with the ILO is crucial for managerial and political viability simultaneously. Consequently, this aspect of managerial viability should be crafted carefully emphasizing the three critical factors mentioned earlier: (1) the ILO should have a role in the governance of the future entity, (2) the ILO should play a role in the quality assurance of the service delivery, (3) the ability of the local entity to use the ILO and/or BW brand and practices

6. Annex (1) Summary of Desk Research- International Examples

Obtained from the websites of the relevant entities.

Dimensions	Name of Entity		
	Better Factories Cambodia BFC ²	Fair Labor Association FLA	VV Giri National Labor Institute VVGNI
Role: services provided and functions of development role			
Country/countries of coverage	Cambodia	Global	India
Services provided – to factories	Assessing and reporting on labor conditions based on ILO requirements and Cambodian Labor law. Factories sign a Memorandum of Understanding under which they agree to be subject to BFC's announced and unannounced visits. BFC also offers training in specific fields, as well as advisory services to factories in a manner that tackles non-compliance issues.	The FLA provides factory assessments based on FLA's Workplace Code of Conduct, under which each participating company agrees to participate in unannounced monitoring visits conducted by independent external monitors. The association also offers different types of training focused around social compliance and capacity building.	VVGNI's work focuses mainly on research and reporting. It develops training programs for factories, stakeholders, and government entities. These training programs aim to generate group discussions, investigate case studies, and present behavioral techniques. VVGNI also provides technical advisory services and manages awareness programs.
Functions of development role	Capacity building of stakeholders, in addition to publicly available research and publications. BFC also collects data through conducting visits to the factories and works on promoting sector competitiveness through improving the quality of production and advocating policy change.	The FLA also published reports entailing the results of its assessments and engages in special projects to test new tools and strategies for development. FLA offers stakeholders advisory services through a Global forum where they can share issues and discuss controversial views. It also ensures that workers rights are not violated through conducting precise investigations.	One of VVGNI's unique services is the Center for International Networking, which aims to institutionalize preset collaborations and start new partnerships VVGNI conducts extensive research on topics relevant to various sectors, in order to assess the needs of different groups. Research findings and labor related information are available through the organization's publishing program

² ILO is still involved in the management of BFC. The localization plan has yet to be agreed and implemented.

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Legal structure, governance and funding sources			
Legal entity type	Independent entity	Non-profit collaborative effort of universities, civil society organizations and companies.	A national entity and an autonomous body of the Ministry of Labor and Employment
Entities involved in management and governance	Managed by government and works closely with the Royal Government of Cambodia, the Garment Manufacturers' Association in Cambodia (GMAC), and the labor union federations	The Board of Directors comprises of 19 people, representing brands, universities, and NGO's, in addition to an independent chairperson.	Ministry of Labor and Employment, Ministry of Human Resources Development, and the Indian Planning Commission.
Funding sources	Mainly through the Government supported by donors both internationally and domestically	Funding is mainly through participating companies and stakeholders	Funded by the Ministry of Labor and Employment
Relation with: Government, buyers, factories	BFC reports help in reducing the number of audits needed and ensure that international buyers maintain their relationship with the factories after they comply with labor standards.	The FLA makes recommendations to international buyers, and is not affiliated to any government as it does not operate through national structures.	Relationship with international buyers is not clear, but has in intact relationship with the government as it is a national entity.
Relation with the ILO	The ILO is still involved in the management of BFC.	The FLA is not directly related to the ILO, but does complement its efforts by ensuring protection of workers' rights.	VVGNI is not directly affiliated with the ILO, but had signed a Memorandum of Understanding with the ILO's training center.
Management capacity			
Management and staff capacity	Most staff is Cambodian and management is chaired by the Cambodian government.	Most of the assessments are carried out through independent external monitors.	VVGNI staff are local.
Standards and branding	ILO's involvement in the local entity is maintained through a Memorandum of Understanding. The assessment is carried out according to ILO requirements in addition to the requirements of the Cambodian Labor Law. BFC is now working on internal monitoring, information handling, and training.	The FLA mainly acts as a third party monitoring organization that discloses its findings to the public. It develops the Workplace Code of Conduct with the stakeholders that cover the requirements of the ILO.	To serve its sustainability, VVGNI has created collaborations with international organizations that address labor issues. The institute has also taken several initiatives to cooperate international training and technology institutions.

7. Annex (2) Transition Timetable

Phase/activity	Responsibility	Resources/funding		2013	2014	2015	2016	Assumptions
		Amount	Source					
Phase 1: Preparation and endorsement of the sustainability plan:								
Activity 1.1: Prepare draft sustainability plan	BWJ	-	BWJ Budget	→				
Activity 1.2: Discuss with PAC members	BWJ	-	BWJ Budget	→				
Activity 1.3: Update sustainability plan and endorse by PAC members	BWJ	-	BWJ Budget	→				
Phase2: Establishing the local entity								
Activity 2.1: Defining the future national structure	PAC working group	none	-	→	→			
Activity 2.2: Developing the roadmap of the national structure	PAC working group	none	-		→	→		
Activity 2.3: Developing and endorsing the funding strategy of the national structure	PAC working group	none	-		→	→		
Activity 2.4: Securing funding for the future national structure	Government of Jordan	none	-				→	
Activity 2.5: Establishing the national structure	Government of Jordan	TBD ³	Services Revenue supports by GoJ and Donors				→	
Supporting activities: Improving the competitiveness of the garment sector								
Activity 3.1: Identifying gaps in labor legislations and regulation of work environment	ILO and BWJ	TBD	ILO and BWJ	→	→			

³ TBD: To be defined.

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Phase/activity	Responsibility	Resources/funding		2013	2014	2015	2016	Assumptions
		Amount	Source					
Activity 3.2: Addressing labor legislation issues	Government of Jordan	none	-					
Activity 3.3: Developing the garment sector development strategy	BWJ with stakeholders	BWJ activity	BWJ					
Activity 3.4: Implementation of the garment sector development strategy	BWJ with stakeholders	TBD	TBD					

8. Annex (3) Viability Matrix

Success Criteria	Indicators Definition	Targets			
		2013	2014	2015	2016
1. <u>Political viability</u> : Commitment of local stakeholders and international buyers to support a localized Better Work programme where feasible.					
a. Relevant Government entities tangibly support Better Work and commit to localization (or sustainability) .	Government entities can demonstrate their commitment to Better Work Jordan through: (i) facilitating the establishment and functioning of BW in the country (ii) integrating BW into their strategies or policies (iii) Dedicating financial or in kind resources to the programme. Commitment should grow over time, to the point where ownership and buyin to the idea of a localized Better Work is firmly cemented.	Government actively supports BWJ activities and encourages industry participation through incentives and penalties (e.g. continuation of supporting the factories fees) Garment sector enhancement strategy aiming at increasing sector’s added-value to Jordanian economy is developed by BWJ with active participation of Government	Government supports ILO/BWJ in identifying gaps in labor legislations and regulations of work environment. Government continues to actively supports BWJ activities and encourages industry participation through penalties and incentives (e.g. the Golden List ⁴). Government actively participates in PAC working group (WG) in charge of defining the future national structure (number of WG meetings attended by the government)	Government addresses 50% of labor legislations and regulations gaps identified by BW. Government endorses a roadmap for the national structure.	Government addresses 80% of labor legislations and regulations gaps identified by BW. MOU signed with the government defining the national structure, and the government’s commitment.

⁴ Golden List utilizes BW requirements and assessments.

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Success Criteria	Indicators Definition	Targets			
		2013	2014	2015	2016
			Government provides financial commitments and strategic support to the garment sector enhancement strategy.	Government commits to partial funding, seeks additional funding, and/or provides in-kind support (office space, equipment, ..) and/or staffing.	Government signs funding agreements with entities providing additional funding (e.g. World Bank, USAID, ...).
b. The Project Advisory Committee (PAC) legitimately represents stakeholders and has an increasingly strong governance role in country operations.	The Project Advisory Committee includes representative business and worker organizations along with appropriate members of government. The PAC guides and facilitates project implementation. It advocates issues addressed by the project, enhances visibility, and fosters joint accountability and ownership. The PAC must have strong buy in to the localization agenda and be prepared to have a governance role if/when IFC and ILO exit program management.			Government endorses roadmap for the national structure. PAC develops and endorses the Articles of Association of the local entity. PAC develops and endorses Terms of Reference of the Board of the local entity.	PAC evolves into the Board of the local entity.

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Success Criteria	Indicators Definition	Targets			
		2013	2014	2015	2016
c. <i>Social partners support the programme at factory and sector levels and have strategies in place for how to maximize benefits to their constituencies</i>	Representative trade unions and employer organizations can demonstrate their interest and commitment to Better Work by establishing strategies to engage with the programme and benefit from it.	J-Gate, Chamber of Industry and social partners actively participate in PAC meetings	J-Gate, Chamber of Industry and social partners actively participate in PAC working group (WG) in charge of defining in detail the future national structure (number of WG meetings attended by the social partners)	A new 3-year Collective Bargaining Agreement covering wages and working conditions is negotiated between employers and the garment union at the sectoral level.	Social partners are represented in the Board of the local entity.
		J-Gate, Chamber of Industry and social partners actively contribute the development of the sustainability plan of BWJ.	Joint activities are undertaken with the employers/workers organizations (e.g. value-added research, enhancing social dialogue).	J-Gate, Chamber of Industry and social partners work jointly with BW on developing and implementing solutions to major issues affecting wellbeing and work environment in the sector (e.g. practices of foreign workers recruitment).	
		J-Gate, Chamber of Industry and social partners are actively engaged in the development of the garment sector enhancement strategy.	As part of the garment sector enhancement strategy, 15% more Jordanians are employed in the apparel sector	As part of the garment sector enhancement strategy, an additional 15% more Jordanians are employed in the apparel sector.	
		Social partners are committed to social dialogue as a way to solve problems at the factory and the sector level (measured by workers committees that are freely elected by the workers verified by BW assessments)			

Success Criteria	Indicators Definition	Targets			
		2013	2014	2015	2016
d. International Buyers have confidence in Better Work and support the transition into a localized entity	International buyers demonstrate increasing commitment to the Better Work program by taking concrete steps to ensure participation by their supply chain, adapting internal labor audit/advisory practices to take account of Better Work and actively participate in Better Work buyer forums and other activities. Buyers must commit to continue this support for a localized entity.	Number of buyer partners increases by 20% from previous year. 50% of buyers have stopped their own auditing. 35% of buyers who source from Jordan are part of BW program. Buyers participate in joint activities and contribute to advisory or training services Number of export expansion activities (e.g. buyers' forum) increase by 20% from previous year.	Number of buyer partners increases by 20% from previous year. 70% of buyers have stopped their own auditing. 50% of buyers who source from Jordan are part of BW program. Buyers participate in joint activities and contribute to advisory or training services Buyers actively participate in PAC working group (WG) in charge of defining the future national structure (number of WG meetings attended by the buyers). Number of export expansion activities (e.g. buyers' forum) increase by 20% from previous year.	Number of buyer partners increases by 20% from previous year. 80% of buyers have stopped their own auditing. 60% of buyers who source from Jordan are part of BW program. Buyers actively participate with factories on productivity enhancement activities. Number of export expansion activities (e.g. buyers' forum) increase by 20% from previous year.	Number of buyer partners increases by 20% from previous year. Buyers have eliminated their own auditing. 70% of buyers who source from Jordan are part of BW program. Buyers commit to continue same level of support with the local entity. Number of export expansion activities (e.g. buyers' forum) increase by 20% from previous year.

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Success Criteria	Indicators Definition	Targets			
		2013	2014	2015	2016
		Increase of sector exports by 5% from previous year.	Increase of sector exports by 5% from previous year.	Increase of sector exports by 5% from previous year. Degree of buyers and markets diversification(% of high end, number of new markets)	Increase of sector exports by 5% from previous year. Degree of buyer and market diversification(% of high end, number of new markets)
Financial Viability. Businesses cover as much of the costs as possible of core service delivery ⁵ .					
a. Cost-Recovery	(Cost recovery of core services: Total revenue received/ Total budget for core service delivery)		Cost recovery of core services is 24%. Cost per worker is USD\$24.	Cost recovery of core services is 31%. Cost per worker is USD22.	Cost recovery of core services is 37%. Cost per worker is USD20.
b. Cost per worker	Total budget for core service delivery/total number of workers in the program)		Funding strategy of the local entity is developed and endorsed by the government and PAC members as part of roadmap for the national structure.	Funding strategy of the local entity is developed and endorsed by the government and PAC members as part of roadmap for the national structure.	Government signed funding agreements with entities providing additional funding (e.g. World Bank, USAID, ...).
c. Supplemental funding	Where revenue is insufficient to cover all operational costs, government funding must be identified.				Percentage of funding coming from Government is 20%. Percentage of funding coming from other funding sources 30%.

⁵ Financial targets will be verified once the financial viability assessment is finalized.

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Success Criteria	Indicators Definition	Targets			
		2013	2014	2015	2016
2. <u>Managerial Viability</u> : Capacity and capability of local government/entity and stakeholders is sufficient to support high quality ongoing service delivery.					
a. <i>Institutional capacity and local governance.</i>	Where feasible, a local entity will be created that has a legal status and governance structure reflecting the values of Better Work. Progress toward this goal requires action in three areas: (i) Defining and selecting the most appropriate legal institutional structure ⁶ ; (ii) Determining a governance structure that grants voice to key constituents (normally those from the PAC); and (iii) Developing the technical capacity of the governance structure to function effectively in executing its responsibilities.	BWJ and PAC agree on the appropriate legal structure of the national entity.		Government endorses roadmap for the national structure. PAC develops and endorses the Articles of Association of the local entity. Recruitment of national operations manager (who will head the operations of the national structure) Staffing and training needs of the national entity is defined.	National entity legally established. MOU/Agreement on level of services or governance support is signed with ILO. National operations manager takes over as Head of Operations of the national structure. Staff fully trained and operational with ILO quality standards.

⁶ This could be an NGO, foundation, public-private partnership, or public agency or department with some quasi-independent structure.

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Success Criteria	Indicators Definition	Targets			
		2013	2014	2015	2016
b. Leadership development and staffing	Staff and management of localized entity will have the necessary competencies, loyalty, commitment, and structure for high performance after transition.	20% of enterprise advisors complete OHSAS 18001 Lead Auditor course Increased cooperation with MOL: number of common training activities and number of MOL inspectors trained through internships on BWJ	30% of enterprise advisors complete OHSAS 18001 Lead Auditor course. Increased cooperation with MOL: number of common training activities and number of MOL inspectors trained through internships on BWJ.	40% of enterprise advisors complete OHSAS 18001 Lead Auditor course. Recruitment of national operations manager (who will head the operations of the national structure) Staffing and training needs of the national entity is defined. Change management strategy in place to assist in staff transition and change of contractual arrangements Increased cooperation with MOL: number of common training activities and number of MOL inspectors trained through internships on BWJ.	50% of enterprise advisors complete OHSAS 18001 Lead Auditor course. National operations manager takes over as Head of Operations of the national structure. Staff fully trained and operational with ILO quality standards Increased cooperation with MOL: number of common training activities and number of MOL inspectors trained through internships on BWJ. Satisfactory performance according to ILO quality standards verified through an audit by ILO (annual audit to be carried hereafter)

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Success Criteria	Indicators Definition	Targets			
		2013	2014	2015	2016
c. Financial and administrative	Systems are in place to support the operation of the national entity			Employee handbook is developed.	Audited financial statements presented to Board (by the end of the year)

9. Annex (4) Monitoring and Evaluation Plan

The monitoring and evaluation plan is developed to support the localization of Better Work Jordan and to inform its management. This plan provides a set of progress indicators that captures the main milestones of the localization process that respond to relevant activities in the transition plan. Additionally, it offers a list of result indicators that help in assessing the effects of Better Work services on the garment sector in Jordan and the degree of sustainability of these services.

Indicator Description	Baseline		Target value																Assumptions
	Value	Year	2013				2014				2015				2016				
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Progress indicators (localization milestones)																			
Share of labor legislations addressed by the government	-	-										50%				80%			
Endorsement of localization roadmap	-	-										√							
Funding of the national structure is secured	-	-												√					
National Entity established	-	-																√	
Garment sector development strategy developed with stakeholders	-	-									√								
Elimination of buyers audits	-	-														√			
Share of buyers participating in the program	-	-							50 %				60 %				70 %		
Better Work impact indicators																			

SUSTAINABILITY PLAN

Garment sector added value to the Jordanian Economy	36.9 %	2011			*				*				*				*		
Percentage increase in the exports of the garment sector	TBD **				5 %				5 %				5 %				5 %		

*To be defined in the sector development strategy.

** To be verified based on the targets of the sector development strategy.

10. Annex (5) Stakeholders

List of interviews

- Mr. Hamadah Abu Nijmeh- Secretary General- Ministry of Labor
- Mr. Adnan Rababaa- Head of Inspection Unit- Ministry of Labor
- Mrs. Gina Farraj- Consultant- Ministry of Industry and Trade
- Mr. Hassan Nsour- Head of QIZ- Ministry of Industry and Trade
- Mr. Fathallah Ifram- JGATE
- Mr. Mohammad Khorma- JGATE
- Mr. Fathallah Omari- Labor Union
- Mr. Ali Imran- Hi-Tech Textile LLC
- Mr. Kesava Murali - Assistant Regional Compliance Manager- The Jones Group