

**Action Fiche for Egypt****1. IDENTIFICATION**

Title/Number	Technical and vocational education and training reform - phase II (TVET II) (ENPI/2012/023-386)		
Total cost	EUR 117 million EU contribution: EUR 50 million Government of Egypt contribution: EUR 67 million		
Aid method / Method of implementation	Project approach – Partial decentralised management Egyptian Ministry of Education		
DAC-code	11330	Sector	Vocational training

**2. RATIONALE****2.1. Sector context**

The Technical and vocational education and training reform - phase II (TVET II) addresses several priority areas mentioned in the Joint Communication of the European Commission and of the High Representative of the EU for Foreign Affairs and Security Policy "A new response to a changing Neighbourhood"<sup>1</sup>. It is in line with the pillar III of the National Indicative Programme 2011- 2013<sup>2</sup> having the objective to develop the sustainability of the development process and better management of human and natural resources. The programme will improve the structure and the performance of the TVET system to better respond to the socio-economic challenges of the country, in particular youth employability.

The technical vocational education and training system in Egypt encompasses two sub-segments: the first one belongs to the formal education system, and it is represented by the technical secondary schools (TSS), under the Ministry of Education and by 8 postsecondary regional technical colleges (TCs), under the Ministry of Higher Education, which include 47 middle technical institutes. The second segment, referred to as "training" is generally divided by sectors and responsibilities are scattered among a variety of ministries. Among them, the most important in terms of numbers are the Ministry of Industry and Trade with the productivity and vocational training department centres, Ministry of Manpower and Migration, with their own network of vocational training centres (VTCs) and the Ministry of Housing (TOMO HAR<sup>3</sup> training centres). There are also VTCs belonging to other sectoral ministries, such as Social Affairs or Health. A special case is represented by the Ministry of Tourism, which does not have training centres

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<sup>1</sup> COM(2011)303 of 25 May 2011.

<sup>2</sup> C(2010)1144 of 2 March 2010.

<sup>3</sup> Training Organisation of Ministry of Housing.

affiliated and which depends for the provision of relevant skills for the labour force of the sector on a very limited number of tourism TSS (around 20 in all the country, many of them in deficient conditions) and on schemes of on-the-job training, which have developed a very important role in the past but are clearly insufficient for the growth of the demand of the sector.

The Ministry of Education is by far the largest TVET provider in the system, administering a total of 1,600 industrial, commercial and agricultural technical secondary schools with more than 2.2 million students enrolled in three-year technical diploma or five-year advanced technical diploma tracks. The private sector is represented mostly through the federations (Building and Construction, Manufacturing and Tourism, all of them with strong links with the ministries) and Chambers, as well as by some business associations and a Confederation of Investors' Association. After the revolution of January 2011, a new push for representation of the social partners and the civil society has been generated in Egypt. In this way, new independent trade unions have been set during the last year, as well as a very active network of NGOs, some of them also involved in training. The complexity and the institutional fragmentation of TVET in Egypt are exemplified by the fact that there are more than 30 institutions (between public and private sector) relevant for the sector. The **main problems** that the TVET sector is still confronting can be summarised in three blocks, which will be addressed by the proposed new intervention in support of the sector TVET II:

- 1) Inappropriate mechanisms for an effective and efficient governance and financing of the TVET system;
- 2) Problems in the quality and relevance of the TVET provision;
- 3) Difficult transition to employment, in particular for girls and women.

## 2.2. Lessons learnt

The EU has direct experience in the TVET sector in Egypt, through the “Support to the reform of TVET in Egypt” (TVET I)<sup>4</sup>, which started in 2005 and is under implementation until 2012-13. The proposed new intervention (TVET II) builds on the **achievements** of the previous TVET programme **in particular on the mechanisms for an increased involvement of the private sector** (by the setting up of the concept of enterprise and training partnerships (ETPs), both at sectoral and local levels and on the efforts developed by the programme to come up with **initial drafts of the strategy for the sector and a master plan for its implementation**<sup>5</sup>.

The lessons learnt in TVET I coincide with the experience of other donors and international organisations: 1) the real challenge is the need to assess and mainstream the successful “pilots” in the system, 2) the partnership and active involvement of the private sector is pivotal to the success of the reforms in the system, and 3) the root problem of institutional fragmentation and lack of leadership in the governance of the sector has to be addressed with a firm policy decision from the government of Egypt.

<sup>4</sup> C(2002)2913 of 2 August 2002.

<sup>5</sup> Still to be finalised and shared with the other stakeholders.

### 2.3. Complementary actions

In addition to the links between TVET I (EUR 66 million) and TVET II, the latter also complements the action of the current Education sector policy support programme<sup>6</sup> (EUR 140 million), which focuses on the support to the Ministry of Education on the implementation of the National Strategy for Reforming Pre-University Education (although with a bigger emphasis in general education). The Ministry of Education being the main beneficiary and co-ordinator of TVET II helps also to integrate closer the on-going and future support to both general education and TVET.

TVET II will also work closely with National Authority for Quality Assurance and Accreditation in Education (NAQAAE), both in Component 1 and 2, and will benefit from the capacity-building of this institution supported by an EU twinning (EUR 2 million)<sup>7</sup>.

Maximum complementarity has been sought and identified with **EU Member States active in the field**. Concrete links in different parts of the design of TVET II have been developed with the following donors: Germany (through their new project implemented by the Gesellschaft für Internationale Zusammenarbeit (GIZ) with also the Ministry of Education as a beneficiary), Italy (through their participation in the clusters' project in the engineering sector with the Educational Development Fund (EDF) and El Fayoum Tourism School Project implemented by IOM<sup>8</sup> with the Ministry of Education), France (through the Agence Française de Développement (AFD)), and the UK (through the British Council, which is carrying out joint work with TVET-I ETPs).

### 2.4. Donor co-ordination

The donor co-ordination process is mainly channelled through the Development Partners Group (DPG) for the subsector of education and skills developments, which is co-chaired by the EU Delegation to Egypt and was involved in the formulation mission. In addition to this, a first meeting with the Platform for TVET with EU Member States was held and several specific additional bilateral meetings with the EU Member States active in the sector were held in order to agree on the concrete cross-referencing and links between their programmes and TVET II in its design documents.

Ministry of Education, with the support from GIZ, is planning to set a donor co-ordination unit (also with some strategic planning capacities). In the last months, a clear move of donors to work with the Ministry of Education has taken place.

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<sup>6</sup> C(2007)6210 of 14 December 2007.

<sup>7</sup> From the 'Support to the implementation of the action plan programme and the Association Agreement (SAAP III)', C(2009)7483 of 2 October 2009.

<sup>8</sup> International Organization for Migration.

### 3. DESCRIPTION

#### 3.1. Objectives

**Overall objective of the programme** the structure and performance of the TVET system and TVET delivery in Egypt is improved and enhanced to better respond to the new socio-economic needs, in particular, youth employability and increased competitiveness in the context of the country's current and future development.

#### **Specific objectives of the programme**

1. The governance of the TVET system is rational and performs coherently through clear leadership, participation, partnerships and transparency.
2. The TVET system copes better with the labour market skills needs and private sector demand, starting from pilots focusing in selected key economic sectors (with particular emphasis on tourism) and extending its actions to the system level:
  - the delivery of the technical secondary schools (TSS) offers is revised and improved according to labour market needs and
  - after rationalisation and improving the different offers, the vocational training centres (VTCs) and other venues of training deliver on a higher quality level with increased labour market relevance.
3. The employability of Egyptian youth and workers and the capacity of the TVET system to develop appropriate skills programmes to meet labour market demand are enhanced, with particular attention to selected key economic sectors, notably tourism.

#### 3.2. Expected results and main activities

##### **Component 1: Improving the governance of the Egyptian TVET system**

Under this component, the programme will aim at supporting the government of Egypt in addressing in a coherent and efficient manner the current shortcomings in terms of the fragmentation and lack of ownership of the TVET sector. In addition, TVET II will build upon the work carried out by TVET I in the preparation of a strategic framework for the reform of TVET (following the TVET strategy prepared by key stakeholders of the sector in 2010 and endorsed by the Cabinet) and an action plan for its implementation. Moreover, TVET II will work at positioning all the Enterprise TVET Partnerships (ETPs) established by TVET I within the new governance structure in order to institutionalise the engagement of employers and sectors at the policy level.

<b>Expected results</b>	<p><b>Result 1.1:</b> TVET system's co-ordination and leadership is improved through the capacity-building of various existing and new institutions including the Ministry of Education co-ordination unit in all TVET governance activities.</p> <p><b>Result 1.2:</b> In close relation to result 1.1, a comprehensive strategic framework including a national TVET strategy and relevant legislation are endorsed and implementation started by key stakeholders building on the TVET I outputs and achievements in this regard.</p>
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	<p><b>Result 1.3:</b> An overall national qualification framework (NQF) for Egypt for all qualifications is designed and formally adopted by the government of Egypt, and piloted in the tourism sector in collaboration with the NAQAAE and/or other relevant institutions.</p> <p><b>Result 1.4:</b> A comprehensive methodology for the setting up of an information system of the financing and expenditure of the TVET system is developed, implemented and outputs analysed.</p> <p><b>Result 1.5:</b> A national strategy for improving the image and social perception of TVET is developed and implementation of some activities started.</p>
<b>Main activities</b>	<p><b>Activity 1.1:</b> Provide institutional capacity-building at the strategic and operational level for various existing TVET authorities and bodies as well as new institutions established by the government of Egypt during the life time of the programme</p> <p><b>Activity 1.2:</b> Development, updating and implementation of a national TVET strategy building on the outputs of TVET I in this regard.</p> <p><b>Activity 1.3:</b> Provide technical assistance in developing, launching and piloting a NQF in close collaboration with NAQAAE, other TVET authorities and private sector employers.</p> <p><b>Activity 1.4:</b> Develop, implement and analyse a methodology for the TVET financial information and expenditure framework, in line with the specificity and complexity of the TVET system.</p> <p><b>Activity 1.5:</b> Provide Technical Assistance in the development and piloting of a national strategy for improving the image of TVET.</p>

## Component 2: Enhancing the relevance and quality of TVET

Component 2 will be organised in two subcomponents, one referring specifically to technical secondary schools (TSS) and the second one focusing on vocational training centres (VTCs) and other venues of training.

A set of pilot economic sectors have been identified and selected both for their potential for growth and employment, following a careful economic analysis performed during the formulation of the programme Component 2 (and also component 3, see below) will be piloted in these sectors, with the objective to extract lessons and mechanisms that will allow for further extension of the reform in the system. The selected sectors are:

- 1) For subcomponent 1 (TSS and TCs): tourism, agribusiness (including food processing), and industrial engineering specialties related to automation, energy (with particular emphasis on renewal energies) and information and communication technology.
- 2) For subcomponent 2 (VTCs and other venues of training): tourism, building and construction and textile (ready-made garments).

<b>Expected results</b> <b>(valid for both sub-</b>	<p><b>Result 2.1:</b> Existing TVET programmes that may be no longer relevant for current labour market needs in economic sectors, selected both for their potential for growth and employment, are identified and sorted out.</p> <p><b>Result 2.2:</b> The curricula of these economic sectors of several ministries involved in TVET are newly designed and/or updated in</p>
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<b>components)</b>	<p>order to meet labour market needs through the direct involvement of the existing and new sectoral and local ETPs.</p> <p><b>Result 2.3:</b> A policy for further training of teachers/trainers and school managers is outlined, in place and a considerable number of these selected pilots (to be agreed with the Ministry of Education, rest of relevant ministries and private sector) of these experts trained.</p> <p><b>Result 2.4:</b> Quality assurance systems on institutional level are implemented and a considerable number of these selected pilots (to be agreed with the Ministry of Education, rest of relevant ministries and private sector) of TSS, VTCs and TCs are accredited. A systemic option for accreditation in the vocational training sector is developed.</p> <p><b>Result 2.5:</b> New equipment is available and used in different learning environments in order to support the implementation of updated curricula.</p>
<b>Main activities (valid for both sub-components)</b>	<p><b>Activity 2.1:</b> Provide capacity-building and screening instruments for curriculum developers at the Ministry of Education, Ministry of Higher Education, Ministry of Tourism and other relevant ministries and training councils.</p> <p><b>Activity 2.2:</b> Dissemination of different well known and tested methodologies for curriculum development. Setting up of networks for close co-operation between the international and national TVET experts with specialised institutions of different economic sectors.</p> <p><b>Activity 2.3:</b> Identification of main constraints and weaknesses for further training of TVET teachers and trainers, as well as school and VTCs managers, through field visits and action research. Capacity development of sector specific multipliers.</p> <p><b>Activity 2.4:</b> Disseminate knowledge about recent approaches on quality assurance and on country specific best practice. Provide capacity development and mobilise part of the Egyptian contribution to the programme for TSS in order to improve the perspectives for accreditation. Physical upgrading of schools (also linked to the Egyptian contribution). Relevant equipment adapted for the new curricula needs and accreditation is provided. Support of the responsible ministries in identifying a systemic option for accreditation in the vocational training sector.</p> <p><b>Activity 2.5:</b> In-depth analysis of the existing equipment in the selected pilots belonging to different ministries, with proposals for redistribution and rationalisation when applicable.</p>

### **Component 3: Transition to employment**

Component 3 focuses on the testing and implementation of a methodology to identify labour market information that can contribute to the development of relevant TVET programmes to match the labour market demand, and thus to the employability of youth and workers.

This process will be implemented in the selected pilot economic sectors under component 2. The methodology will be developed and tested in close co-operation with enterprises (large and medium) with strong positioning in their sectors, and with

the participation of their representative structures (federations, etc.), as well as ETPs. They will also contribute to the monitoring of the labour market studies conducted to help assess their relevance and quality.

Training programmes to meet identified labour market demand will be systematically developed, and support to career guidance will be provided to help potential students and trainees make a more efficient choice of professional activities. The TVET institutions participating to this component operate under different ministries and governmental agencies (Ministry of Education, Ministry of Industry and Trade, Ministry of Manpower and Migration, etc.)

The training programmes, in particular retraining and entrepreneurship programmes could be developed and implemented with the contribution of employers' organisations, trade unions, other NGOs and professional organisations/ETPs. Grants financed under the programme could be awarded to implement these activities. The beneficiary organisations and NGOs would be selected on the basis of strict criteria using international best practices as a reference (e.g. Latin America).

<p><b>Expected results</b></p>	<p><b>Result 3.1:</b> The process of identifying the demand for skills in selected economic sectors is operational, and is applicable to the development of TVET programmes accordingly.</p> <p><b>Result 3.2:</b> The results of the studies for the identification of skills, occupational requirements and gaps in selected pilot sectors are used for the development / adjustment of skills programmes to meet the labour market and to contribute to the employment of youth and workers.</p> <p><b>Result 3.3:</b> Career guidance and counselling services are developed and operational in the TVET institutions active in the programmes.</p> <p><b>Result 3.4:</b> Tracer studies targeting the beneficiaries of the programmes developed.</p> <p><b>Result 3.5:</b> A national structure is responsible for the labour market studies and the process of development of a labour market information system is initiated.</p>
<p><b>Main activities</b></p>	<p><b>Activity 3.1:</b> Development and test of a methodology to identify, collect, structure and analyse the demand for skills.</p> <p><b>Activity 3.2:</b> Supporting the development / implementation of programmes in TVET schools and training centres under the different ministries and governmental agencies to train youth for employment, to retrain and ensure transition to work of unemployed individuals.</p> <p><b>Activity 3.3:</b> Development of career guidance tools and methods to provide services to potential candidates for the training programmes, which have been prepared to meet labour market demand.</p> <p><b>Activity 3.4:</b> Preparation and implementation of the tracer studies in each of the programmes developed and implemented.</p> <p><b>Activity 3.5:</b> Ensuring that the studies launched in result 3.1 are piloted and managed by a national structure.</p>

### 3.3. Risks and assumptions

The main assumptions and preconditions are mostly of three kinds: a) the Egyptian political and socio-economic situation remaining stable enough for allowing the implementation of the programme, particularly following up the presidential elections and the subsequent change of government, b) the new government of Egypt keeping TVET as a high priority in their policy agenda, allocating a the proposed contribution of EUR 67 million to the programme and in particular showing political will to deal with some of the policy decisions, such as for instance the rationalisation of the governance structure of the TVET system in the country, and c) the main beneficiary, the Ministry of Education, continues to show ownership and commitment towards the reform of TVET and guarantees the necessary participation and co-ordination with the key stakeholders in the sector (other ministries and the private sector).

The Ministry of Education will devote all the necessary attention and action to prevent and avoid delays during implementation.

### 3.4. Cross-cutting issues

The main cross-cutting issues in the proposed new intervention are **governance** (which is the core topic component 1), **gender** (which is addressed in particular in components 2 and 3, with the selection of some of the sectors and specialities where women have more opportunities to participate in the labour market and with target programmes) and **environment**, which is addressed in the choice of economic sectors for components 2 and 3, in particular tourism and renewal energies. The tourism sector in Egypt is following a new strategy (through the “Green Sharm project”) to move towards “green tourist options” in selected locations, like South Sinai and the Red Sea, with the idea to replicate it in other country locations.

### 3.5. Stakeholders

The **final beneficiaries** of the proposed intervention are young students and graduates, adult learners (employed and unemployed), employers and the Egyptian society at large.

Ministry of Education: **Formal beneficiary**, in terms of responsibility for implementation of the programme is the Egyptian Ministry of Education, as holder of the largest segment of students in TVET (more than 2 million) and main player in the delivery of education and training. The Ministry of Education will also endorse the role of **co-ordinator** and **facilitator** in particular in components 1 and 3.

Ministry of Tourism: **Closely associated** to the formal beneficiary, due to the special focus of the programme on the Tourism sector. The Ministry of Tourism will be involved in the implementation of all three components, with particular attention to components 2 and 3.

Other public institutions: Ministry of Manpower and Migration, Ministry of Industry and Trade, Ministry of Higher Education, Ministry of Planning and International Co-operation and other bodies like training councils, Educational Development Fund (EDF), Social Fund for Development, the Central Agency for Public Mobilisation and Statistics (CAPMAS).

Private Sector: The Ministry of Education will ensure the active links and participation with the private sector representatives, through the joint work with the Enterprise TVET Partnerships (ETPs) from TVET I plus the federations, business associations and key employers in the selected sectors.

Other non-state actors: In component 1, the participation of the civil society as well as the social partners (including newly created trade unions and employers associations) will be an important innovation and the programme will foster their inclusion in any new institutional mechanism that may be set up to improve the governance of the TVET system in Egypt. The civil society (through NGOs relevant to the TVET sector) will also be actively involved in the implementation of components 2 and 3.

#### 4. IMPLEMENTATION ISSUES

##### 4.1. Method of implementation

The chosen method of implementation is partial decentralised management through the signature of a Financing Agreement with the Arab Republic of Egypt in accordance with Articles 53c and 56 of the Financial Regulation except for audit and evaluation which will be contracted by the Commission:

The Commission controls *ex ante* all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies *ex ante* control for procurement contracts > EUR 50,000 and may apply *ex post* for procurement contracts ≤ EUR 50,000. The Commission controls *ex ante* the contracting procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the beneficiary country for operating costs and contracts up to the ceilings indicated in the table below.

The responsible authorising officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

Works	Supplies	Services	Grants
< EUR 300,000	< EUR 150,000	< EUR 200,000	≤ EUR 100,000

The change of management mode constitutes a substantial change except where the Commission "re-centralises" or reduces the level of tasks previously delegated to the beneficiary country, under decentralised management.

##### 4.2. Procurement and grant award procedures

###### 1) Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by

the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the European Neighbourhood and Partnership Instrument (ENPI) Regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in the Article 21(7) of the ENPI Regulation.

## 2) Specific rules for grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget of the EU. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for general budget: in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the EU.

## 3) Specific rules on programme estimates:

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question (i. e. the Practical Guide to procedures for programme estimates).

The EU financial contribution covers the ordinary operating costs deriving from the programme-estimates.

### 4.3. Indicative budget and calendar

The overall indicative breakdown of the budget of the programme 'Technical and vocational education and training - phase II (TVET II)' is:

<b>Indicative breakdown of overall amount by main components (in EUR)</b>	
Component 1: Improving the governance of the Egyptian TVET system	7,000,000
Component 2: Enhancing the relevance and quality of TVET	22,000,000
Component 3: Transition to employment	13,500,000
Project implementation unit (PIU) and ETPs running costs	3,800,000
PIU Equipment	500,000
Audits and evaluation	700,000
Communication and visibility	500,000
Contingencies*	2,000,000
<b>Total of EU contribution</b>	<b>50,000,000</b>

(\*) The “contingency” amount can only be used with prior written approval by the Commission.

The total EU contribution includes an estimated budget up to EUR 15 million that has to be purposely allocated to the tourism sector across the three components. Any specific inter-ministerial agreement aimed to govern this principle will be in conformity to the specific Financing Agreement of this programme

For the tendering procedures, the first technical assistance service tender for component 1 should be contracted in year N, N being the year of the signature of the Financing Agreement. It is planned to contract the other services and supply tenders in year N+1 and N+2. All contracts should be signed before the N+3 deadline.

The government of Egypt will contribute to this programme with an amount equal to EUR 67 million, the Egyptian fund will include and will not be limited to the following items:

1. Location and facilities for the project implementation unit;
2. Salaries for the PIU members;
3. Incentives or compensations expenses for members of the PIU and task forces;
4. Infrastructure investment in upgrading and rehabilitating the technical education schools, TSS and vocational training centres, VTCs that would be selected by the programme for the piloting the reform of TVET system and development of materials.

The foreseen operational duration indicated in months as from signature of the Financing Agreement is **60 months**.

#### **4.4. Performance monitoring**

Day-to-day technical and financial monitoring will be a continuous process as part of the Beneficiary responsibilities. The Beneficiary shall establish a permanent monitoring and evaluation system internal to the programme which will be used to elaborate all the reports of the programme activities.

The logframe of the programme provides a set of objectively verifying indicators that will be used during the performance monitoring, to be carried out according to the results oriented monitoring (ROM) procedures.

Independent consultants recruited directly by the EU on specifically established terms of reference will carry out external monitoring ROM system.

The reports of the monitoring missions will be given to the beneficiary, in order to take into account any recommendations that may result from them. Each monitoring activity will be carried out with prior announcement of at least one month to the beneficiary.

#### **4.5. Evaluation and audit**

An indicative amount of EUR 700,000 has been earmarked in the budget for Financial audit and evaluation purposes, all contracts for audit and evaluation will be directly contracted by the Commission. In addition to the regular annual auditing, it is envisaged that the programme will undergo two external evaluations: one mid-term and another final.

The reports of the evaluation missions will be given to the beneficiary, in order to take into account any recommendations that may result from them. The beneficiary and the Commission shall analyse the conclusions and recommendations of the mid-term evaluation and jointly decide on the follow-up action to be taken and any adjustments necessary, including the reorientation of the programme

#### **4.6. Communication and visibility**

The communication and visibility will be assured in accordance to the EU guidelines on visibility available from the EuropeAid website at [http://ec.europa.eu/europeaid/work/visibility/index\\_en.htm](http://ec.europa.eu/europeaid/work/visibility/index_en.htm). A communication strategy will be developed in the inception phase by the beneficiary that will be discussed and approved by the programme steering committee, in close co-ordination with the EU Delegation to Egypt.

**Action Fiche for Egypt****1. IDENTIFICATION**

Title/Number	Emergency employment investment project in Egypt (ENPI/2012/024080)		
Total cost	EU contribution: EUR 70 million Co-financing with the World Bank (loan of USD 200 million)		
Aid method / Method of implementation	Project approach Joint Management: Administration Agreement with the World Bank Centralised Management (monitoring and evaluation)		
DAC-code	16020	Sector	Employment policy and administrative management
	16010		Social/welfare services

**2. RATIONALE****2.1. Sector context**

The Emergency employment investment project in Egypt, a project developed jointly with the government and the World Bank (WB), addresses several priority areas mentioned in the Joint Communication of the European Commission and of the High Representative of the EU for Foreign Affairs and Security Policy "A new response to a changing Neighbourhood"<sup>1</sup>. It is in line with the pillar II of the National Indicative Programme 2011- 2013<sup>2</sup> having the objective to develop the competitiveness and productivity of the Egyptian economy, which includes generating new jobs. The project will support the swift creation of employment and income generation opportunities, namely in the most impoverished areas, and will target in particular the youth, therefore addressing the Egyptian society's pressing demands for social justice.

This project contributes to a broader action, which has the similar name "Emergency labour intensive investment project" designed by the World Bank and recently agreed with a loan agreement between the Bank and the government of Egypt of USD 200 million.

The EU proposed project is built on a request by the government of Egypt and on the country's identified needs. Egypt expanded its social safety net to mitigate the social stress linked to the 2008/2009 food crisis through subsidised food and cash transfer programmes which helped reducing extreme poverty. Nevertheless, they were not fully effective in the reduction of poverty rates. Egypt does not have a targeted social

<sup>1</sup> COM(2011)303 of 25 May 2011.

<sup>2</sup> C(2010)1144 of 2 March 2010.

protection system that could adequately protect the poor and those in danger of falling into poverty.

The impact of the January 2011 uprising has slowed down economic development and increased poverty and unemployment. As Egypt is going through a transitional stage of political and economic uncertainty, there have been significant increases in unemployment rates, from 9.6% before the revolution to 12.4% in December 2011<sup>3</sup>. Poverty rates also increased from 21% in 2009<sup>4</sup> to 25% by end of 2010 period<sup>5</sup>. Prior to the January 2011 events, the estimated women's participation to the labour force was 22.9% (men's rate was 75.1%). The situation worsened due to the economic crisis following the said events and this resulted in a decrease of women's participation in the labour market, with a participation rate of 22.4% recorded in the second quarter of 2011. Female unemployment (18-29 years old) stands at 46.4% while young men are at 11.5%. Unskilled and semi-skilled workers, especially those who are already unemployed, are those more vulnerable as they are among the poorest segment of society. Unemployment could be a trigger for continued social unrest, hence the urgency of addressing this important issue.

To address similar crisis situations several countries have adopted public works programmes (PWPs) as successful instruments to lessen the high unemployment rates, providing immediate short term employment opportunities while creating or maintaining infrastructure using labour intensive techniques and increasing the limited access to public services by the most vulnerable segments of the population. The need to reintegrate public works programmes as an essential element of the Egypt's safety net was highlighted by the government after the January 2011 events and it was recommended already in a study conducted by the World Bank as early as 2005.

The government of Egypt recognised the urgent need to launch the implementation of a public works programme that would adopt labour intensive method to generate job opportunities.

## 2.2. Lessons learnt

The project will improve the original design of public works implemented by the Social Fund for Development (SFD) in the previous three International Development Association-financed projects during the period 1990–2005. There are four important improvements to the model that the project proposes on the basis of the lesson learnt: (i) increasing the percentage of labour intensity<sup>6</sup> to reach an average higher than what is currently being applied in Egypt and to eventually reach comparable percentages achieved in similar countries<sup>7</sup>; (ii) using geographic criteria and community requests

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<sup>3</sup> CAPMAS (Central Agency for Public Mobilisation and Statistics), Labour Force Survey, July-September 2011.

<sup>4</sup> The World Bank. Poverty in Egypt 2008-2009: Withstanding the Global Economic Crisis. January 2011.

<sup>5</sup> CAPMAS, Household Expenditure Survey, 2012.

<sup>6</sup> Labour cost being ranging between 50-70% of total cost is advised by international literature. The multiplier of a labour-intensive approach is at least 1.5 compared to only 0.7 for equipment-intensive construction techniques.

<sup>7</sup> Current labour intensity applied by SFD average percentage ranges between 22%-36%.

(bottom–up approach) to target the poor<sup>8</sup>; (iii) including labour-intensive community service sub-projects.

### 2.3. Complementary actions

This project will be carried out in synergy with the main interventions implemented in the country in the area of job creation and public works. Complementarity will be ensured through co-ordination with the project on "Decent jobs for Egypt's young people" (International Labour Organisation (ILO), USD 10 million), and the USD 5.5 million grant of Japan (channelled through the United Nations Development Programme (UNDP)) to a project aiming at providing short term employment opportunities for youth in social services and labour intensive public works programmes.

This project, addressing short term needs through employment-intensive construction works will be developed in complementarity with the on-going EU support to the Technical and vocational education and training reform – phase I<sup>9</sup> and the upcoming phase II. These two interventions addressing medium and long term structural reforms are supporting, amongst others, the improvement of the skills of workers in the construction and building material sectors.

### 2.4. Donor co-ordination

In line with the Aid Effectiveness Agenda, the Ministry of International Co-operation launched a co-ordination process among all major donors willing to intervene on labour intensive projects. The World Bank, already active in the sector and in negotiation with the government since 2011, the ILO, which is implementing a project on youth employment, the EU, the "Agence Française pour le Développement" and the European Investment Bank (EIB) attended the co-ordination meetings and exchanged documents and information on their interventions, strategies and plans.

The World Bank played and continues to play a leading role in strengthening co-ordination among donors, due to its heavy involvement in the preparation of the "Emergency employment investment programme" just immediately after the January 2011 uprising. The negotiations of the World Bank with the government on the programme were resumed after the 2011/2012 parliamentary elections and have now led to the finalisation of the programme's documents and to the signature of a loan agreement between the World Bank and the government of Egypt.

## 3. DESCRIPTION

### 3.1. Objectives

The overall objective of the project is to contribute to poverty reduction through activities supporting employment creation and income generation for the poor. This will contribute to stronger economic and social cohesion

<sup>8</sup> Geographic targeting will be guided by the Egypt Poverty Map and SFD Poverty targeting toolkit.

<sup>9</sup> C(2002)2913 of 2 August 2002.

The project will contribute to the objectives of the broader action designed by the World Bank.

The specific objectives are:

5. To create short-term employment opportunities for the unemployed among the unskilled and semi-skilled workers in selected locations in Egypt through the construction or maintenance of community level infrastructure and the provision of community services.
6. To address the government of Egypt request for technical and financial support in the design and implementation of a public works programme for Egypt as part of the safety net policy.
7. To contribute to the creation and/or maintenance of infrastructure and community assets and services providing better access to basic infrastructure services to the target population in poor areas.

### 3.2. **Expected results and main activities**

The expected results of the project are:

- a. Enhanced job creation and income generation capabilities, especially of the youth; temporary jobs are created within local communities with an impact on income generation.
- b. Improved living conditions in target areas, through access to improved services by deprived local communities.
- c. Labour intensive small scale infrastructures and intensive community service sub-projects created.

Project's activities will be divided in the following components:

- Component 1

**Employment intensive small scale infrastructure sub-projects:** This component will support labour intensive small scale local infrastructure public works sub-projects. The labour intensive small scale infrastructures sub-projects will include: canal weeds reduction/cleaning, Nile river bank protection, rural housing conditions upgrading, pavement of rural roads, school rehabilitation, and potable water networks and connections projects.

- Component 2

**Employment intensive community service sub-projects and youth employment activities in urban and in rural areas:** This component will support labour intensive community services sub-projects such as solid waste management/collection and environmental clean campaign in the villages, early childhood education (nursery), nutrition services, employment in illiteracy eradication projects and population campaign awareness on employment opportunities. The sub-projects related to the community services tend to employ female, so this type of projects will enhance the percentage of women targeted by the project. The indicators on job opportunities created during the project will be gender disaggregated.

It also aims at promoting the youth employment in rural and urban areas and will include innovative pilot projects on employment opportunities for youth which will be proposed by NGOs. They could include in rural areas: plantations, restoration of buildings in villages, maintenance of roads; in urban areas: sanitations of buildings and their maintenance.

- Component 3

**Improving workers' employability:** Short term trainings (for example up to 3 days per month worked) will be provided to a limited amount of workers targeted by the above mentioned components, with a view to contribute to facilitate their "transition" into regular jobs. The short terms trainings could focus on information and communication technology skills, literacy programmes, nursery and they could mainly target the women who were involved in the labour intensive community services component, or the youth targeted by the rural and urban youth employment schemes.

Geographical locations for the components will be determined on the basis of Egypt's poverty map and, following a bottom-up approach, on the basis of the needs which will be identified by governorates, technical directorates of the ministries at governorate level, requests tabled by the community development associations and NGOs and a poverty targeting mechanism developed by the Ministry of Social Solidarity. On the basis of the methodology of labour intensity, the projects selected are those which will ensure the higher labour intensity rate having therefore the highest wage component with respect to the capital component. The wages (between EGP 40 and EGP 50 per day) will be set slightly under the market level to avoid the diversion of the workers already employed. The short employments will be for the duration of 4 months (of 25 days each), which is the duration on average of the job opportunities created by the project. The output indicator for the World Bank broader action to which the EU project will contribute is to provide 20,000,000 person/days therefore generating around 200,000 new jobs, applying the same parameters the EU contribution will allow the creation of around 82,000 new job opportunities.

The project includes a further category of activities (horizontal activities) aiming at ensuring quality implementation of the project and at improving its sustainability. This group of activities includes a) provision of project implementation support, including project management, b) public information and communication, c) technical verification and quality assurance, d) monitoring and evaluation, e) capacity-building for SFD and governorates' staff.

Capacity-building activities will be carried out for the local staff of the Social Fund for Development's (local offices) and for the governorates' staff involved in the project implementation with a view to strengthening the capacity to implement and monitor the project at local level.

### **3.3. Risks and assumptions**

The project risks are those related to the current political situation in Egypt and the uncertainty about the future leadership and policies of the new government. Nevertheless there is a broad consensus both within Egypt and among external partners that social and pro-poor policies are top priority for the country. The EU support, as well as other stakeholders' support, is in line with the priorities and strong demands of the citizens.

### 3.4. Cross-cutting issues

The sub-projects of the proposed project, both those related to small scale infrastructure and to community services are likely to result in a number of positive environmental and socio-economic impacts. Those impacts include improved access to community services, improvement in environmentally related projects such as canal cleaning and river Nile Bank protection; similarly, the improvement of housing conditions and solid waste disposal and management for the poor will lead to positive health impacts.

As far as the environmental dimension is concerned, the EU will also build on the World Bank's tool called the Environmental and Social Screening and Assessment Framework (ESSAF), which has been set up to address any likely negative environmental impacts potentially resulting from the sub-project activities. The safeguard screening and mitigation process will include a) a proposed checklist of the likely environmental impacts to be filled out for each sub-project or group of sub-projects; and b) a proposed checklist for environmental monitoring indicators for the sub-projects. Finally, the project will have a special focus on youth offering new job opportunities.

The sub-projects related to the community services tend to employ female, so this type of projects will enhance the percentage of women targeted by the project, in addition to young people who have been unemployed for a long time, and young graduates.

### 3.5. Stakeholders

The **SFD** central office based in Cairo supported by 20 regional and 7 satellite offices (one in each governorate) will **co-ordinate** project activities with the various stakeholders. The regional and satellite offices are the main point of contact between requesting agencies and the SFD: they provide advice to communities, NGOs, and regional government on SFD procedures.

**Others stakeholders** involved in the implementation of the proposed project are: **governorates** (around 15 governorates in the poorest areas of the country), **line ministries and their technical directorates**: Associated with governorates are technical directorates (mudiriya) which represent line ministries within a particular governorate, and they are responsible for the technical aspects of their sectors throughout the governorate. The project is **demand driven**: it responds directly to the emerging needs of the poor and vulnerable groups in Egypt, in particular unskilled and semi-skilled workers, including youth.

**The "mother" NGOs**, which are large and more experienced NGOs who have also supported the formation and expansion of grass-roots **community development associations** (CDAs) at the village level, as well as the groups of citizens with a common interest from the community, who are organised into legally constituted civil associations are important stakeholders namely for the community services sub-projects (including youth rural and urban employment).

## 4. IMPLEMENTATION ISSUES

### 4.1. Method of implementation

The method of implementation will be joint management through the signature of an Administration Agreement with the World Bank in accordance with Article 53d of the Financial Regulation. The World Bank complies with the criteria provided for in the applicable Financial Regulation.

The World Bank has the technical knowledge and a long-term experience in supporting public works programmes as an important component of the overall safety net package in many IBRD<sup>10</sup> countries, including Egypt<sup>11</sup>, and use emergency procedures which will guarantee rapid implementation of the project in the current circumstances. The World Bank, following its guidelines for Rapid Response to Crisis and Emergencies (Operational Policy 8.00), is currently the only international development organisation capable of responding to the needs of the country within a short period of time.

The World Bank is covered by the Trust Funds and Co-financing Framework Agreement concluded with the Commission on the basis of which a standard Administration Agreement will be signed.

Centralised management will be applied for monitoring and evaluation of the project which will be carried-out through independent consultants and will be managed by the EU Delegation to Egypt.

A **steering committee** will be set up; it will oversee and validate the overall direction and policy of the project. It shall meet twice a year as a general principle and can be convened whenever the project's implementation requires strategic decision or changes. It will also endorse the pipeline of the projects to be implemented.

The project steering committee shall be made up of:

- A representative of the Ministry of International Cooperation;
- A representative of the Social Fund for Development;
- A representative of the European Union;
- A representative of the World Bank;
- Representatives of the governorates and local authorities benefitting from the project implementation;
- Main ministries involved in the projects activities: Ministry of Housing, Ministry of Irrigation, Ministry of Local Development, Ministry of Social Development;
- Representatives of the NGOs and CDAs implementing the community services and the horizontal activities.

The change of management mode constitutes a substantial change except where the Commission "re-centralises" or reduces the level of tasks previously delegated to the

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<sup>10</sup> International Bank for Reconstruction and Development.

<sup>11</sup> It supported Egypt's public works programmes through the SFD with three projects from 1990 to 2005.

beneficiary country, international organisation or delegate body under, respectively, decentralised, joint or indirect centralised management.

#### 4.2. Procurement and grant award procedures

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents set and published by the World Bank.

For the audit and evaluation component under direct centralised management.

All contracts must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the European Neighbourhood and Partnership Instrument (ENPI) regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in article 21(7)ENPI.

#### 4.3. Indicative budget and calendar

The total cost of the EU project is estimated at **EUR 70 million** financed from the general budget of the European Union. The preliminary estimated breakdown of the budget is as follows:

	Instrument/Activities	EU contribution (EUR)	%
	<b>Administrative agreement with World Bank</b>	<b>69,800,000</b>	
Component 1	Employment intensive small scale infrastructure sub-projects	35,000,000	50.0%
Component 2	Community services sub-projects and youth employment activities in urban and rural areas	30,000,000	42.9%
Component 3	Short term trainings to improve workers employability	2,000,000	4.3%
Horizontal activities	Implementation support and horizontal activities. Capacity-building for SFD local staff and governorates' staff	1,000,000	
	Visibility	500,000	0.7%
	Contingencies*	1,300,000	1.8%
	<b>Centralised management</b>		
	Audit and evaluation	200,000	0.3%
	<b>TOTAL</b>	<b>70,000,000</b>	<b>100%</b>

\* The “contingency” amount can only be used with prior written approval by the Commission.

The implementation of the project will indicatively take a total of **48 months** from the signature of the Financing Agreement to the end of the activities, plus a 24 month closure phase.

#### **4.4. Performance monitoring**

To monitor the performance of the project a set of indicators have been identified: the main outcome indicator would be the number of job opportunities created under the project. The project is expected to create 82,000 new jobs opportunities which will be in addition to the 200,000 new jobs created by the World Bank broader programme. The EU project would contribute to increase the output indicators defined for the World Bank intervention: the number of kilometres of canals cleaned: 12,000 km < 2m width and 8,000 km 2m-5m width); the number of kilometres of river Nile banks protected (River Nile Bank Protection for 47 km), the number of houses of poor families' refurbished (rehabilitation of 9,000 poorest households units of around 45 m<sup>2</sup>), the number of kilometres of water pipes extended, the number of kilometres of rural roads paved or maintained, the number of schools maintained (16,000 classrooms in 710 schools), and the number of villages receiving solid waste collection and disposal service.

The intermediate outcome indicators will include: the degree of labour intensity, the number of person/days created, and the amount of wages paid to workers (gender disaggregated and aggregated by unskilled and semi-skilled).

Technical verifications will be carried out on a quarterly basis during the life of the project using an independent technical and financial firm (ITFF) contracted by the World Bank. The ITFF would verify: (i) the outcome indicators in terms of number of job opportunities created; and (ii) the number of intermediate sector outcomes. The ITFF would also assess other issues such as: the quality of the works, compliance with the operations manual, compliance with environmental and social safeguards.

#### **4.5. Evaluation and audit**

The project will conduct mid-term and end-of-project evaluations in addition an impact evaluation would be carried out to assess the overall impact of the youth employment component of the project. Evaluations will be carried out through independent consultants and will be managed by the EU Delegation to Egypt.

#### **4.6. Communication and visibility**

Communication and visibility are considered as an important component of the project. A comprehensive communication strategy will be developed in co-ordination with all stakeholders. The communication strategy and plan would be prepared during the first year of project implementation.

In addition, in compliance with Article 8 and attachment 4 of the Agreement between the EU and the World Bank, information and communication activities will be carried out to identify the EU's support for the project. The Commission expects to have a significant role in the governance of the Trust Fund including where appropriate co-chairing the steering committee for the trust fund. EU – World Bank Group Joint Visibility Guidelines will be agreed between the parties (Article 8.2 of

the Trust Fund and Cofinancing Framework Agreement). The EU Delegation to Egypt will check the visibility component of the actions through field visits.