

Annex 3

ACTION FICHE FOR EGYPT

1. IDENTIFICATION

Title	Education Sector Policy Support Programme – Additional Commitment		
Total cost	EUR 20 000 000 (EC contribution)		
Aid method / management mode	Sector Policy Support Programme – Sector Budget Support (centralised management)		
DAC-code	11110	Sector	Education Policy and Administrative Management

RATIONALE AND COUNTRY CONTEXT

The proposed intervention reinforces the sector programme in support of the reform of pre-university education in Egypt launched in 2007. The Education Sector Policy Support Programme (ESPSP) provides support for a coherent and consistent sector strategy that sets ambitious targets for the reform of a key sector in the framework of a strengthened EU-Egypt partnership. The Government of Egypt (GoE) considers the reform of Education a pillar in its reform agenda and therefore during the course of 2008 requested the EC to reinforce the 2007 education programme.

The National Strategic Plan for the Reform of Education 2007/2008-2011/2012 fosters a significant paradigm shift in the sector. Providing high quality education to all students and preparing youth to become progressive citizens in a knowledge-based society are top priorities of the Government.

GoE shows a strong commitment of the reforms planned in education. The implementation of reforms designed to enhance public finance management in education will lead to increased efficiency in public spending in the sector. The largest contributor will be the GoE, but there are still needs to be addressed, in particular to allow the reform to yield prompt results. A decent level of social services in both health and education provide the best guarantee for social cohesion and internal stability. The strategic importance of reforms in the Egyptian education system therefore calls for a reinforced support to the implementation of the Plan.

1.1. Economic and social situation (change from transport)

On the back of a solid growth performance in the past years Egypt's economy has continued to display a high degree of dynamism during 2007/8, recording a high growth rate, while pursuing a relatively sound macroeconomic management. Real GDP growth in 2007/08 is estimated at 7.3%, thanks to a continued - but slower - expansion of the oil and gas sectors and to increasing activities in labour intensive sectors, such as agriculture and manufacturing. Due to the strong growth

performance fiscal imbalances have narrowed and unemployment has declined. Preliminary data indicates that the 2007/08 central government deficit is to fall to 6.9% of GDP, below the 9% level of recent years. However, the mastering of the inflation proved to be difficult and is the key challenge ahead. Strong domestic demand, reduction in subsidies in core products and price increases of imports and administered products lifted the headline y-o-y (urban) inflation to 16.4% in April 2008.

Egypt is listed as a medium-level performer in the UN's human development index (published 2007), ranked 112 out of 175 countries. It faces the challenge of tackling critical social issues such as life expectancy, literacy, education, standards of living, employment and child welfare. Unemployment, especially among youth (32% of the population are less than 15 years), is a major concern to the government, and emphasis has been given to remedying the mismatch between output of the education system and the demands of the labour market. About 20% of the population (13.6 million people) lives below the poverty line and another 20% not far above it. Three quarters of all poor live in rural Egypt and one quarter in urban areas. Most workers in the informal sector (20% of the GDP) are illiterate or quasi- illiterate. More recently, progress has been made in improving some of the non-income dimensions of poverty: a number of Millennium Development Goals targets are being met in literacy, mortality and health status. As a result of recent economic developments and policy choices Egypt still enjoys a relatively high degree of macro-economic stability, fulfilling the relevant eligibility criterion for budget support. However, challenges emanating from recent prices increase need to be monitored carefully.

1.2. Cooperation policy of beneficiary country

The Egyptian Government adopted the country's 6th five-year plan covering the period 2007-2011. The plan targets annual real GDP growth at 8% on the basis of boosted investment in formerly neglected and deprived regions, such as the governorates of Upper Egypt. The development will be fostered through the encouragement of agricultural, industrial, tourism and trade-related investment projects. Egypt's northern coast is the second region where the Government is encouraging further investment.

Education plays a crucial role in the realisation of the objectives of the 6th plan and in the country's efforts to sustain higher growth and reap the benefits of knowledge-based production and services.

1.3. Government Sector Programme

Over the past two years, the Ministry of Education (MoE) has undertaken a wide and ambitious reform exercise aiming at addressing the major sector constraints through a paradigm shift based on quality and efficiency.

The result is the National Strategic Plan for the Reform of Pre-University Education 2007/08 – 2011/2012 recently launched by the MoE. The plan reflects the vision of the Ministry to (1) provide high quality education for all, as a basic human right; (2) prepare all children and youth for healthy citizenship in a knowledge-based society, under a new social contract based on democracy, freedom and social justice; and (3) to adopt decentralized educational system that enhances community participation,

good governance and effective management at the school level as well as at all administrative levels (source: MoE, National Strategic Plan).

The plan aims at ensuring:

- (1) High levels of quality education performance;
- (2) Efficient management system, effective community participation and decentralization, and
- (3) Equal access to education for all children.

The Plan, developed with the support of the main stakeholders in education, is based on two main complementary components: firstly, on 12 priority programs based on the results of the situation analysis on the performance of the education sector, developed by the MoE; secondly and based on findings and recommendations of the PER (WB, 2005), the Egypt Human Development Report and other donor-funded analysis; secondly, on an analysis and projection model (Egypt - ANPRO model), which allowed the MoE to set and quantify strategic targets, assess resource implications and verify their feasibility. The model has been used to translate long-term plans into medium-term, programme-based plans and to support the preparation of medium-term expenditure frameworks (MTEFs).

The MoE has already launched the implementation of several measures included in the Plan, such as the first phase of the teachers' cadre, the fiscal and administrative decentralization process, the development of early-childhood education and the expansion of the Girls' Education Initiative.

Public finance management

Public finance is in the process of a wide-ranging overhaul:

- Budget classification is being modernised and a Treasury Single Account (TSA) is progressively being established;
- Generalised Sales Tax and Income Tax are now put under a single Tax Commissioner and a fully-fledged VAT is being prepared;
- Subsidies are being made explicit in the budget and at the same time being reassessed in terms of their economic and social relevance;
- Fiscal compliance is enhanced through expanding the tax base and removing unjustified tax exemptions.

As for Egypt's public finance management (PFM), credible reform efforts are ongoing, in particular technical assistance programmes by the IMF and USAID. Recommendations from the World Bank (WB) addressing the the most critical weaknesses in PFM are being followed up.

The EC envisages reinforcing PFM related matters through:

a) EC support for the WB's initiative for creation of a group on PFM issues (to be created during 2008)

b) Preliminary talks have been launched with the WB to suggest to the Egyptian authorities to conduct a joint PEFA assessment. Terms of reference for a full assessment on public finance management in Egypt are being developed and will be launched most probably in July. This will include an extensive public expenditure and financial accountability (PEFA) based PFM assessment in general and in the transport sector. Recommendations of this assessment will be beneficial for the development of the PFM related disbursement criteria.

Egypt has undertaken a Public Expenditure Review of the education sector. The recommendations which have been mainstreamed in the ESPSP, put emphasis on the need to enhance efficiency in education budgetary process, reduce textbook spending, promote an effective educational decentralisation, rebalance the teaching/non-teaching staff ratio and pre-university/university shares in the education budget.

Egypt is eligible for sector budget support based on the analysis undertaken and based on the assumptions as specified in 9.4.

1.4. Lessons learnt

The ESPSP builds on the achievements and best practices developed in the eight years of implementation of the Education Enhancement Programme (EEP) and take into account lessons learned from past and present budgetary support programmes in other areas implemented or under implementation in Egypt (e.g. SPSP Spinning and Weaving, SPSP Water). These are:

- The programme should be fully linked to Egypt's reform agenda.
- The establishment of parallel systems or processes should be avoided. Rather a comprehensive reform framework should be supported.
- The coordination of donor's efforts is important to build up a consensus for a policy change and to harmonizing their interventions within the framework of the National Strategic Plan.

1.5. Complementary actions

Several donors are supporting the National Strategic Plan. USAID, the EC and the WB are the main actors in the Education sector. USAID's assistance focuses mainly on fiscal decentralization (pilot in Education), Teachers' Cadre, number of textbooks, conversion of qualified non-teaching staff into teaching position and liberalization of textbooks publishing. UNICEF and CIDA are supporting Community-Based Education models, while WB-WFP-CIDA the enhancement of Early Childhood Education. The WB is also identifying a new intervention in support to the reform of secondary Education within the framework of the Strategic Plan.

The EC is currently supporting the reform of the national Technical Vocational Education and Training System (TVET) with a contribution of Euro 33 000 000. The Programme promotes the transition from a centralized, segmented and supply-driven

system to a decentralized and, demand-driven system.. The programme's cornerstone is the establishment of 12 partnerships of private and public providers of training in different sectors of the Egyptian economy.

Within the framework of the Children at Risk programme (Euro 20 000 000), the EC is assisting the National Council for Childhood and Motherhood (NCCM) in establishing 200 girl-friendly schools in seven governorates across Egypt. Girl-friendly schools enable children both to work with their parents and to attend school, thanks to curricula and administration mechanisms specifically designed to encourage girls – often burdened with traditional household responsibilities – to attend lessons. The active learning approach used in these schools help children to acquire the basic life skills needed for active participation in society.

In designing the ESPSP, the main pillars and achievements of the EC-funded programmes in support to the TVET sector reform and Children at Risk (in its component of Girls Education) have been mainstreamed and valorised.

1.6. Donor coordination

All major donors contributed to the development of the Reform Plan, under the leadership of the Ministry of Education. The MoE pursued the harmonization and alignment of all ongoing aid programmes under a common strategic framework. Each component of the Plan reflects the main axes and best practices of pilot programmes implemented by donors, UN agencies and civil society organizations along the past ten years. The National Strategic Plan will be the instrument through which the MoE will coordinate all donors' interventions in pre-university Education.

In a joint position adopted by the DAG sub-group for Education, currently co-chaired by the EC, all donors reiterated their support to the MoE in implementing and monitoring the National Strategic Plan. A joint exercise was undertaken by DAG members in order to assess their coverage/complementarities in supporting the Plan and enhance effectiveness and harmonization.

The establishment of a Partnership Committee, as foreseen by the MoE, is expected to facilitate coordination, monitoring and joint reviews.

During both the identification and the formulation phases, the EC held numerous consultations with all the members of the DAG and the main stakeholders in education. In particular, some exercises were undertaken with KfW, the World Bank, USAID and CIDA with the aim to share best practices and reinforce cooperation.

By providing direct sector budget support, the EC is fully aligned with GoE's strategy and it avoids establishing parallel systems or duplicating efforts.

2. DESCRIPTION

2.1. Objectives

As a general objective, the programme aims at enhancing human capital, democracy, social justice and at contributing to productivity, competitiveness and high level sustainable growth.

In particular, the ESPSP aims to ensure equitable delivery of quality educational services to all children, through a cost-effective and financially sustainable pro-poor and anti-exclusion approach.

2.2. Expected results and main activities

The ESPSP addresses four main issues:

- Open and equitable access for all children;
- Decentralization and school-based reform;
- Quality of educational services and learning outcomes;
- System efficiency and enhancement of public spending in education.

The programme activities are expected to bring about momentous changes in all key elements of the education system. These include considerable improvements in learning outcomes, pedagogical and assessment methods, learning environment, community participation, curricula, unreached children intake ratios, teacher motivation, teaching/non-teaching staff ratios, and system efficiency.

Within the framework of the National Strategic Plan, the ESPSP supports measures to implement both administrative decentralization and school-based reform, by focusing on:

- Organizational and institutional restructuring of the MoE and affiliate bodies in support to the decentralized school-based paradigm;
- Devolution of decision-taking power from the central and governorate level to districts and schools;
- Empowerment of schools by increasing administrative, financial and managerial autonomy. The role of local communities and civil society in school management is also being strengthened;
- Reorganisation of the Education Management Information System (EMIS) and introduction of a school-based data management system (SMS).

In terms of quality, the ESPSP supports:

- Quality accreditation process of schools, building on the capacity created within the Effective School Programme;
- Development of a new curriculum framework based on a student-centred approach and active learning concepts. A common core curriculum will be developed to fill the quality gap between general and technical and vocational education. Textbooks will be adjusted to the new curriculum framework and their production and procurement will be progressively liberalised;

- Implementation of the Teachers’ Cadre for the reform of education civil servants, with proper professional development systems, effective incentives and career ladders to enhance teachers’ motivation;
- Establishment Teachers’ Academy;
- Use of school infrastructures during out-of-class hours to provide services to their local communities (adult literacy, TVET linkages and cultural activities), and
- Expansion of Early Childhood Education.

With the aim to ensure equitable access to all students, the ESPSP embraces MoE’s priority actions in:

- Reforming the assessment system and its use for allocating students through the different cycles of education. Over time and with the reformulation of the examinations, especially the admission to university, it is expected that demand for private tutorship will decline substantially from current levels;
- Phasing-out and converting preparatory vocational into general preparatory schools;
- Ensuring access and quality education to children with special needs, by improving physical accessibility, enhancing curricula and pedagogical tools and creating public awareness on diversity, and
- Ensuring access and quality education to girls and out-of-school children through Community-Based Education.

In view to enhance public finance management and accountability, the ESPSP focuses on the improvement of quality, efficiency and effectiveness of public spending in Education. It assists the MoF and the MoE in:

- Streamlining expenditures and transparency by completing a Public Expenditure Tracking Survey (PETS) on Education, eliminating identified leakages and improving the budgetary funding process on the base of PETS’ recommendations;
- Developing a sector MTEF;
- Gradually piloting programme-based budgeting in Education and implementing financial decentralization at school level, and
- Liberalizing textbooks production and procurement.

2.3. Stakeholders

Main stakeholders are line Ministries, notably Education and Finance. Other Ministries involved in the implementation of the Strategic Plan are: Administrative Development, Higher Education, Economic Development, Finance, Local Development, Social Affairs. Education civil servants, teachers, students, parents, communities, the civil society and the private sector are also closely involved in the reform process.

The MoE adopted a highly participatory approach in the identification of the reforms involving at all stages the civil society, donors and international organizations. A permanent partnership committee representing the MoE, other line Ministries, donors (DAG–education sub-group), NGOs and private sector interests has also been established and discussed the reforms in all preparation stages.

2.4. Risks and assumptions

The following principal assumptions for the achievement of the support programme’s objectives have been identified:

- Maintenance of macroeconomic stability, in particular controlling inflation.
- Continuation of government’s efforts to improve public finance management.
- GoE leadership and supportive public opinion;
- Sufficient and timely availability of envisaged funding for the implementation of the reform;
- Reasonable reliability of targets and time scheduling of the reform plan;
- Successful coordination and change-friendly response between stakeholders (especially MoE and MoF), including public sector, civil society and private sector, at national and local level (Governorates and Idaras) to agree on common objectives and strategies and sufficient operational coordination, and
- Donor coordination and willingness to real alignment and harmonization.

Possible mitigating actions could include the use of TA support and intensive awareness campaigns, as well as Twinning and/or TAIEX missions on specific subjects.

2.5. Crosscutting issues

The ESPSP supports the MoE in its efforts to guarantee access to quality education for all children currently out of school (approximately 400,000) in underprivileged areas by the end of 2012. The strategy foresees: the expansion of the one classroom and community schools model, the development of educational schemes (curricula, textbooks, teaching methods) adequate to the socioeconomic characteristic of these children, the strengthening of the Girls Education Initiative and, the establishment of a system for the management of Community-Based Education, aimed at increasing efficiency, community participation, awareness and private participation.

The ESPSP also supports a major expansion of *kindergarden* facilities for children of 4 to 5 years, thus allowing opportunities for employment to mothers of young children and single household parents, pre-dominantly female.

ESPSP makes provision for the inclusion of Children with Special Needs, by implementing new teaching systems and enhancing accessibility in special schools. Gradually, more children with mild and moderate intellectual disabilities, visual and hearing impairments will be included. The plan identifies a further need to provide

training and professional development to teachers and specialists in mainstream general education schools to enable them to deal more successfully with diversity. Finally, the plan envisages the development of awareness campaign on diversity, with a strengthened involvement of local communities and civil society.

3. IMPLEMENTATION ISSUES

3.1. Implementation method

The implementation method is centralised management (sector budget support). A financing agreement will be signed with the Ministry of Education.

4. PROCUREMENT PROCEDURES

All contracts implementing the action (complementary support) 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.

4.1. Budget and calendar

The Financing Agreement (FA) of was signed on 8th June 2008 and has an implementation period ending on the 7th June 2011. The funds envisaged for this action will be added to the budget support component through a rider to the existing 2007 ESPSP FA; this integration will not affect the implementation period envisaged in the 2007 ESPSP.

The additional available funds of EUR 20 million will be disbursed following the plan and calendar defined in the rider of the ongoing 2007 ESPSP programme.

4.2. Performance monitoring and criteria for disbursement

The progress made against expected outcomes is regularly monitored and assessed in the framework of a joint technical dialogue between the EC, the GoE and other stakeholders involved. A Steering Committee is in charge of ensuring coordination, implementation and follow up of programme activities. It may involve representatives from any other Government body or from the major stakeholders, both donor agencies and civil society, in assessing the general progress of the reform of the sector.

The Steering Committee has been established to ensure coordination, implementation and follow up of the programme activities as well as the general progress of the reform of the sector. The Committee monitors the implementation of the ESPSP by assessing progress made against expected outcomes, reviewing performance against annual targets and jointly agreeing on future directions to be taken in a coordinated way. The Commission participates as an observer.

Internal coordinators appointed by the two beneficiary Ministries (MoE and MoF) facilitate the follow up the programme implementation at operational level.

The monitoring carried on by the EC aims to assess: the fulfillment of the conditions/indicators for disbursement of the installments and the general progress of the programme. Monitoring missions of external independent experts will also be contracted by the Commission.

The EC financial assistance is delivered in three tranches after the Commission services have ascertained that general conditions and the targets related to each instalment have been met. Compliance with general conditions (macro-economic stability; endorsed sector strategy; reliability of public finance management) indicates continued eligibility for direct budget support. Specific policy-based conditions relates to the four objective-areas previously described.

4.3. Evaluation and audit

ESPSP supported activities will be continuously monitored and evaluated through the compliance assessment exercise and the regular dialogue with the MoE and other stakeholders. A final external evaluation for the whole programme will be contracted by the Commission with the aim to provide an independent and reliable assessment with conclusions, recommendations and lesson learned which should assist policymakers and managers in the implementation of the Programme and/or planning of future interventions.

4.4. Communication and visibility

To ensure the visibility of ESPSP, a communication strategy will be developed focusing on progress achieved in the education reform. The strategy will combine different communication tools and channels in order to highlight the partnership between the EU and Egypt in Education.