

COMMISSION DECISION

of 14/12/2007

approving the Annual Action Programme 2007 in favour of Egypt to be financed under Article 19 08 01 of the general budget of the European Communities

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to the Regulation (EC) n°1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provision establishing a European Neighbourhood and Partnership Instrument¹, and in particular Article 12 thereof,

Having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities², in particular Article 56 thereof,

Whereas:

- (1) The Commission has adopted the Country Strategy Paper for Egypt and the Multi-annual Indicative Programme for the period 2007-2010³, point 6.2 which mentions support to improving the competitiveness and the productivity of the Egyptian economy and point 6.3 which mentions the sustainability of the development process.
- (2) The objectives pursued by the Annual Action Programme are twofold: supporting Egypt's education reform agenda and upgrading the administrative capacity in the Egyptian government within the implementation of the Action Plan.
- (3) This decision constitutes a financing decision within the meaning of Article 75 of Council Regulation (EC, Euratom) No 1605/2002, and Article 90 of Commission Regulation (EC, Euratom) No 2432/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002⁴.
- (4) It is appropriate to define the term “substantial change” in the meaning of Article 90 (4) Regulation (EC, Euratom) No 2342/2002 for the application of this decision.

¹ OJ L 310, 9.11.2006, p. 1.

² OJ L 248, 16.09.2002 p. 1. Regulation last amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p. 1).

³ C(2007)672

⁴ OJ L 357, 31.12.2002; p. 1. Regulation last amended by Regulation (CE, Euratom) No 478/2007 (OJ L 111, 28.04.2007, p. 13).

- (5) The measures provided for in this decision are in accordance with the opinion of the ENPI Committee set up under Article 26 of Regulation (EC) No 1638/2006,

HAS DECIDED AS FOLLOWS:

Article 1

The actions "Support to the Implementation of the Action Plan (SIAP)" and the "Education Sector Policy Support Programme (ESPSP)", which constitute the 2007 Annual Action Programme in favour of the Arab Republic of Egypt, the text of which is set out in the Annex, are approved.

Article 2

The maximum contribution of the Community is set at EUR 137 million to be financed from budget line 19 08 01 01 of the general budget of the European Communities for 2007.

Article 3

Within the maximum indicative budget of all the specific actions, cumulated changes not exceeding 20% of the maximum contribution of the Community are not considered to be substantial provided that they do not significantly affect the nature and objectives of the Annual Action Programme.

The authorising officer may adopt such changes in accordance with the principles of sound financial management.

Done at Brussels, 14 December 2007

For the Commission
Benita FERRERO-WALDNER
Member of the Commission

ACTION FICHE FOR EGYPT

1. IDENTIFICATION

Title	Education Sector Policy Support Programme (ESPSP)		
Total cost	EC contribution €120 million.		
Aid method / management mode	Sector Policy Support Programme – Sector Budget Support (centralised management)		
DAC-code	11110	Sector	Education Policy and Administrative Management

2. RATIONALE AND COUNTRY CONTEXT

2.1. Economic and social situation

Egypt's improved macroeconomic outlook in recent years is reflected in its growth performance. Real GDP growth has accelerated from 4.5% in FY05 (July 1-June 30) to 6.8% in FY06 and is expected to be around 7% in FY07. Bold structural reforms have been carried out in recent years: managed floating of the exchange rate, effective re-launching of the privatisation process, reduction of trade protection, alignment of the budget with international standards, wide-ranging tax reform. These reforms have bolstered the confidence of both consumers and investors. While growth has been largely fuelled by high oil prices and increased gas production in the recent past, today it is more broad-based and sustainable.

The fiscal situation poses a challenge to this stable macro economic framework: the fiscal deficit is projected at 8.1% of GDP and the net public debt at 69.8% of GDP in FY07. However, the authorities are currently implementing a fiscal consolidation package, agreed with the IMF based on the rationalisation and better targeting of subsidies, the broadening of the tax base and the improvement of cash management. The consolidation's objective is the reduction of the deficit by 1% of GDP p.a. for the next five fiscal years. External vulnerabilities are low with the balance of payments being buttressed by a resilient tourism sector, high energy prices and strong inflows of capital (e.g. privatisation) and foreign direct investment. Foreign reserves are at more than \$ 26 billion, covering 8 months of imports.

While inflation fell sharply to 4% in FY06 from 11.4% in FY05, it has recently risen again as a result of food shortages, increased petroleum and utilities prices and an overheating in some sectors of the economy (e.g. construction). Monetary policy is prudent and the central bank has introduced a range of tools to influence monetary conditions, moving towards targeting inflation.

Economic growth has not yet trickled down and the social situation is dire with poverty remaining widespread. About 20% of the population (13.6m person) lives below the poverty line and another 20% not far above it. Three quarters of all poor live in rural Egypt. The poverty likelihood is higher in Upper Egypt and, even there,

it is twice more likely in rural areas than in urban areas. Also, unemployment rose from 9.0% in FY00 to currently more than 11%. Youth unemployment (15–24 years) accounts for about 70% of total unemployment. Most workers in the informal sector, which represents more than 20% of the GDP, are illiterate or quasi illiterate.

2.2. Cooperation policy of beneficiary country

The Government of Egypt (GoE) is currently discussing the country's 6th five-year plan covering the period FY07-11. Real GDP growth is forecast at 6.5% throughout the period on the basis of boosted investment in formerly neglected and deprived regions, such as the governorates of Upper Egypt whose 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 is going to play a crucial role in the realisation of the objectives of the 6th plan and in the country's efforts to sustain higher growth by reaping the benefits of knowledge-based production and services. While significant progress has been made in providing more educational opportunities to all Egyptians, Egypt's education system perpetuates wide regional discrepancies and inequalities in education outcomes, providing to those who are in the lower income quintiles with 'poorer' education services.

2.3. Government Sector Programme

The Egyptian education sector displays a number of positive achievements like reduced repetition rates in primary and preparatory education and a good result in the recent assessment of students in the context of the international Trends in Mathematics and Science Study. A recent International Institute for Education Planning/UNESCO report¹ notes an impressive expansion of the education system at all levels but accompanied by serious problems of quality, equity, relevance and efficiency.

To address these drawbacks, the Ministry of Education (MoE) has prepared and is launching a comprehensive and coherent package of sector-wide reforms. The Strategic Plan drafted by the MoE to concretely implement the reforms addresses among other the enhancement of education quality, the provision of equal opportunities for all students without discrimination, decentralisation through the adoption of a school-based approach focused on community participation and local ownership in education management, and a new system for teachers' professional development and career management (i.e. the teachers' cadre).

Much of the reform agenda originates from: (a) the Education Enhancement Programme (EEP) launched in 1998 and concluded in 2006 (funded by the EC with € 100m and the World Bank with \$ 75m and through which interesting reforms were introduced in school-based education), (b) the findings of the Public Expenditure Review (PER) in the education sector carried out in 2005, (c) three situational analyses conducted by the Policies and Strategic Planning Unit of the MoE in

¹ IIEP/UNESCO: Capacity development for Strategic Planning of the Education Sector in Egypt, Report of an Appraisal Mission, October 2005.

primary, preparatory and general secondary education and (d) findings and recommendations contained in recent *Human Development Reports on Egypt* of the UNDP (e) the USAID-funded Education Reform Programme, which successfully piloted interventions to decentralized education and community participation.

Recent experience in reform preparation and execution as well as in the implementation of donor-funded programmes indicates that the MoE (in charge of basic and secondary education) and the Ministry of Higher Education have the appropriate institutional capacity to carry out packages of sector reforms measures. In the framework of its strategic plan for Education, the MoE has established a "Top-level Partnership Committee" including all relevant stakeholders (related Ministries, donors, international organizations and representatives from the civil society), which will act as a mechanism to monitor and support the implementation of the reform. To ensure internal coordination within the Egyptian administration in implementing the reform programme, ESPSP will provide for the creation of a steering committee which will monitor policy implementation since the supported reforms necessitate close coordination of all stakeholders (Ministries, Agencies, Authorities). The committee should regularly examine progress achieved and discuss ways to resolve problems.

Public finance management reform has been on the top of the agenda of the Ministry of Finance (MoF). Until present, 4 Public Expenditure and Financial Accountability (PEFA) reviews have been carried out in the following four sectors: transportation, water, education and health. The amendment of the Budget Law has allowed the presentation of the budget in line with international standards. A Treasury Single Account (TSA) was established by Law 139/2006 and today a total of LE 25 billion of on budget and off-budget accounts, estimated to 4% of GDP, have been consolidated under it. Article 4 of Law 87/2005 provides for the gradual introduction of performance-based budgeting (incl. in the education sector) over five years through selected pilots. In particular, the recommendations of the PER in education (already approved by the Government), which will be also supported by 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.

2.4. Lessons learnt

The EEP was implemented in 15 pilot Governorates (selected as the educationally less privileged ones out of Egypt's 27 Governorates) and funded school buildings, instructional material, learning technologies and teacher professional development. Evaluations have clearly indicated that access, quality and equity in these 15 Governorates have substantially improved further to the programme. EEP also supported the establishment of 300 Effective Schools in which modern teaching methods, use of technologies and community involvement was ensured. In this respect, steering committees composed by representatives of the surrounding community and the parents are monitoring the performance of the school and assisting in school-based reform efforts. Through its community-based approach, the Effective Schools were successful also in reducing the rate of drop-outs and increasing access to education especially for girls and vulnerable categories of children.

2.5. Complementary actions

In addition to the GoE's contribution, several donors are supporting this package of education reforms which are crucial for the country's development process. Next to the EC, which will contribute with €120 m, both the USAID and the World Bank are expected to support the plan by allocating respectively USD 150 m and USD 75 m. The expected cost of the education reform being launched is much higher than the support earmarked by the three major donors. The largest contributor will be the Government, but still there are needs to be addressed, particularly due to the costly school-based reform and the human resources development programme.

Several of EC's cooperation programmes are complementary to the ESPSP. The Children at Risk programme (€ 20m), which aims at the social reintegration of several categories of vulnerable children (street, working and disabled children), the € 64m Technical and Vocational Education and Training (which provides for the establishment of private/public partnerships in several sectors of the Egyptian economy and the consolidation of the currently fragmented policy-making in vocational training), the regional *Tempus*, fostering cooperation among Egyptian and European universities and the new *Erasmus Mundus* programme (providing scholarships). ESPSP is closely coordinating with these programmes and ensures synergies.

2.6. Donor coordination

Donor coordination in Egypt is carried out by the Donor Assistance Group (DAG) and its nine thematic sub-groups. One of these is focusing exclusively on education. The MoE regularly briefed and consulted the DAG in the preparation of the Strategic Plan, which mainstreamed and harmonized many pilot projects implemented along the years by several donor agencies, international and civil society organizations.

3. DESCRIPTION

3.1. Objectives

ESPSP's main objective is to fully support of the new officially announced reform package in education. The GoE has developed a comprehensive strategy, by which experiments conducted so far on a rather piecemeal manner, with assistance from various donors (WB, USAID, EC, CIDA, KfW, UNICEF, etc) would be systematically expanded and deepened, in the framework of a new, gradually generalised, paradigm. The developed strategy aims at greatly rolling-over the successfully implemented "Effective School" model, while further promoting decentralisation and development of managerial and pedagogical powers at the school-level. It is estimated that €1.2 billion are necessary for achieving the implementation of the proposed Education sector reform in Egypt during the period 2008-2010.

The ESPSP aims at improving equitable delivery of quality educational services, through a pro-poor and anti-exclusion approach, centered on the school-based paradigm, the revision of curricula, the reform of examination systems and the promotion of teachers' professional development. Building on the recommendations

of the PER, the ESPSP also supports the reform of the roles and responsibilities of the different stakeholders in the educational system (including a restructuring of the MoE itself) and the rationalisation of public spending in education, (particularly for school construction and textbook procurement and production, teaching/non-teaching staff ratio and of pre-university/university shares in education budget).

3.2. Expected results and main activities

The overall result of the MoE's set of reforms is the improvement in access, quality and equity in the education system. ESPSP's activities will support these reforms and will have as a first result an improved managerial and financial autonomy of schools through the roll-out of the effective schools project in selected Governorates. Second, there will be an increased freedom of choice for parents and pupils alike and a more equitable access to all levels of education, with an emphasis on drop-out children (especially girls) and marginalised children. Third, there will be an improved efficiency in the allocation of financial and human resources within the education system. A fourth anticipated result is the improvement in the quality of the educational services as a long-term output of the curricula reform and the implementation of the new system for teachers' professional development, both aimed at enhancing students' performance in learning outcomes.

Activities to be undertaken in order to deliver these four results are the following:

- Redefinition of roles and responsibilities within the MoE and affiliated bodies in order to facilitate the implementation of the school-based reform;
- Roll-out of the school-based paradigm in additional schools in selected Governorates;
- Further empowerment of the Boards of Trustees' competencies in order to increase community participation in key areas of school management;
- Revamping of the whole examination system, from primary grade 4 up to admission to university;
- Textbooks production, management and procurement will be privatised and decentralised, together with a deep adjustment of curricula and teaching methods (student-centred, active/self/all-life learning concepts);
- A Teacher Academy will be established and a new Teacher Cadre, governing teachers' training, promotion and pay will be put in place and enforced;
- The supply of Kindergarten facilities will be increased progressively to 45% for children of 4-5 and quality of tuition markedly improved;
- Innovative teaching approaches will be adopted, community school models and girl-friendly schools expanded in order to promote the reintegration in the education system of drop-out girls, children in difficult circumstances (street children) and un-reached children;

- Development of innovative and quality enhancing training schemes in special schools and adjustment of infrastructure in order to be user friendly and physically accessible for disabled children;
- Adoption of the adult literacy programme, based on new pedagogical approaches, active learning methodologies and community school model.

These activities are expected to improve significantly teacher motivation and pedagogical achievements, in marginalised and underprivileged children's intake ratios, in teaching/non-teaching staff ratios, in in-school/out-of-school staff ratios and lead to the progressive elimination of private tutoring expenditures.

3.3. Stakeholders

Main stakeholders are line Ministries (e.g. mainly Education, Finance but also Higher Education), students, parents, communities, the civil society and the private sector. The MoE adopted a very 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.

3.4. Risks and assumptions

There is strong political support to the reform package. In his speech to Parliament on 21 November 2006, President Mubarak expressed his support to the forthcoming reforms and stressed that his vision for education enhancement rests on the six pillars of effective schooling, excellent teachers, curricula that are linked to real needs, advanced education technology, community participation enhancement and excellent education management. Furthermore Prime Minister Nazif expressed his personal commitment to supporting and expanding the effective school model (25 Nov. 2006). In the Egyptian context, this high political support is an indispensable prerequisite for the success of the reforms since their implementation will affect the interests of several stakeholders and therefore reactions can be anticipated, for example due to the foreseen conversion of non-teaching staff (unsustainably bloated) into teaching staff.

3.5. Crosscutting issues

Poverty reduction is a cross-cutting issue in the ESPSP. Several of its measures and particularly its support to the gradual elimination of private tutoring will definitely contribute to the reduction of out-of-pocket, private, contributions in education which reach 3.4% of GDP (a shockingly high percentage which particularly sanctions the economically weaker classes).

Democracy is another cross cutting issue in ESPSP through the accountability-enhancing school-centred paradigm, in which parents and communities are devolved wide-ranging powers. Schools will provide out-of-hours facilities instruction in a number of key areas including literacy campaigns, parenting courses, computer learning and TVET linkages.

The Programme will have a positive impact on gender balance through several measures, particularly those addressed to the eradication of illiteracy with priority to girls and women and the motivation of drop-out girls to participate in literacy schemes. The ESPSP also supports a major expansion of Kindergarten facilities for children of 4 to 5 years thus allowing opportunities for employment to mothers of young children and single household parents, predominantly female.

The Programme makes provision for the inclusion of Children with Special Needs, by implementing new teaching systems in primary special schools.

4. IMPLEMENTATION ISSUES

4.1. Implementation method

The implementation method is centralised management. 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.

4.2. Budget and calendar

The implementation of the project will last 36 months from the date of the signature of the Financing Agreement.

The total budget is Euro 120,000,000 (One hundred and twenty million) .

The indicative breakdown is as follows:

Budgetary support Tranche I	EUR	40,000,000
Budgetary support Tranche II	EUR	40,000,000
Budgetary support Tranche III	EUR	37,500,000
Technical Assistance	EUR	2,000,000
Monitoring/Evaluation	EUR	300,000
Public relations / Visibility	EUR	200,000
Total	EUR	120,000,000

As mentioned before, the total cost of the reform proposed is estimated at €1.2 billion for the period 2008-2010.

4.3. Performance monitoring and criteria for disbursement

The monitoring of the progressive implementation of all activities meant to deliver the four expected results will be done on a continuous basis by the existing dialogue between the EC and the beneficiary. Specific monitoring missions by outside consultants may be also organized.

The confirmation modalities will include indicators relating to: teaching/non-teaching staff ratio, pre-university share in total education budget, number of ESP-compliant schools accredited, number of operational Boards of Trustees, reduction in textbooks costs, kindergarten intake rates, etc.

4.4. 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 evaluation will assess, adopting a participatory approach, the relevance, efficiency, effectiveness, impact and sustainability of the programme.

4.5. Communication and visibility

To ensure the visibility of ESPSP, a communication strategy will be developed focusing on the organization of workshops and an annual event on progress achieved in the education reform. It is also envisaged the support to the development on a web portal on Education, hosted by the MoE and enriched with information provided by the main stakeholders active in the sector (donor community, international organizations and civil society).