

## EGYPT

### ETF COUNTRY INFORMATION NOTE 2010

#### 1. Summary

Egypt, one of the largest and more strategically important countries in the Mediterranean region, is involved in an economic, social and demographic change process where the role of human capital development, and in particular of education and training is absolutely crucial to achieving the objectives set up by the government, the private sector and to the aspirations of the society. This is widely recognised by the EU and other donors and international organisations actively engaged in large interventions supporting the sector. While many different strategies for reform are being developed in a quite fragmented institutional set up, the country is still seeking a national coherent framework for reform. The ETF will therefore support efforts by the different national and international stakeholders in Egypt by contributing actively to the development of a national strategy for reform and to capacity building of the institutions that are key to its implementation. This will be done particularly in two ways:

- 1) By supporting the European Commission support interventions in the sector (TVET and education), with the provision of regular assessments on the progress of the TVET reform in Egypt and its links with secondary education reform, as well as with the preparation for future new projects in TVET and education, if requested.
- 2) Through the wrapping up, dissemination and mainstreaming of the results of ETF activities in key areas of the education and training reform that started their implementation in 2006-07 and that will be completed in 2010 (support to the setting up of a National Qualifications Framework, development of a career guidance system, support to the Egyptian Observatory for Education, Training and Employment, migration and skills, women and work), while opening new areas for further support to the priorities set by the Egyptian stakeholders (analysis of the relations between education, training and competitiveness, entrepreneurial learning and the regional dimension of national qualifications).

#### 1. Socio-economic background

Egypt, with its large population (76 million) and its strategic position between the Middle East and North Africa plays a crucial role in the Mediterranean region and in East-West relations. It has traditionally been seen as a leading partner in the region and therefore a priority country in the socio-political and economic arenas.

Egypt has been an economy in transition since the early nineties, after undergoing an Economic Reform and Structural Adjustment Programme that made the move from a centrally planned towards a market economy. Despite the progress achieved in the first ten years, towards the end of the 90s economic growth was adversely affected by internal problems (slow pace of economic reform) and external factors (slowdown in the international economy and increased global competition). Rates of economic growth fell dramatically in the first years after 2000, as did the Egyptian share of world exports. The public sector, which had traditionally absorbed large numbers of job entrants had to undergo downsizing and privatisation, while the incipient private sector was not yet powerful enough to create new jobs to absorb the labour market entrants. In this way unemployment became a major preoccupation. However, since 2004 an economic revival started, with economic growth averaging around 5% (as opposed to 3.3% from 2001-03).

The recovery was initially fuelled by the tourism sector, natural gas discoveries and export, helped by a significantly depreciated Egyptian pound. Construction and services became broad based sectors. Recovery was also due to a series of structural reforms undertaken in recent years, including monetary policies, privatisation programmes, tax reforms, simplification for business entry, financial sector reforms and creation of safety networks. These reforms have led to a solid macroeconomic performance that is helping the country weather the current economic crisis. As a result of lower global growth accompanied by lower foreign investment, Suez Canal revenues and tourism revenues, Egypt's real economic growth fell to around 4.1% in early 2009 (as compared to 7% in 2007 and 6.9 % in 2006). The fiscal deficit remains high, at 7.9 of GDP. Among the main challenges, are pervading high unemployment (although employment is rising), rising inflation (12.4% in March 2006 falling to 8.4% in June 2007 and reaching 18% in 2008) and increased poverty despite economic growth<sup>1</sup>.

In fact, the fiscal year 2007/08 was a year of robust and steady growth for the Egyptian economy (+7.2%). This trend continued during the second half of 2008, despite the international economic slowdown. As mentioned above, this strong performance was built on the economic reform initiated in 2004 which aims to make key service and industrial sectors the major contributors to economic growth, employment generation and exports. It is supported by strong investment, in particular foreign direct investment (FDI), which nearly tripled between the fiscal years 2004/05 and 2007/08. Egypt ranks second in the Arab world and first in Africa for FDI. Support also came from a growing private sector participation in the economy, which was helped by the measures of the Government of Egypt (GoE) to improve and facilitate the business environment, and by privatisation. Manufacturing has been the main engine for the private sector growth.

However, some structural macroeconomic weaknesses remain, which could have a negative impact on the Egyptian economy in the context of the developing international crisis. These weaknesses include high inflation (which has decreased with the lower international prices of raw materials, oil and agricultural goods, but remains sensitive to future increases in these products), important budget deficits (which could hinder the government's capacity to finance economic policies aimed at containing the impact of the crisis), and unbalanced growth between the different economic sectors and geographical areas (much of the economic growth stems from sectors which require technology, are capital intensive, and enjoy limited employment).

The modernisation of the industrial and service sectors has been primarily structured on an upgrading towards medium technology levels, with a growing demand for personnel with medium skills levels, and training of the currently employed. However, only one third of the new entrants are hired in the growing and dynamic economic sectors (construction, tourism, industry). Despite the number of newly created jobs being inferior to the number of new labour market entrants, the current skilled labour shortage (especially for levels 2 and 3 and higher technical levels) has created capacity constraints, as well as growing wage inequalities. Consequently, despite the high growth rate, labour use has decreased, while productivity has increased a lot, and unemployment rates have only partially fallen.

The quality of education remains one of the core weaknesses in the development of a modern and competitive economy. In 2008, Egypt again fell in the Global Competitiveness Report ranking for education. This includes for the quality and quantity of higher education and on the job training. Moreover, Egypt's score for labour market efficiency has dropped to one of its lowest levels.

Given the increased integration of Egypt's economy in the global markets, the current international economic crisis is starting to have an impact. The financial sector has not been greatly affected because of the limited exposure of Egypt's banks to foreign credit, but the formal industrial and services sectors are starting to face severe difficulties:

- Many manufacturing sectors, especially exports, still have a low value added structure (close to the end of the value chain - e.g. ready-made garments), and are vulnerable to foreign competition, a drop in demand from foreign countries, and the need to lower prices. Other sectors such as building and construction could face a drop in industrial and housing construction.
- Close to 70% of Egypt's foreign exchange earnings come from services, primarily from the Suez Canal, and from tourism. Both have shown limited growth during recent months, compared to previous years, and could be directly affected in the coming months. Another source of earnings is

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<sup>1</sup> Country brief, World Bank, 2007-2009

remittances from workers working abroad, which could face a serious slowdown due to a drop in economic activities in the countries where they work (e.g. Gulf countries).

- Foreign direct investment has started to slow, especially from Gulf countries, and a drop in FDI in the coming months would have a significant impact on Egypt's economic development.

The social impact of the economic crisis could be significant (decrease in job creation, increase in workers being laid-off, return of workers working abroad, etc.), and lead to a rising unemployment rate and poverty. In order to mitigate the social and economic impact of the crisis, and ensure the continued modernisation of the economy for future development and competitiveness, the government has taken a series of initiatives:

- A stimulus plan including infrastructure projects and local development with labour intensive activities (water, sewage, roads, etc.) has been prepared. It is accompanied by measures to support continued investments in key sectors (e.g. lowering of import duties on industrial equipment). The national budget deficit had decreased in the previous year, but there are limits in the capacity to finance such projects.
- Support to the strengthening of key economic sectors with potential competitive development (e.g. tourism, agriculture) through reforms and the development of efficient strategies.
- The development of new international partnerships aiming to access new markets, and new outsourcing activities to be delocalised in Egypt (e.g. India, China), accompanied by efforts to maintain a sufficient level of FDI.

In order to manage the economy through the coming crisis, while moving towards sustainable economic competitiveness, the quality and relevance of education and training is and will remain a key success factor. In this context, the government has committed to accelerate a public-private partnership package, which includes 5 billion Egyptian pounds for education. The challenges will include the provision of education and training to meet the needs and the demand for skills and competencies from the core competitive economic sectors, including the retraining and requalification of workers for new activities, and the definition of a clear link between competitiveness and TVET reform through effective and efficient operational processes<sup>2</sup>.

Socially front, despite increases in growth achieved during the pre-crisis years, poverty increased from 16.7% in 2000 to 19.6% in 2005, with half of the poor living in the upper rural region. Although abject poverty is low, economic growth has not dented the measure of those living below some \$2 a day. The poor concentrate in rural areas and lack employment opportunities. Migration is still an important phenomenon. Although international migration seems to have decreased (even during the 90s), its impact is still very visible in terms of the contribution of returnees and remittances (this variable has been one of the most affected by the global crisis). New migrants' expectations are to go to Europe rather than the more traditional destinations in the Gulf and the role of skills. Overall internal migration rates have increased in the last eight years with a rise in short distance migration – i.e. within the same governorate<sup>3</sup>.

Egypt is in the process of completing a demographic transition with the population getting younger. The working age and youth populations are growing faster than the overall population but their growth is slowing down. Rural working age and youth populations are still growing faster than their urban counterparts<sup>4</sup>.

High unemployment remains the main social and political concern despite the fact that according to the 2006 Egyptian Labour Market Panel Survey (ELMPS), which compares data from 1988 to 2006, the employment situation has improved markedly recently. Employment is growing but new labour market entrants are insufficient to generate GDP growth rates of 6-7% to sustain unemployment. The overall unemployment rate did however fall from 11.7% to 7.8% in 2006 and the number of unemployed has also fallen in absolute terms. Real wages and earnings are increasing, but so is earnings inequality. Government employment growth seems to have finally slowed but is still

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<sup>2</sup> ETF "Assessment of progress of TVET Reform in Egypt" (2009)

<sup>3</sup> Jackline Wahba, Preliminary Analysis of Internal and International Migration

<sup>4</sup> Egyptian Labour Market Panel Survey 2006, R. Asaad et al.

overcrowded. Economic reforms finally appear to be having a positive effect on private sector employment, although the proportion of formal employment is still low. So there are positive signs but still worrying patterns that cannot be easily remedied.

The unemployed are in general young and educated, but the absorption of young women into the labour market is not improving. Males are transitioning from school to work one to two years earlier than before, but there is no change for females. Returns to education are down for vocational secondary graduates but up for university and post-secondary graduates.

At the same time, the country is preparing for a sort of political transition, where options for the “post-Mubarak” period are starting to be considered and developed, while political debate is increasing. The country still holds and needs to balance a strategic position in the Arab World, the Middle East conflicts and the international scene.

## 2. Key policy issues and strategies in TVET in the country

Looking at the history of and recent changes in TVET, it can be concluded that some of the “historical” features of the system continue to be present. However, there are also **a number of emergent developments** that can offer new possibilities and opportunities for system reform.

The following “continuing features” of the TVET system have had an impact on the project environment and implementation since the early stages:

- The absence of an overall integrated strategy for Human Resources Development (HRD) in the country, encompassing education, training and employment, continues to be critical for the success of the reform. However, during 2009 some developments have taken place that can modify this situation, as illustrated later on in this section.
- The traditional separation of education and training in Egypt, in terms of conception, roles, policies and institutions, still exists, while TVET is transversal. It is clear that for the development of human capital this division has to be overcome by a life long learning strategy that integrates all the elements. The TVET sector, given its transversal nature, has to pioneer this concept by building links not only with the world of industry and training, but also with that of education.
- There is an absence of clear government leadership for TVET issues, plus fragmentation and the number of actors involved (several ministries, Training Councils, NAQAAE). Again, developments in 2009, in particularly those related to the implementation of the new TVET strategy, will lead to a policy decision in this area.
- This fragmentation results in a dispersion and multiplication of functions and roles among institutions (e.g. for a topic like national qualifications, standardisation and accreditation, there are at least six or seven main initiatives in place implemented by different ministries and bodies). TVET reform requires the involvement of all these actors.

Despite this, during 2009 some new developments took place, which may provide new opportunities for TVET reform:

- There is a certain revitalisation of the role of the Supreme Council for Human Resources Development (SCHR), which had stopped functioning since 2002 and is the “policy umbrella” for the project according to the Financing Agreement. Although the SCHR has never been an executive body, according to the 2003 Labour Law it is still the only body where all relevant TVET stakeholders meet and are represented (including representatives from the private sector and the civil society). The Minister of Manpower and Migration (MoMM) in her function as chairperson of the SCHR has recently reactivated the role of the SCHR, starting with the re-nomination of members of the Executive Committee by the Prime Minister and the re-elaboration of a new agenda. Regular meetings of the Executive Committee took place during 2008 and 2009, with a strong emphasis on issues related to policy reform, such as the setting up of a National Qualification System (NQF).

- In parallel, a Ministerial Committee dedicated to HRD issues meets regularly under the chairmanship of the Prime Minister (delegated in the Minister of Military Production, responsible for a large network of training centres). This committee is an attempt to bring all key Ministers related to human capital development issues together, in order to make corporate decisions around key issues.
- The Ministry of Education is implementing an ambitious National Strategic Plan for the reform of the pre-university education system (partially financially supported by the European Union through). The priority of the reform is secondary education, in particular general secondary. Pressing issues include the reform of access to higher education and the creation of pathways and links in the system. However, the National Strategic Plan adopts a school based approach, with integrated reform packages covering infrastructure, curricula, pedagogic methods and governance issues. These issues also affect the reform of technical vocational education. Similarly the burgeoning decentralisation process, of which education is a pilot, also includes TVET schools. The education reform tackles issues such as the need to increase common curricula between general secondary and technical education.
- During 2009, the Prime Minister launched an initiative for the design of a specific TVET strategy reform. Under the umbrella of a Steering Ministerial Committee where all the key Ministries and authorities were represented, a technical working group, chaired by the Ministry of Education developed a strategy document that was approved in August 2009. The strategy develops over twelve axes and has a long term implementation framework of 25 years, with shorter and medium term objectives as well. At present, the working group, supported by the EU TVET Reform Programme, is developing an Action Plan for implementation of the strategy. No final decision has yet been made on which ministry should be in the lead for monitoring the implementation of the strategy. The strategy represents a first attempt to come up with an integrated reform approach for the TVET system, since in 2002 the EU TVET reform programme, together with the World Bank Skills Development Project (SDP), were put under the “policy umbrella” of the Policy Statement for education and training approved by the government in April of that year.
- Following the evolution of the last two years, the three Training Councils (Industrial Training Council, Building and Construction and Tourism) are becoming more active at institutional level in particular in the implementation of the training reform in their respective sectors. They also have important links with the private sector.
- **A growing concern in the private sector is of the impact of education and training on the country’s global competitiveness**, which came about in discussions led by the Egyptian National Competitiveness Council (ENCC), and resulted in the formalisation of the HRD Competitiveness Council, in which the Industrial Training Council (ITC), the private sector and other stakeholders are also represented.

In conclusion, it can be argued that, although parts of the environment for TVET reform are unchanged, making it difficult to progress with strategic reform, there are new openings that can allow TVET system reform to better achieve its objectives. There are new partners and a growing awareness of the key issues for reform. This comes at a crucial moment for Egypt to make the right decisions about education and training reform, and will have with a huge socio economic impact.

### 3. Key policy issues in the human capital development sector

A number of key policy issues in the human capital development sector are identified below. These issues cut across the ETF’s three main thematic priorities:

- The importance of capitalising on the demographic opportunities and the human capital potential of Egypt for achieving the economic, political and social objectives of the country (competitiveness, sustainable growth, employment, fight against poverty) and the understanding of the correlation between human capital development and economic growth and development

- The fight against unemployment (the government's current top priority), and the contribution that education and training can make to employability. This includes many issues, among them how to make education and training more relevant to labour market needs, how to have better integrated labour market and human capital information systems that allow for better decision making processes, how to set up career guidance systems, how to strengthen the role of women in employment and how to clarify and make more effective the relationship between employment, skills and migration.
- The need to coordinate better the different existing initiatives and to bring more synergy, efficiency and effectiveness among interventions (both from the government and the donors) in the field of human capital development. This issue is further elaborated in the donors' chapter.
- The importance of setting up quality assurance and accreditation systems for education and training, and the need for a National Qualifications Framework that overcomes the present segmentation of initiatives in the subsystems and allows for national and international transparency of qualifications.
- The need to develop a more coherent and integrated strategy for human capital development and an action plan with resource allocation that allows the progress of reforms in the sector to be monitored.
- To revise the governance system of TVET both at the macro (fragmenting institutional setting) and micro levels (with more empowered training institutions and a better teaching force). The issue of "leadership for reform" in a fragmented system.

## 4. EU and other donor interventions in the country

Egypt is a major recipient of donor aid in all sectors, and human capital development is not an exception. The EU is one of the main players in the field, followed by the World Bank, but most donors have their own projects. Traditionally few efforts were made by the government in donor coordination. More recently it has been that this lack of coordination was seriously affecting the effectiveness and efficiency of the initiatives. This was one of the reasons for setting up the Industrial Training Council (ITC) in the field of training.

The Ministry for International Cooperation develops instruments and initiatives to take the lead in donor coordination, while donors themselves have some of their own mechanisms (like subsector coordination committees). Mechanisms for monitoring and evaluation are mostly run by donors. The Donor Assistance Group has various thematic groups, notably one for education co-chaired by the European Union and USAID. There is however no donor assistance group for skills development, so some issues pertaining to this field are discussed in the education group. Some programmes, like those of the European Commission and the World Bank have been put under a common umbrella, even in implementation terms. However, there is still ample room for enhancing aid alignment and donor coordination in the country, especially for actions where the government could take the lead.

### The European Union

Support from the European Union has been implemented through the MEDA programme, following the spirit of the Barcelona process. Egypt is the main recipient of EU aid in the region. Under the Neighbourhood Policy, the Action Plan for Egypt identifies support to education and training at all levels as one of the priorities for further EU support with specific mention of new areas such as support to the setting up of a National Accreditation and Quality Assurance centre, mechanisms to improve quality and relevance in education and training, and the importance of the issues related to teachers and trainers (selection, training and retraining, career) in the reform of education and training systems. Egypt co-chair of the Union for the Mediterranean, together with France, although this is currently more political than implementation of programmes.

In the field of TVET, the EU and the government co-fund the “Support to TVET reform programme” (€33 million from the EU plus €33 million from the governments), which aims to draw lessons from the creation of local partnerships between the private sector and the training institutions in key sectors in order to reach a more integrated and comprehensive strategy for TVET at national level.

The programme began at the end of 2005 and has developed 12 sectoral and several local integrated Enterprise and Training Partnerships in different governorates. The project develops curricula and training packages, trains trainers, teachers and masters’ trainers and experiments with models of practical training. In addition, the programme has a mandate to contribute to the design and implementation of a national TVET strategy in cooperation with other relevant programmes. This is currently being done by contributing to the Action Plan design for the national TVET strategy, as described in the previous chapter. The programme is planned to end in 2011.

In the field of education, the European Union contributes €140 million to the implementation of the National Strategic Plan for Pre-university Education Reform, which is linked to the implementation of a number of the reform priorities.

The European Union is at present the main donor in the fields of education and training in Egypt and another envelop of support for both sectors has already been envisaged in the programming phase, pending decisions about modalities and ways of implementation.

## Other donors

- Implementation of some **World Bank** loan programmes are in their final phase: the Secondary Education Enhancement Project, focusing on secondary general education and curricula development, and the Skills Development Programme (SDP), designed in parallel with the EC TVET reform programme. The SDP aims to test new ways to incentivise demand oriented training in key sectors and pilot new financing mechanisms. The World Bank is preparing a new loan for the TVET sector, focusing on the upgrading of the PVTDs (Ministry of Industry training centre network that represents an important segment of the apprenticeship system). Discussions are also ongoing regarding potential new interventions in the field of education.
- **USAID** is the second donor in the field of education, after the EU. Their interventions are technical assistance directly supporting reform processes inside the Ministry of Education, focusing on the decentralisation.
- **GTZ** – The Mubarak Kohl initiative, for many years the flagship of German support to education and training in Egypt has now concluded and has been adopted formally as a segment within the TVET system (under the Ministry of Education but still using a bottom up approach that aims to develop strong links between the private sector and VET schools in the development of an apprenticeship system). Since 2007, GTZ has been implementing a new project, focusing on unemployed youth in local development, and disadvantaged areas, and including work in new areas such as career guidance.
- **The prestigious Italian Don Bosco initiative** (a multipurpose vocational training centre linking closely with skills development at the informal sector level) has a good reputation and an agreement has recently been signed for setting up new schools in the country using the same model. Italian cooperation also includes labour mobility programmes between Italy and Egypt, which have a connection with the issues of skills development for migrants. The Italian Ministry of Foreign Affairs has also co-funded some ETF projects in Egypt: the Observatory, the National Qualifications Framework, Migration and Skills, and Women and Work, through the Italian Trust Fund. Some new Italian initiatives under preparation include support to the Clusters Project (under the Education Development Fund) and the Fayoum local development and training project.
- **Canada** finalised its intervention to upgrade employment offices in Egypt, and new interventions in education design are currently being designed.
- **The British Council** has started a regional programme tackling the issues of employability and quality assurance, animating national policy discussions with key Egyptian partners.

- **The ILO and UNDP** regularly conduct studies and surveys. The ILO, whose office for North Africa is based in Egypt, is engaged in a number of projects in support of the modernisation of the employment system in the country.

Separate mention should be made to the Egyptian financed National Skills Standards Programme (NSSP) which was technically supported in its implementation by a European consortium led by the British Council. The project has been concluded and the International Training Council will coordinate the implementation phase at national level, with technical support by the Scottish National Qualification Authority.

## 5. ETF intervention strategy 2010-12

From the information presented in chapters 1, 2 and 3 of the present document, several issues become clear: the strategic importance of Egypt in the region, the pivotal role of human capital development in the country in the present context of economic growth, competitiveness and the need for social equity, the complex national environment in terms of multiplicity and fragmentation of key stakeholders, the lack of a coherent comprehensive policy orientation and a clear leadership in the education and training sector, and the need for increased synergy in a country where so many donors are active with large scale programmes.

The ETF intervention strategy in Egypt is inspired by the guidelines formulated in the ETF Mid Term perspective for 2010-13, which are mirrored in the Work Programme 2010. The overall objective for this period is to make vocational education and training a driver for lifelong learning, sustainable development, competitiveness and social cohesion. This will be implemented across three main themes (as described below), in which the ETF will develop its main functions, respecting the recast regulation.

This strategy of intervention builds also on the work carried out by the ETF in Egypt since 2006, with two main objectives that will also be respected for the period 2010-12:

- Support the effective and relevant implementation of major EU interventions and policies in the country and region to achieve their goals of systemic impact. This is done at the request of the EC services and includes support to both national and regional programmes where Egypt is involved, as well as the objectives of the European Neighbourhood Policy Instrument (ENPI) as reflected in the ENP Action Plan for Egypt
- Develop projects that tackle key strategic “building blocks” for the reform of education and training in order to provide relevant policy advice to the government and to strengthen stakeholder capacity to make policy decisions that can be embedded in the national context. This has been done in the past using a specific approach, bringing key partners together with ETF technical support, to produce concepts and reform proposals (and pilot them in some cases) adapted to the Egyptian specificities that then can be integrated into an overall strategy for reform

These two priorities reflect the specificity of the ETF’s role in Egypt: i) as a European Union agency, in support of EU policies and interventions; ii) as a recognised expert organisation in the field of human capital, especially in vocational education and training, capable of mobilising and bringing together key stakeholders to work on selected policy topics and facilitate dialogue and joint work while providing targeted expertise, exchange of experience and comparison with other countries, and iii) to make a contribution to a coherent human capital development policy starting from key building blocks and building national stakeholders’ capacities to find solutions adapted to the Egyptian context.

Two new additional elements will be crucial for the ETF’s intervention strategy in the period 2010–12:

- Wrapping up initiatives implemented in the previous years, handing them over for political decision and connecting them with new emerging themes
- The timing of EU support to the sector, while approaching the end of the TVET programme and the Direct Budget Support in Education and the beginning of a new aid package to be built on the results of the previous interventions

In addressing education and training policy challenges, ETF activities (both regional and country specific) will contribute to ongoing government, donor community efforts through the EU existing and future interventions. In this respect the ETF has a strong link with the donor community. The EU Delegation, which holds the chair of the "Donor Assistance working group" (DAG) intends to share the results of the assessment of the secondary education sector with all key donors as a basis for discussions on further coordinated support to the sector. Some of the activities planned under career guidance (the donor roundtable and the joint publication) are specifically geared towards joint activities with other donors in this field. Cooperation with Italy is foreseen in migration through the joint pilot exercise in the IMIS project. Regular contacts with all major donors in Cairo are maintained during the implementation of all activities, especially during missions. Last, but not least, all donors are invited regularly to ETF workshops.

The work of the ETF in Egypt will be clustered around **4 main areas** according its mandate, the priorities set by the government, key issues for policy reform and EU orientations for the country and the region.

These four main areas of intervention cover the **core themes of the ETF** as indicated below.

## **A Vocational education and training system development and provision in a lifelong learning perspective: Institutional capacity building, policy and strategy formulation and implementation, governance and quality in TVET**

In respect to this core theme, the ETF will put in place and contribute to specific interventions that aim to address the following key policy challenges:

- An integrated strategy for human capital development in the country which complies with the government objectives in terms of the fight against unemployment, economic growth, social and human development and increased competitiveness. In particular in the vocational education and training sector, but also in the education and higher education fields, different strategies for reform have been developed which are not necessarily integrated or covered by an overarching strategy. At present, the government is implementing a Strategic Plan for Education Reform (supported by the EU) and has recently approved a new strategy for TVET reform. In parallel, the Ministry of Higher Education is developing a strategy for the reform of the sector (which includes postsecondary VET). While the government is aware of the importance of carrying out a reform of the whole human resources development system, and despite the fact that huge donor assistance should provide sufficient funds and support for this to be a reality, there is a still a danger that reforms will remain at a theoretical level and /or that they proceed in a disconnected fashion. At the same time, policy makers often need support to interpret the lessons from various projects and to come up with their own national solutions and policy choices. The move towards more integrated support packages through a sector approach would be in line with this intervention strategy.
- The governance of the vocational education and training sector and the leadership and coordination of the reform processes. The atomisation of the institutional framework (more than 30 (often competing) institutions involved) implies the need for the government to rethink the organisation of the sector, the roles of the different institutions and the leadership and their capacity for networking. At the micro level, further thinking is necessary on how to empower schools and training institutions by giving them more autonomy and by empowering the teaching profession. In financing, more efficiency and effectiveness is needed, through a rethinking of the financing system and the different funding mechanisms that could be chosen as policy tools for diversifying and increasing funding.
- Increasing quality and relevance at all levels of the education and training system is another challenge. While in the past access was an issue (and still is in the tertiary education sector), discussions with the Egyptian authorities and stakeholders have revealed that quality is now the challenge. This approach is supported by the orientations of EU and other donor activities.

Specific attention needs to be paid to how to make vocational education and training a quality option in a lifelong learning perspective. The widely recognised poor outcomes of the education and training systems and the limitations they set for employment are at the root of the problem.

The key policy priorities include:

- Bridging the traditional gap between education and training and moving towards a more integrated system in a lifelong learning perspective adapted to the specificities of the country;
- Reforming the system to provide easier transition through better links and pathways between different types and levels of education.
- Improving the attractiveness of TVET.
- Integrating the many different current initiatives in the field of standardisation, accreditation and quality assurance under a common national framework for qualifications, including the policy choices for the institutions to be in the lead

In order to face all these challenges, national stakeholders need: exposure to examples of best practice and policy lessons exchange, not only from countries in the region or from EU Member States but also from other regions in the world; support in evaluation of on going policies in Egypt; support in terms of definition of policy, strategies but also action plans for their implementation; exposure to methodologies on how to follow up. All these processes have to be supported with the production of good information and relevant data, which so far is not yet the case in Egypt.

The EU is at present the main donor in the sector of education and training, with two major interventions:

- The TVET reform project; and
- The Education Direct Budget Support.

These two activities represent an important contribution to human capital developments in the country and its action is meant to be complementary and synergic with that of other donors. The ETF, as an EU specialised agency, has as a priority to support EU interventions in the country and to create synergy and complementarity between its own activities and those of the EU. As mentioned above, the period 2010-12 will mark the end of the present TVET programme and of the Direct Budget Support and it would be the time for the EC services to decide on the relevance of future interventions in this sector. The ETF is at the disposal of the EC services to support this kind of activity, if requested.

In line with the ETF Mid-term Perspective for 2010-12, the ETF will:

- make a contribution to the design and implementation of a comprehensive national strategy for the reform of vocational education and training, in line with the reforms carried out in the education and higher education sub-sector, including all relevant stakeholders, with models adapted to the Egyptian environment and with a new governance framework;
- Support the effectiveness and the impact of EC interventions in the sector, as well as the implementation of the objectives of the ENP Action Plan.

**To achieve these two overall objectives**, the ETF will put in place or contribute to actions that aim at making a contribution to the process of overall strategy development and rethinking of governance systems through participatory activities to enhance national ownership, provided the need is expressed and the requests formulated:

- In the framework of the design and implementation of the TVET reform strategy 2009 and its links with the Strategic Plan for the reforms of education and higher education, the ETF will provide its support on the basis of specific requests from the government;
- Support to the structures that may be put in place for the implementation of reforms, if requested by the relevant authorities.

- NQF (national and regional dimension): the national policy debate about how to set up an Egyptian National Qualification system (integrating the various existing efforts in terms of accreditation, certification, standardisation and quality assurance) has been launched and supported by ETF since 2007. At the end of 2009, a National Task Force representing all stakeholders was set up under the Executive Committee of the SCHR. It endorsed the final policy document with the proposal for the setting up of an NQF in Egypt and made suggestions for implementation. This paper is currently being presented to the Prime Minister office and awaiting a political decision on the lead institution. Following decisions at national level, the ETF remains available for supporting the institution chosen. In parallel, Egypt will be one of four countries participating in a project on regional exchange (North/South and South /South) about NQF development, with a special emphasis on key economic sectors.
- Career Guidance and Counselling in vocational education and training: following the work carried out by the National Task Force, and supported by the ETF since 2007, a policy proposal for the setting up of a career guidance and counselling system was drafted in 2009 and endorsed through a national consultation at the end of the year. This policy document, produced with the support of the ETF is to be presented to the relevant ministers and the office of the Prime Minister. Following a political decision, the ETF is available to support the process and is still engaged in the discussions with key donors as for the possibilities of joint financing of this important process.
- The Torino Process: through this process covering all partner countries, the ETF intends to provide an overview of VET reform in the countries, identifying key trends and gaps and assessing the impact of EU policy developments in education and training with the triple objective of contributing to policy decisions in the country, inspiring future actions and providing input for future EU support activities.

At the request of the EU Delegation, specific support will be provided to the EC interventions in the education and training field, including:

- Preparation of an assessment of the progress of TVET reform and its initial impact, including findings and recommendations. This activity was carried on successfully for the first time in 2007, and in 2010 it will take place in April, at the request of the EU Delegation;
- Following work started at the end of 2009, an assessment of the progress of reform in secondary education will be prepared, with particular attention to its links with the TVET reform. This report is supposed to bridge the information gap between the reforms going on in both sub-systems, providing an overview that can be useful for decisions on the intervention of the EU in the sector after 2011;
- If requested by the EC services, the ETF could support the identification and feasibility of future interventions under preparation in the field of TVET
- Provision of relevant analysis, as requested by EC services, on human capital development topics in the country. An example of this is the EU Delegation request for support to the Ministry of Higher Education in topics related to the reform of higher education (to be analysed following the dissemination of the OECD/World Bank review of higher education to be presented in March 2010;
- Monitoring of the Action Plan for ENP in Egypt (at the request of DG Relex);
- Support to the EC in a follow up at regional level of the Euro-Mediterranean Enterprise Charter process.

## **B Labour market needs and employability**

In relation to the core theme B, the ETF will put in place and contribute to specific interventions that aim to:

- fight unemployment; and
- create better employment opportunities.

These are undoubtedly among the main priorities of the government and therefore key to any reorientation of human resources development activities. Egypt has been performing well in macro economic terms, with increased growth, but the benefits are not yet reaching many segments of society (equity problem) and not resulting in more and better employment. This is a critical issue from the point of view of policy and decision making. The mismatch between labour market needs and the outputs of the education and training systems at all levels is one of the widely recognised key issues for reform in Egypt.

The following issues are a priority from the policy-making perspective:

- Establishing positive links between educational attainment and job finding;
- Increasing employment (particularly among femalea and young people);
- Setting up integrated labour market information systems, with particular attention to forecasting labour market needs and consequently skills to be provided by the education and training system;
- Providing information on the transition from education to work;
- Assessing the impact of skills development on migration flows and the fight against illegal migration.

In this context, the ETF's overall objective in the mid term (2010-12) is:

- to contribute to the development of a vocational education and training system that is responsive to the needs of the labour market and to increased employability, as well as the setting up of labour market information systems that can better address the problem of the mismatch between demand and supply of skills

In terms of activities and actions the ETF, in coordination with the EC and other donors, will continue to support some key areas where work has already started, namely:

- Contributing to the consolidation and capacity building of the Egyptian Observatory for Employment, Education and Training, hosted by the IDSC (PM Cabinet). This is envisaged in 2010 through their participation in the Torino Process.
- Supporting the setting up of an integrated labour market and human resources development information system (through the Observatory) and the production of policy advice types of reports and outputs.
- In the field of skills and migration, completing the work carried out on comparing the occupational profiles in Egypt and those at international level (using the Italian case as an example, as the project is carried out in close cooperation with Italy). A policy report with the relevant findings of the comparative studies and research work carried out in the field in three selected sectors (agriculture, tourism and construction) will be provided, as will as policy recommendations for Egyptian stakeholders.
- Completing a country report on the situation of **women and work** in two selected sectors (ICT and tourism) and a cross country comparison with two other countries of the region (Jordan and Tunisia). Dissemination of main findings and results and policy recommendations to the relevant stakeholders to tap the potential of female employment in the country.

## **C Enterprises and human capital development: education and business partnerships**

In relation to this theme, there has been traditionally a lack of communication and a general mistrust between the private sector and the providers of education and training in Egypt, mostly on the part of the government. The skills gap in the labour market, recognised as one of the root problems in the Egyptian human resources development system, has its origin in this division. Important donor interventions, like the EC TVET Reform Programme and the MKI initiative, are seeking the establishment of partnerships between the private and public sectors, both at sectoral and national level. Education and enterprise partnerships have been identified as one of the main ways of supporting the transition from school to work. The importance of entrepreneurial education and training is starting to be understood at the policy making level. In addition, Egypt, after several years of significant and sustained economic growth (just before the impact of the global crisis) has been confronted with the fact that productivity levels are sinking due primarily to the underperformance of the education, higher education and training sectors and the inefficiencies in the labour market. All this makes the period 2010-12 the perfect moment to take forward the dialogue on reform between the private and public sides.

**In this context, the ETF overall objective in the mid term (2010 – 2012) is:** to contribute to the development of human capital in Egypt through the introduction of entrepreneurial learning tools in the education system at all levels and to bring the perspective of the private sector in the reform of education and training, with particular attention to VET.

In terms of activities and actions the ETF will:

- Support the establishment of a national partnership for the development of entrepreneurial learning in a lifelong learning perspective (national follow up of the Euromed Charter process) and for the dissemination of the key indicators for entrepreneurship in higher education developed in Egypt in 2009. The first step of this process will be the organisation of a meeting with national stakeholders in April 2010.
- In the framework of the **competitiveness project**, the ETF will reflect on the links between the reform of the education and training systems (with particular attention to VET) and increased competitiveness in the country. This will be done through:
  - a debate between high level policy makers from the education and training sectors and key representatives from the business community (to be organised by the ETF in cooperation with the Egyptian National Competitiveness Council – ENCC- in February 2010);
  - A report (ETF and ENCC) analysing issues and challenges and reporting on recommendations for both sides (business and education and training policy leaders).

This is part of a research project taking place in several ETF partner countries. In Egypt the project has adopted a country based approach, linked to the needs and interests of the Egyptian stakeholders and in close partnership with the ENCC.

- **Education and Business Study**, which is part of the Torino process. It is a specific study aiming to map and analyse the state of play with regard to the cooperation between the world of education and the world of business and provide recommendations to policy local stakeholders and donors on possible areas of interventions in areas where the education and business dialogue and partnership need improvement.