

Document of  
The World Bank

Report No: 23332-EGT

PROJECT APPRAISAL DOCUMENT  
ON A  
PROPOSED LOAN  
IN THE AMOUNT OF US\$50 MILLION  
TO THE  
ARAB REPUBLIC OF EGYPT  
FOR A  
HIGHER EDUCATION ENHANCEMENT PROJECT  
March 7, 2002

**Human Development Sector  
Middle East and North Africa Region**

## CURRENCY EQUIVALENTS

(Exchange Rate Effective March 7, 2002)

Currency Unit = Egyptian Pound (LE)

LE 1 = US\$0.22

US\$1 = 4.6 LE

## FISCAL YEAR

January 1 -- December 31

## ABBREVIATIONS AND ACRONYMS

CAA	Central Auditing Agency	MIS	Management Information System
CAO	Central Auditing Organization	MOE	Ministry of Education
CAS	Country Assistance Strategy	MOF	Ministry of Finance
CFAA	Country Financial Accountability Assessment	MOHE	Ministry of Higher Education
CQ	Consultant's Qualification	MTI	Middle Technical Institute
DfID	Department for International Development (UK)	NCB	National Competitive Bidding
EDLP	Egyptian Digital Libraries Program	NGO	Non-governmental Organization
EEP	Education Enhancement Program	NQAC	National Quality Assurance Council
EIHS	Egypt Integrated Household Survey	NS	National Shopping
EMP	Environment Management Plan	OD	Operational Directives
ETEP	Engineering and Technical Education Project	OECD	Organization for Economic Cooperation & Development
EUN	Egypt University Network	PFS	Project Financial Statement
FMM	Financial Management Manual	PHRD	Population & Human Resources Development
FMR	Financial Management Report	PIP	Project Implementation Plan
FMS	Financial Management System	PIU	Project Implementation Unit
GDP	Gross Domestic Product	PMR	Project Management Report
GOE	Government of Egypt	PMU	Project Management Unit
GPN	General Procurement Notice	QBS	Quality-Based Selection
HEEPF	Higher Education Enhancement Project Fund	QCBS	Quality and Cost Based Selection
HEEPFC	Higher Education Enhancement Project Fund Committee	RFP	Request for Proposal
HEEP	Higher Education Enhancement Project	SA	Special Account
HERS	Higher Education Reform Strategy	SAU	Special Account for Universities
IBRD	International Bank for Reconstruction and Development	SBD	Standard Bidding Document
ICB	International Competitive Bidding	SBEF	Standard Bid Evaluation Form
IDA	International Development Agency	SCTC	Supreme Council of Technical Colleges
IFC	International Finance Corporation	SCU	Supreme Council of Universities
ILS	Integrated Library System	SEEP	Secondary Education Enhancement Program
IS	International Shopping	SIL	Specific Investment Loan
IT	Information Technology	SOE	Statement of Expenditures
IT&DL	Instructional Technology and Distributed Learning	TC	Technical College
KFW	Kreditanstalt für Wiederaufbau	UNDB	United Nations Development Business
LIDO	Library and Information Development Officer	UNDP	United Nations Development Programme
LOI	Letter of Invitation	USAID	US Agency for International Development
M&E	Monitoring and Evaluation		

Vice President:	Jean-Louis Sarbib
Country Director:	Mahmood A. Ayub
Sector Director:	Jacques F. Baudouy
Task Team Leader:	Mae Chu Chang

**ARAB REPUBLIC OF EGYPT  
HIGHER EDUCATION ENHANCEMENT PROJECT**

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MAP(S)

ARAB REPUBLIC OF EGYPT  
Higher Education Enhancement Project

**Project Appraisal Document**

Middle East and North Africa Region  
MNSHD

**Date:** March 7, 2002  
**Country Manager/Director:** Mahmood A. Ayub  
**Project ID:** P056236  
**Lending Instrument:** Specific Investment Loan (SIL)  
**Team Leader:** Mae Chu Chang  
**Sector Manager/Director:** Jacques Baudouy  
**Sector(s):** ET - Tertiary Education  
**Theme(s):** Education  
**Poverty Targeted Intervention:** N

**Project Financing Data**

Loan     Credit     Grant     Guarantee     Other:

**For Loans/Credits/Others:**  
**Amount (US\$m):** US\$50.00

**Borrower Rationale for Choice of Loan Terms Available on File:**  Yes

**Proposed Terms (IBRD):** Variable-Spread Currency Loan (VSL)

**Grace period (years):** 5

**Commitment fee:** 0.75%

**Front end fee (FEF) on Bank loan:** 1.00%

Financing Plan (US\$m):	Source	Local	Foreign	Total
BORROWER		9.50	0.00	9.50
IBRD		25.00	25.00	50.00
UK: BRITISH DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (DFID)		0.25	0.25	0.50
<b>Total:</b>		34.75	25.25	60.00

**Borrower:** GOVERNMENT

**Responsible agency:** MINISTRY OF HIGHER EDUCATION

Contact Person: Mohsen Elmahdy Said

Tel: 2-02-795-3571

Fax: 2-02-794-3384

Email: piu-mohe@hotmail.com

**Estimated disbursements (Bank FY/US\$m):**

FY	2003	2004	2005	2006	2007			
<b>Annual</b>	11.59	13.37	10.68	9.57	4.79			
<b>Cumulative</b>	11.59	24.96	35.64	45.21	50.00			

**Project implementation period:** 2002-2007

**Expected effectiveness date:** 07/01/2002    **Expected closing date:** 12/31/2007

## **A. Project Development Objective**

### **1. Project development objective: (see Annex 1)**

The Project will create the conditions fundamental to improving the quality and efficiency of the higher education system in Egypt through legislative reform, institutional restructuring, and establishment of independent quality assurance mechanisms and monitoring systems.

### **2. Key performance indicators: (see Annex 1)**

The following key indicators will be used to monitor and assess the progress made towards project objectives. The key indicators are as follows:

- Key legislative reforms enacted for the universities to become effective self-governing institutions;
- Legislative reform enacted to establish independent quality assurance mechanisms;
- Legislative framework in place for the Technical Colleges to become self-governing institutions with linkages to the private sector;
- Consolidation of 47 Middle Technical Institutes into 8 Technical Colleges accomplished;
- Management Information System developed and operational for the post-secondary sector.

## **B. Strategic Context**

### **1. Sector-related Country Assistance Strategy (CAS) goal supported by the project: (see Annex 1)**

**Document number:** R2001-0115 **Date of latest CAS discussion:** 7/03/2001

The latest CAS (June 5, 2001) for Egypt stresses the need to accelerate Egypt's economic development and build its competitiveness in a global market. Accordingly, the CAS recommends World Bank Group support in four key areas: (a) promotion of export-led development; (b) encouragement of private sector-led growth; (c) development of the human resources base; and (d) promotion of natural resource management. In the education sector, the CAS recommends expanding dialogue and support for basic and secondary education, and for increasing the market orientation of technical education and vocational training institutes. The CAS acknowledges that Egypt's capacity to build human resources will be central to its long-term economic and social development.

The CAS identifies the development of the education sector, and specifically higher education and skills development, as being critically important to ensuring adequate and balanced social development in Egypt. It also stresses that the improvement of the higher education system is critical in ensuring competitiveness of the Egyptian labor force in the globalizing economy.

The Government of Egypt (GOE) rightly accorded first priority to expanding and improving the quality of its basic and then secondary school systems. Since 1990, the Government increased its pre-university education budget by 150 percent in real terms, achieving near universal access at the basic level and expanded secondary enrollment rates to over 64 percent at the secondary level. Consistent with the CAS recommendations, the World Bank has, since 1997, expanded its dialogue with the Government on basic and secondary education and provided support under the Education Enhancement Program (EEP) and Secondary Education Enhancement Project (SEEP). These Programs' objectives directly support the Government's 20-year Education Sector Strategic Framework (1999-2019), developed with technical support from the World Bank. With the reforms of basic and secondary education already under implementation, the World Bank is supporting Egypt's efforts to improve the market orientation of the higher education sector by improving quality and relevance and enhancing sector efficiency. The Project

specifically aims to help the Government restructure and change the higher education system so it produces the type of graduates needed to underpin a private sector-led, export-driven economy, competitive in a global market.

## **2. Main sector issues and Government strategy:**

The Government acknowledges that it is confronting a crisis in the higher education system. It realizes that the globalization of trade, finance and information flows is intensifying competition and raising the danger that Egypt will fall behind its competitors. The Government recognizes that there are real challenges to be faced in the sector, foremost amongst which are the need to significantly improve sector governance and efficiency, increase institutional autonomy, significantly improve the quality and relevance of higher education programs, and maintain coverage at existing levels. Recent Government actions to build political consensus on issues critical to reform have created a climate that is ripe for change. The Ministry of Higher Education (MOHE) acts as a champion for reform. The Minister, appointed in 1997, quickly established a committee for the reform of higher education (known as the HEEP Committee) which drew in a wide range of stakeholders including industrialists and parliamentarians. A National Conference on higher education reform was held in February 2000, and a Declaration for action emanating from the Conference was endorsed by the President and the Prime Minister. The Declaration identified 25 specific reform initiatives. The Bank agrees with, and supports, the Declaration. A range of multilateral and bilateral agencies also concur with the Declaration's proposals, and are committed to supporting various aspects of the reform process.

The Government's Higher Education Reform Strategy (HERS) consists of 25 sub-projects, including a sub-project to improve the quality of the Faculties of Education (pre-service teacher training) which is supported with an IDA credit of US\$13 million from the ongoing EEP. The Government has also sought donor financing to fill the funding gap, including a US\$0.5 million grant for legislative reform from DfID. An IBRD loan of US\$50 million will cover eleven sub-projects of the Government's reform strategy, and the GOE is contributing approximately US\$10 million to support the first phase of the HERS. The Government is now well positioned to implement the measures needed to create a more efficient, quality-driven higher education system underpinned by better governance and greater efficiency. The key sector issues and the Government's emerging strategy for responding to these are as follows:

### **Overly centralized governance and widespread inefficiencies**

Improving system governance and efficiency is an imperative that takes on added urgency given that a significant population bulge has reached the higher education system. While system coverage remained relatively constant over the past decade, the actual number of students entering higher education grew by 17 percent per year between 1992/93 and 1997/98. The consequence was a sharp decline in per student spending of around 40 percent in real terms over that period. The higher education cohort is projected to continue to increase by close to 6 percent (60,000 students) per annum through 2009. This means that significant efficiencies will need to be introduced into the system just to maintain quality at its current inadequate level.

The performance and quality of higher education is currently severely compromised by overly centralized control of the system and pervasive and widespread inefficiencies. Addressing these issues is difficult and often politically contentious, but fundamental for meaningful and sustained reform. The current system suffers from excessive control and over management. The sheer size of the system – with over 1.5 million students – and its complexity – including different types of institutions serving a diverse set of clients – mitigates against a centralized system. A rigid and outdated legislative framework governs the system, a

moribund civil service code regulates staffing and promotion policies, public sector control over mundane operational details raises costs, and inefficiencies in resource allocation and utilization destroys incentives for improved performance and quality.

Budget allocations to higher education institutions are not informed by sector policy or linked to the respective needs of individual institutions. Currently, the Supreme Council of Universities (SCU) and the MOHE are the governing bodies for the university and Middle Technical Institutes (MTI) systems, respectively. Although the SCU goes through the exercise of establishing program guidelines for universities, budget allocations to the different institutions are determined unilaterally by the Ministries of Finance (recurrent budget) and Planning (investment budget) and are assigned by line-item categories. Institutions do not have the latitude to shift resources across line-item categories. And, usually, budget allocations received are simply mechanical incremental adjustments to the previous year's budget and line-item allocations. Under this kind of system, it does not make sense for sector institutions to invest time or resources in developing the management information systems (MIS) needed to guide strategic planning and resource allocation decisions. While they do collect some data, they make little use of them and do not routinely report on the data. Budgetary discretion is very limited in the universities, but is most limited for the MTIs. The MOHE exercises tight fiscal control over their day-to-day operation, requiring approval even for purchases of simple equipment and requisitions for basic maintenance.

Employment and staffing policies in the sector mirror those of the public sector at large, fostering commensurate problems of overstaffing, promotion by years of service, and poor remuneration. This ultimately works to the detriment of higher education quality. Almost all higher education staff become permanent immediately upon employment, are not evaluated on their performance, receive salary increases based on years served, and cannot be terminated. The career ladder in the university system is highly compressed and promotion happens quickly, and is based on years of service. The vast majority of new university recruits are recent graduates of that particular institution; this is the case for more than 90 percent of instructors at one representative university. Few new ideas and approaches to teaching infuse the system because of this practice. Faculty absenteeism rates are reportedly very high amongst faculty, probably because most hold multiple jobs. Absenteeism is especially high in professional programs, reportedly being over 75 percent in the medical and engineering faculties. The fact that unqualified graduate students and assistants assume most of the teaching responsibilities in this situation must adversely affect the quality of instruction. In both universities and MTIs, heads of faculties/departments have no ability to offer incentives for better performance, and no system exists to encourage professional renewal or training.

Inefficiencies permeate the system in many ways. In all higher education institutions, large numbers of administrators are employed whose functions are ill-defined. The ratio of administrative to teaching staff is 1.25:1. And, while there are definitely instances in which the ratio of students to instructors is high, there are also many instances in which it is extraordinarily low, as in the medical, basic science, and dentistry faculties where it is 4:1 or less. Repetition and dropout rates are, by all accounts, high, and a special problem in the universities where average costs per student are significant. Aggregate data on these rates is unavailable, but data from specific institutions illustrates this clearly; just 60 percent of first year engineering students at one representative university pass the year and, of those that continue, less than 80 percent manage to complete the full program. In the MTIs, just 50 percent of students who begin programs complete them. Because higher institutions do not work on a credit system, a failure on one examination or project can mean that a student must repeat a full year's study. It is also clear that many of the MTIs are too small, given their equipment and resourcing needs, to ever hope to be cost-effective.



### **Low quality of university education**

There is widespread acknowledgement in Egypt of the need to significantly upgrade educational quality in the university sector. Quality is low and sliding. It is a drag on Egypt's economic competitiveness, especially when its free trade agreement with the European Union has been signed. Incomplete, yet convincing, evidence indicates that local employers are increasingly preferring foreign skilled and semi-skilled graduates over Egyptian workers. Employers and students alike are displeased with the quality of education and attest to its limited relevance. However, little hard data are available with which to assess quality. Neither institutions themselves nor the system-wide governing body systematically monitor and assess their performance. Student flows through institutions are not routinely monitored. And, no mechanisms are in place to systematically evaluate student learning outcomes.

Instructional practices contribute significantly to the low quality and relevance of university education. While universities in highly competitive economies are training students to think creatively, solve problems, work collaboratively, and adapt quickly to new technologies and changing work environments, universities in Egypt stress rote learning and memorization of facts. There is an inordinately heavy reliance on the lecture system and, while a mandatory program of pedagogical training for new university faculty exists, its effect is minimal because instructors have a 15 year window within which to undertake training. There is scant encouragement for independent research and analysis; a survey revealed that the typical undergraduate checks out just one university library book per year; and resources to encourage faculty to undertake independent scholarship and research are exceedingly limited.

Technology alone will not change quality and relevance, but it will encourage adoption of more creative instructional methods and provide broader and quick access to academic materials and global knowledge through the Internet. Laudable efforts have been made by universities to expand access to information technology (IT). However, these efforts have not been guided by an articulated acquisition and replacement plan and the number of students and even faculty with ready access to IT is extremely low. While 12 of the 13 public universities are connected to the Egyptian University Network (EUN), no content materials (research materials, library catalogues, learning media, etc.) are currently available via this system. A survey revealed that university students are highly dissatisfied with their level of access to IT and its integration into their instruction; they consider IT skills imperative to their competitiveness in the labor market.

### **Poor quality and relevance of mid-level technical education**

The MTI system, operating separately from the university system, exhibits some particular deficiencies and problems. They provide the only opportunity for further education for graduates from vocational secondary schools, who constitute around 75 percent of secondary school enrollments. They are, however, the weakest institutions in the higher education system, offering a very poor quality education with little relevance to labor market needs. The employment rate amongst MTI graduates is exceptionally low; some 60 percent remain unemployed 2 years after completing the program. The poor quality of MTIs is evidence by the high dropout rate of their students; only 50 percent of enrollees complete and graduate from the program.

MTIs have considerably less autonomy than universities, being governed by the MOHE. Various factors contribute to their very poor quality. As in universities, the employment conditions governing staff and instructors provide few, if any, incentives for better performance and quality. And, no mechanisms are in place to monitor student flows and learning outcomes, or assess instructors' performance. Additionally, and very importantly for a system such as the MTIs, no structures are in place to encourage and ensure

close collaboration and liaison with private employers. Consequently, MTI curricula are outdated and unresponsive to labor market needs. Instructors, the majority of whom have no practical work experience beyond the MTIs, have little capacity to train students in practical and applied subjects. Equipment and laboratories in the MTIs are limited, old, and in very poor repair. Some are beyond repair. Computers and IT have not yet been introduced into the MTI system.

### **The Government's Strategy**

The Government is very cognizant of the challenges facing the sector and has already initiated serious steps to position itself to deal with them. Specifically, it has:

- Appointed high level, consultative committees to identify and draft needed reforms to the legislation since the National Conference in February, 2000. Consideration is being given to changing or modifying regulations applying to governance structures, institutional autonomy, the degree of control institutions exercise over budgetary resources, and their capacity to mobilize extra-budgetary resources. Institutions would receive their resources as a block grant, based on a per student cost formula. Preparation of a legislative framework governing the new TCs is being initiated and is expected to provide for private sector involvement in governance and curriculum development in the TCs.
- Proposed the creation of a Higher Education Enhancement Project Fund (HEEPF) to support competitive proposals designed to support improvements in teaching and learning in academic departments and program and course innovation.
- Initiated steps to introduce and operationalize an effective institutional and system-wide MIS which will support better monitoring of system operation and performance and inform policy decisions. Specifically, it will support monitoring of student flows (including repetition and dropout), student performance, and faculty teaching and research performance. Supported by the introduction of a National Quality Assurance Council (NQAC), this system will also establish conditions under which universities and associated faculty can be held more accountable on issues of quality and student performance.
- Committed to restructure the MTI system to improve governance and performance and raise quality. Preparation of a new legislative framework for the system is already underway. This supports consolidation of the 47 MTIs into 8 Technical Colleges (TCs), introduction of new management structures for the TCs so they are better able to work collaboratively and responsively with private enterprise, increased TC autonomy to allow institutional control of budgets and provide institutions latitude to raise extra-budgetary resources; infrastructure rehabilitation and development, and preparation of a new curriculum with significant private sector input.
- Decided to significantly enhance universities' and MTI's access to integrated IT systems with the objective of ensuring that instructors incorporate these new technologies into classroom instruction. Used effectively, and supported by in-service training on the use of this technology in the classroom, these systems should help change instructional practices to be based more on problem-solving. In addition, improved and ready access to international research and publications via the internet and a digitized and Arabized library system should help faculty and students engage in more critical analysis and assessment.

The Government's strategy is clear and is already taking significant steps to implement its strategy. However, it is important to recognize that very significant issues affecting governance and efficiency remain to be dealt with, including the political exigencies involved in capping higher education enrollments; developing and introducing a formula-driven system for higher education financing, and the civil service conditions regulating conditions of employment which go much beyond the education sector.

### 3. Sector issues to be addressed by the project and strategic choices:

The Government's reform strategy is comprehensive and ambitious. The National Conference on Higher Education helped shape the reform agenda into 25 specific reform initiatives which will be implemented over a 15-year period. While the Bank supports the entire reform strategy, it has made a strategic choice to fund 11 of the 25 specific reform initiatives. This is complemented by IDA funding of US\$13 million for one of the initiatives - improving the quality of the Faculties of Education - under the ongoing Education Enhancement Program (ITF-N0008). Other donors are supporting other reform initiatives of the Government's 25 sub-projects, including: Prince Talal and Ford Foundation (US\$1.2 million) are supporting the accreditation process for higher education and DfID (US\$0.5 million) is supporting legislative reform. The 11 initiatives to be supported by the IBRD under HEEP are those deemed most fundamental to bringing about meaningful, systemic changes in quality, relevance and efficiency. The initiatives include:

- *Initiatives to improve governance and efficiency:* the development and diversification of funding sources for higher education; the establishment and modernization of an MIS for the university system; and the establishment of a national center for education administration and management.
- *Initiatives to improve quality and relevance:* the reform of legislation governing the higher education system; establishment of a National Quality Assurance Council; establishment of centers of excellence in higher education; the development of an IT and networking system; the establishment of a National Learning Technologies and Multimedia Center; consolidation and upgrading of mid-level technical education; training and upgrading of faculty/instructors; and expansion and Arabization of library and learning resources.

The World Bank has, in part, chosen to fund these initiatives because of its ability to form strategic partnerships on these issues with other donors, as outlined above.

The World Bank has made a strategic choice *not* to provide funding for reform initiatives which involve:

- *Structural changes within universities:* It was felt that such changes would be better made and implemented within the institutions concerned, with appropriate input from the SCU. Efforts to restructure scientific departments, develop graduate studies, and establishment of alumni centers will therefore not be supported by Bank funds.
- *Expanding access:* The expanding population of young adults seeking access to higher education opportunities and the need to improve quality in a meaningful and sustainable manner, present major challenges. The World Bank is encouraging the Government to cap higher education enrollments at their present level of around 20 percent until the reform objectives are attained and consolidated. The IBRD will, therefore, not finance system expansion, including promotion of open and distant learning centers whose objective is to expand access, albeit at significantly reduced per student cost. The IBRD is continuing to discuss the problems of further expansion with the Government which is showing signs of accommodation on this issue.
- *Funding the private sector:* There is a small, but growing private university and technical institute sector. A decision was made not to provide funding to these private institutes under this Project as the International Finance Corporation (IFC) intends to expand private sector involvement in these areas under a separate initiative.
- *Employment conditions:* The IBRD has also made a strategic decision not to directly address issues relating to broader civil service employment conditions under this program, notably the salary structure, staff redundancies, early terminations, and career path structures. This is principally because these are issues which need to be addressed under a broader civil service reform initiative. The

Government is, however, introducing some more limited, but still significant, initiatives to address these issues. For instance, new legislation will provide greater autonomy to universities to determine employment conditions separate from broader civil service employment conditions, including payment scales. This creates conditions for the introduction of a new, performance-based salary structure.

## **C. Project Description Summary**

**1. Project components** (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

The Project will have three components, each of which will support a range of activities. A summary of the Project components is provided here:

### **Component 1: Improve efficiency through the reform of governance and management**

This Component will support Government's efforts to restructure system governance and management so conditions are in place to support improved sector efficiency and quality. The initiatives included under this component are the building blocks necessary for greater efficiency and improved quality. The component initiatives represent a challenging, yet feasible, attempt to address long-standing, entrenched, and politically-charged practices governing operation of the higher education system. The specific activities to be supported by this Component include:

#### **1.(i) Reforming legislation governing higher education**

This activity will support legislative reform necessary to grant universities more autonomy over their basic operations and procedures, and particularly over their budgetary resources. It will also establish conditions for more effective operation of the universities' umbrella governing body, the SCU. The initiative will also support the development of a legislative framework for the new TC system which will supplant the current MTI system. This will define the new management practices for governing the TCs. It will grant TCs greater autonomy over their day-to-day operations, including enrollments, staffing and expenditures. It will also detail how the TCs' umbrella governing body, the Supreme Council of Technical Colleges (SCTC), will operate. The project will support communications strategies to ensure widespread knowledge and understanding of the legislative reform efforts.

#### **1.(ii) Rationalizing funding allocation mechanisms**

In an initial effort to rationalize higher education financing practices, this activity will finance international and local technical assistance to design an improved system for allocating resources across higher institutions. This system will be based on a rational funding formula, whose design will reflect the widespread consensus of stakeholders. Additionally, a social assessment of parents, students and other key stakeholders will be undertaken to identify acceptable and feasible cost recovery mechanisms for the higher education system.

#### **1.(iii) Establishing a National Quality Assurance Council (NQAC)**

This initiative will finance technical assistance to guide the establishment of a NQAC. The NQAC will have considerable autonomy and will establish a performance standard and benchmarking system for both the universities and the TCs. Ultimately, the NQAC will work towards development of an accreditation system for higher education institutions.

#### 1.(iv) Capacity Building and Management Training

This activity will finance training for members of higher education governing bodies and higher education administrators in management and financing practices and in the use of technology to rationalize and routine administrative procedures. This activity will also finance the establishment of an integrated administrative and MIS system for both the university and TC institutes. These MIS systems will be structured to meet the needs of individual institutions as well as oversight/umbrella governing bodies. The activity will finance technical support, equipment and training necessary for the establishment and operationalization of the MIS.

#### 1.(v) Establishing a Higher Education Enhancement Project Fund (HEEPF) (see Annex 12)

This activity will help establish the HEEPf fund which will fund competitive proposals submitted by higher education institutions to improve teaching and learning, build collaboration between universities and TCs, and between the respective institutions and the private sector, and enhance institutional management and efficiency. A similar fund was trialed under the Bank-supported Engineering and Technical Education Project and was deemed to have been highly effective in the project ICR.

### **Component 2: Improve the quality and relevance of university education**

This component will support efforts to improve the quality and relevance of university education. The activities being supported under this component aim at addressing quality concerns by responding to needs for new learning technologies, equipment, and human resource development. The HEEPf (see paragraph 1.(v) above) will earmark resources specifically to support university-, department-, and faculty-led initiatives to enhance the quality of instruction and research activities in public higher education institutions. It will finance competitive proposals which support development and employment of new instructional pedagogy, development of new curricula which integrate new information technology, fellowships for study and sabbaticals abroad, initiatives which directly strengthen research capacities, and relevant technical assistance. It will also support partnership programs with industry to improve relevance of curriculum and research. The NQAC (see paragraph 1.(iii) above) will also play a vital role in ensuring the quality of university programs.

#### 2.(i) Establishing an integrated computer and network infrastructure

This activity will finance the establishment of a university IT system which is robust and includes standards-based infrastructure, including hardware, software, associated applications, intra- and inter-university connectivity, and global connectivity through the Internet. The activity will support important technical assistance in integrating all aspects of hardware, software, communication links, training, and support into a coherent, sustainable structure. The activity will also finance in-service training for university faculty and instructors to develop their competencies in the use and application of instructional technology in their teaching. Professional faculty development will be supported for about 5,000 faculty over the life of the Project. Additionally, the activity will finance the establishment of pilot Instructional Technology and Distributed Learning centers in two universities (Cairo University and Suez Canal University) which will operate as "centers of excellence." They will build university faculty capacity to integrate instructional media into coursework and deploy instructional media in distributed learning and online education.

## 2.(ii) Training for faculty and staff

This activity will finance in-service training for university faculty and instructors to develop their competencies in the use and application of computer technology, particularly in terms of integrating IT into their teaching methodologies. The activity will support training for about 5,000 staff (10 percent of academic staff in public universities) over the life of the Project. Training will consist of instruction in computer software operation, Internet operation, distributed learning methods, instructional design processes, course administration, and learning assessment and evaluation.

## **Component 3: Improve quality and relevance of mid-level technical education**

This component will support efforts to improve the quality and relevance of institutions providing mid-level technical education. This will entail extensive restructuring of the system and a comprehensive overhaul of teaching content and practices. The component will specifically finance:

### 3.(i) Consolidation of the MTIs into TCs

This activity will finance audits of existing physical and human resources in the MTIs in order to consolidate 47 MTIs into 8 TCs, rehabilitation of physical facilities, management training for staff who will assume responsibility for the TCs, and the establishment of working linkages with similar regional and international institutions. Funds will support training of each TC cluster with one or more foreign institutions or professional association with similar mission statement.

### 3.(ii) Curriculum design and instructor training

This activity will finance the development of a new, more relevant curriculum, prepared in consultation with employers. The activity will specifically support technical assistance in the preparation and design of the curricula, and support training for instructors in technical, IT, English and teaching skills. It will also finance the establishment of new units in the TCs which will provide customized in-service employee training programs for industry on a cost-recovery basis. The HEEPF (see 1.(v) above) will also earmark specific funds to support competitive proposals submitted by TCs which will enhance instructional quality, including fellowships and sabbaticals abroad for faculty, curriculum design undertaken in partnership with the private sector, relevant technical assistance, etc.

### 3.(iii) Strengthened academic administration and management

A new management structure, holding greater autonomy and, consequently, greater responsibility, will be established to administer the TCs. Management will be expected to foster improved quality and promote greater efficiency and effectiveness in service delivery. Management structures will also be required to work in close partnership with employers. To build and support these key management functions, this activity will finance training to ensure administrators effectively adopt a competency-based student evaluation and records system, and that they can effectively utilize IT and MIS systems.

Component	Sector	Indicative Costs (US\$M)	% of Total	Bank-financing (US\$M)	% of Bank-financing
Improve efficiency through the reform of governance and management through: (i) changing/ introducing legislation; (ii) rationalizing resource allocation mechanisms; (iii) establishing NQAC and quality assurance mechanisms; (iv) building planning and management capacity (training, TA, equipment, MIS); and (v) establishing a HEEPF.	Tertiary Education	33.13	55.2	30.26	60.5
Improve the quality and relevance of university education through: (i) establishing integrated computer and networking systems; (ii) faculty training; and (iii) developing an inter-university library system.	Tertiary Education	9.37	15.6	6.20	12.4
Improve the quality and relevance of mid-level technical education through: (i) consolidation of MTIs into TCs; (ii) designing new curricula and upgrading instructors; and (iii) strengthening academic management and administration.	Tertiary Education	17.00	28.3	13.04	26.1
<b>Total Project Costs</b>		59.50	99.2	49.50	99.0
Front-end fee		0.50	0.8	0.50	1.0
<b>Total Financing Required</b>		60.00	100.0	50.00	100.0

## 2. Key policy and institutional reforms supported by the project:

The project will support systemic reforms outlined in the Declaration emanating from Egypt's National Conference on Higher Education (February 2000) and in the Government's 15-year Framework for Action. The reforms will underpin improvements in governance, efficiency, quality and relevance. Key policy and institutional reforms to be supported include:

- *Changes in the legislative framework governing higher education:* Modifications of key legislation and regulatory frameworks for university institutions, and the creation of a framework for non-university institutions will increase institutional autonomy, allow for institutional diversification, and introduce incentives which will stimulate greater efficiency, productivity and, ultimately, quality improvements.
- *Fiscal rationalization:* Important policy and institutional reforms which will foster greater efficiencies in resource use, as well as improved budgetary planning and management, are being supported under the Project. These include changes in legislative framework which will accord institutions greater

control over the use of their budgetary resources, and the introduction of a competitive fund system (HEEPF), which will finance workprograms furthering enhancements in management, quality and relevance.

- *Restructuring of mid-level technical education:* The Project will support the consolidation of 47 MTIs into 8 TCs. This is an important institutional reform: it will ensure mid-level technical education is cost-effective; that institutions provide an enhanced and more relevant training; and that they offer a quality, but lower-cost, alternative to university education. The Project will also strengthen private sector involvement in the TCs by including private sector representatives on the governing board for the TCs (the SCTC) and by encouraging private sector consultation on curriculum development issues. Once fully operational, TCs will be required to progressively reduce their reliance on public subsidies and attract funding from the private sector.

### **3. Benefits and target population:**

*Benefits:* A range of benefits will be derived from the Project. Improvements in the governance, management and efficiency of the higher education system will ensure better utilization of resources, fairer deployment of those resources, and help Egypt maintain higher education coverage rates at a time when the population of young adults is increasing significantly, at close to 6 percent per year. Improvements in the quality and relevance of higher education, and expanded access to IT and related skills and knowledge, will ensure that graduates gain higher-levels skills which are better matched to market needs. In the universities, more applied and practical learning will help develop a professional and managerial cadre that will be more competitive in a local market increasingly open to foreign investment and international workers. In the TCs, a significantly better quality of education, supported by instructors with up-to-date knowledge, improved equipment, and closer ties to industry and business will respond to private sector demands for employees with mid-level skills.

*Beneficiaries:* These will include:

- higher education students who will receive a better quality education and be better prepared for, and more productive in, a rapidly changing economy;
- public and private sector employers who could recruit better-trained workers at mid-skill, professional and managerial levels from the local market, and who would invest less in initial on-the-job training; and
- faculty and instructors in higher education institutions who would upgrade their skills, work in more dynamic and interesting institutions, and have improved access to resourcing for applied research and professional development.

### **4. Institutional and implementation arrangements:**

The Project will be implemented from 2002 to 2007.

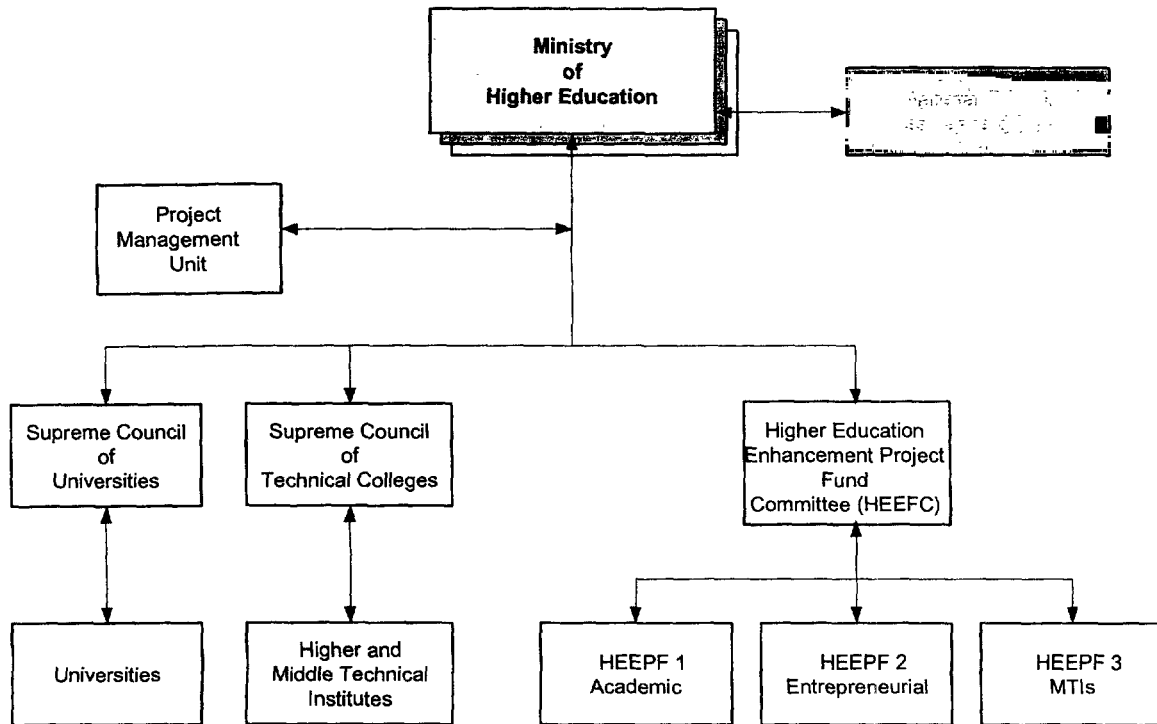
#### **4.1 Institutional arrangements:**

The main institutions responsible for the HEEP are: (i) the Ministry of Higher Education; (ii) the Supreme Council of Universities (SCU); (iii) the participating universities; and (iv) the Project Management Unit (PMU). These agencies will provide all necessary expertise and supervision for the policy aspect of the Project. The PMU will be the unit responsible for managing the Project on a day-to-day basis. Some of the entities will have to be established to harmonize the national higher education framework: these entities are (i) the Supreme Council of Technical Colleges (SCTC); (ii) the Higher Education Enhancement Project



Fund (HEEPF); and (iii) the National Quality Assurance Council (NQAC). The clustering of MTIs into Technical Colleges will also require new organizational arrangements within some departments of the MOHE itself.

### HEEP Organizational Structure



#### 4.2 Executing agencies:

##### The Ministry of Higher Education (MOHE)

The MOHE will play a political and a guiding role in the reform activities by: (i) introducing new higher education legislation; (ii) establishing learning technologies and a multimedia national center; (iii) establishing library and learning resources; (iv) modernizing the MIS system for university administration and management; (v) establishing a national center for developing tertiary education administration and management; (vi) establishing centers of excellence in higher education; and (vii) establishing a NQAC. Some departments within MOHE and the Councils need restructuring to enable them to perform their new roles and functions. Technical assistance will be provided under the Project to assist this transition process.

##### The Supreme Council of Universities (SCU)

The SCU will play a pivotal role in ten of the eleven higher education reform initiatives being financed under HEEP. The SCU is piloting different reform initiatives in different universities and will follow up on progress made and assess the results of each pilot before replicating it in other universities. The SCU will

establish guiding principles for the key activities listed below:

- Introduction of new higher education legislation
- Establishment of a national center for learning technologies & multimedia
- Development of network infrastructure for new information technology
- Faculty development
- Modernization of MIS system for universities administration & management
- Establishment of national center for developing university education administration & management
- Diversification of funding sources
- Operationalization of NQAC

#### The Supreme Council for Technical Colleges (SCTC)

SCTC, once established within two years after Effectiveness, will focus on the establishment and development of the TCs. The SCTC will need further capacity building and restructuring to enable it to undertake its role effectively. Full coordination between the SCTC and SCU will be sought in order to learn from successful experiences on both ends and to avoid duplication.

#### The Higher Education Enhancement Fund Committee (HEEPFC)

HEEPFC is a critical structure for establishing incentives for improved performance and quality in the higher education system. A HEEPFC permanent committee will be established within two years after Effectiveness of the HEEP Project. This committee will consist of eight members and will be responsible for setting up specialized committees which will evaluate the proposals submitted by the different universities and institutes. Proposals will be solicited in the areas of (i) pedagogic and quality enhancement; (ii) entrepreneurial development and private sector/TC partnership; and (iii) upgrading management. Adequate private sector representation will be required in all specialized committees to ensure that the selected proposals are responsive to labor market conditions and needs. Approved proposals will be implemented by the submitting university or institution.

#### Universities

Universities will be responsible for preparing pilot proposals within the areas of their interest for pilot experimentation. To encourage decentralization of procurement and financial management the World Bank Cairo Office staff will conduct several procurement, disbursement and financial management seminars for participating universities. World Bank staff will also be instrumental in the university procurement and financial management certification process. After certification the university will be entitled to conduct its own procurement (other than ICB) and will have its own financial management system. If a university is not certified, the PMU will continue to procure the required materials/goods, works or services on behalf of the university until certification is granted.

#### 4.3 Project Management

The former Project Implementation Unit of ETEP has more than nine years of experience in Bank project management, including familiarity with the Bank's procurement and financial management guidelines. This unit has been reinstated as the Project Management Unit (PMU) for HEEP. The HEEP PMU will be responsible for coordination with newly established organizations, including SCTC and NQAC and HEEPFC. The PMU's activities will include: (i) opening and maintaining separate Special and local accounts; (ii) implementing the different procurement actions and procedures in full conformity with the

Project procedures; and (iii) monitoring performance of the Project overall. Under HEEPF, the procurement and financial management capacity of participating universities and other higher educational institutions will be assessed. If their capacity is satisfactory to the Bank, each of these certified institutions will have its own Special Account to manage the funds they receive through the HEEPF. For all other universities and institutions, the PMU will maintain overall responsibility for the procurement actions, documentation and record keeping, as well as for all overall financial management tasks. The PMU will also administer in parallel the second special account of the Education Enhancement Program (EEP) supported by IDA through an Interim Trust Fund ITFN0008 (project no. P005169).

For service contracts, the technical committees established by the SCU/SCTC or the MOHE will be responsible for reviewing and following up on the technical input of the technical assistance and recommending actions for the approving authority. The HEEP PMU will be responsible for all necessary procurement actions. A detailed procurement plan for the first year of project implementation is part of the Project Implementation Plan (PIP). The plan has been appraised by the Bank and found to be satisfactory. The PIP will be updated during supervision missions and extended to cover subsequent years.

NQAC, once established within two years after loan effectiveness, will be a fully independent organization which will report directly to the Minister of Higher Education.

#### 4.4 Financial Management

The PMU will be responsible for the overall project procurement, budgeting, financial, accounting and reporting functions. The financial management arrangements of the PMU satisfy the minimum requirements of the Bank. More specifically, the accounting and procurement staff have significant experience in general accounting and Bank-specific financial management, procurement, and disbursement matters.

The management of the HEEPF grants component of the project will eventually be handled by eligible post-secondary institutions. At present, however, the accounting system and internal controls used at universities are based on governmental norms and do not meet the IBRD's requirements for proper financial management. As such, the Project's financial management functions, including budgeting, procurement, recording financial transactions, maintaining accounting records, treasury functions, and preparing periodic and annual financial reports, will be managed through the creation of a Special Accounts for Universities (SAU) within each targeted university to handle financial and procurement aspects. Until the SAU with adequate FM systems are put in place, the PMU should handle all financial management and procurement issues for all universities. The triggering mechanism for the transition from PMU to university management will be the certification by a Bank Financial Management Specialist that the university's SAU meets the Bank's FMS requirements.

Accounting and Financial Reporting: The PMU director will ensure the issuance of the annual project financial statements (FS) and quarterly Financial Monitoring Reports (FMR), as well as the submission of these documents on a timely basis to the Bank and to the auditors. The format and content of the FMRs were determined as part of project appraisal, agreed at negotiations, and included in the Financial Management Manual. The PMU's financial officer is currently finalizing a comprehensive set of accounting policies and procedures manual. The PMU is also finalizing the organizational structure with detailed job descriptions for all staff. At the recommendation of the appraisal mission, the PMU has hired an additional accountant and has agreed to hire one more accountant and an MIS supervisor after loan effectiveness.

Audit: The PMU is in the process of appointing a private independent auditor acceptable to the IBRD to carry out an annual audit in accordance with the International Standards on Auditing. The audit report (together with management letter) will be submitted to the IBRD not later than 6 months from the end of the fiscal year. The appointment of the auditor will be in accordance with the IBRD's guidelines with the cost of the audit financed from the loan (see Annex 6).

PMU audit arrangements: Auditors should be engaged before loan effectiveness. A copy of the audit report together with a management letter should be communicated to the Bank no later than six months following the closing of the fiscal year subject of audit. The external audit report should encompass all project activities under the loan agreement (including implementing agencies and uncertified universities) and should be in accordance with the Bank auditing requirements and conducted according to International Standards on Auditing. It will cover the project's financial statements, reconciliation and use of the SA, use of direct payments, and withdrawals based on Statement of Expenditures (SOEs).

Universities audit arrangements: Before a university is certified as capable of handling its financial and procurement functions and allowed to have a separate special account, qualified and independent auditors should be engaged. Once a university's SAU is certified, a copy of the audit report together with a management letter should be communicated to the Bank no later than six months following the closing of the fiscal year subject of audit. The external audit report should encompass all sub-project activities handled by the university and should be in accordance with the Bank auditing requirements and conducted according to International Standards on Auditing. It will cover the sub-project's financial statements, reconciliation and use of the SA, use of direct payments, and withdrawal based on SOEs.

Disbursements: Disbursements would be made against SOEs with full documentation and direct payments.

#### 4.5 Project Monitoring and Evaluation (M&E)

The PMU would be responsible for coordinating monitoring reports from Implementing agencies on progress against agreed-upon performance indicators (Annex 1). For this purpose, it would develop and maintain a project information system which would generate annual progress reports for the MOHE and relevant donors, including the IBRD. The MOHE's technical units and universities responsible for implementing each Project component will provide the PMU with regular (quarterly) progress reports summarizing the current status of Project implementation, including financial records, explanations for deviations from agreed-upon implementation plans, constraints and corrective measures to be taken. The PMU will also contract independent technical auditors to undertake a technical review of each Project component. These reports will be consolidated by the PMU and included in the quarterly FMR and Annual Progress Reports. The PMU would prepare a detailed mid-term report and submit it to IBRD by December 31, 2004, to serve as the basis for the mid-term review which the IBRD and the Borrower will conduct by March 31, 2005. The PMU would also prepare an Implementation Completion Report within three months of the closing date of the loan.

## D. Project Rationale

### 1. Project alternatives considered and reasons for rejection:

Support fewer specific reform initiatives. IBED is supporting 11 of the 25 specific reform initiatives identified by National Conference participants, and endorsed by the Government in its Framework for Action. The idea of providing support for a defined and narrower set of initiatives, such as those which

specifically support IT, was considered. However, it was decided that a narrower focus would not help ensure that fundamental obstacles to improved system-wide performance would be addressed. Hence, a decision was made to provide broad-based support to ensure that all strategic areas of the Egyptian higher system will be covered.

Support only reform of the university system. The idea of providing support only for reform of the university system was considered. This option was rejected because the MTI system (a) constitutes a significant proportion (22%) of higher education enrollments; (b) has a potentially key role to play in economies such as Egypt's in meeting the need for technicians and middle managers; and (c) provides a lower cost alternative to a university education which cannot feasibly be expanded.

Predefine all investments. This option was rejected because it would not bring about the needed procedural and operational changes in resource allocation. The introduction of a competitive grant system, such as HEEPF, creates incentives for individual- and university-driven improvements which are more likely to be sustained in the longer term.

**2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).**

Sector Issue	Project	Latest Supervision (PSR) Ratings (Bank-financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
<b>Bank-financed</b> Apprentice training for industry; Technical training; Skilled worker training; Vocational instructor training. Manpower development: training skilled workers, technicians, management. Training primary and secondary teachers. Training skilled workers; technicians, and managers; Training secondary mathematics and science teachers; Improving university-level teaching skills. Vocational training workers in construction and industry; Upgrading and expanding instructor training. Manpower training for technicians and engineers. Engineering education development Technical teacher education dev't. Distance education; In-service teacher training; MOE institutional development; Educational MIS. Sector wide reform; Access and equity; System efficiency; Student performance. Reform of secondary education to improve equity, opportunity and relevance.	Cr.681-EGT Education I (1977)	S	S
	Cr.868-EGT Education II (1978)	S	S
	Cr.1069-EGT Education III (1980)	S	S
	Ln.2264-EGT Vocational Training (1983)	S	S
	Ln.2594-EGT Vocational Training, Electricity (1985)	S	S
	Ln.3137-EGT Engineering & Technical Education (1989)	S	S
	Cr.2476-EGT Basic Education Improvement (1993)	S	S
	ITF N0080 Education Enhancement Program (1997)	S	S
	Cr.3194-EGT Secondary Education Enhancement Program (1999)	S	S
	<b>Other development agencies</b>		
USAID	Basic Education Program (1981-1994)		
UNICEF	Multigrade community schools (1992)		
UNDP	Institutional Development, MOE (1993)		
KFW	Building and renovation of primary schools (1997 – 1999)		
African Development Bank	School construction		

USAID	Girls' education (1997)		
USAID	Alexandria experimental education reform project (2001)		

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

### 3. Lessons learned and reflected in the project design:

Egypt has had nine World Bank-supported projects since 1997 addressing issues in general education and manpower development. The proposed Project would be the second operation in higher education. The following lessons of implementation have been derived from higher education sector work in Egypt, from the just completed Engineering and Technical Education Project, from the ongoing World Bank-supported EEP and SEEP projects, and also from ongoing higher education projects in Tunisia, Argentina, Brazil and Indonesia. The following lessons have been incorporated in the Project preparation and design:

- Project design should take a comprehensive approach to sector reform, given the complex and highly politicized nature of most higher education systems.
- Large-scale reform initiatives are always politically contentious. A broad range of stakeholders and interest groups should be consulted and involved in the design of the reform agenda.
- Integrated planning systems and good system-wide management information systems are critical in undertaking, monitoring and assessing progress on higher education reforms.
- To be cost-effective and sustainable, higher education technical education programs must provide students with general, not specific, skills, which prepare them to learn quickly on the job, be flexible and adaptable, capable of solving problems and working collaboratively as part of a team.
- Higher education institutions training mid-level employees need to establish strong links with local industry and business and be driven by their requirements.
- Efforts to improve the quality of higher education institutions are most likely to be effective and have sustained results if individuals and institutions are encouraged to own and participate in the reform through incentive programs. Top-down reform initiatives yield few positive or lasting outcomes.
- Procurement of equipment funded under a competitive grants program, such as the HEEPF, should be done by selected individual institutions rather than in bulk through a project implementation unit.

### 4. Indications of borrower commitment and ownership:

The Higher Education Reform Strategy (HERS) has been a Government-driven initiative, with technical support and input provided by the World Bank, which has involved a wide array of stakeholders and interest groups. The MOHE constituted a HERS Commission in 1997 at the recommendation of the World Bank team to drive the reform agenda and build national agreement around the specifics of the reform. Consensus on the reform was gained in the course of consultations held over an 18-month period. A detailed Declaration outlining the reform agenda and identifying 25 strategic reform initiatives was agreed upon at a National Conference held in February 2000, which was attended by 1,200 participants. The National Conference was funded by the Prime Minister's Office with contributions from all of Egypt's higher education institutions. The Declaration was officially endorsed by the President and the Prime Minister.

### 5. Value added of Bank support in this project:

The Bank has added value to the reform initiative by acting as a catalyst for the reform momentum and providing technical assistance from international experts. The Bank initiated the first consultations and discussions on the need for higher education reform. These consultations stimulated broader Government

discussion on this issue and ultimately fostered widespread commitment to sector reform. The Bank was able to provide extensive information on “good practice” experiences in other parts of the world and identify and attract international experts who could work collaboratively with local specialists in defining the reform agenda. British DfID worked with the Bank to provide technical assistance to the Government in the preparation of this Project.

## **E. Summary Project Analysis** (Detailed assessments are in the project file, see Annex 8)

### **1. Economic (see Annex 4):**

- Cost benefit      NPV=US\$ million; ERR = % (see Annex 4)
- Cost effectiveness
- Other (specify)

Both social and private rate of returns have been estimated for Egypt using the 1997 Integrated Household Survey (EIHS). The returns are estimated for each successive educational level. The results are clear: the returns to higher education are significant, and are particularly high for university education. The social return estimates are particularly informative, given that they take into account the high public subsidies accorded to higher education. They still show what are not insignificant returns to higher education—slightly more than 9 percent at the university level and close to 5 percent at the technical institute level. The difference between the private (19.4 percent) and social returns (9.3 percent) signals the high demand for higher education. This points to the scope for increasing private sector provision of higher education and indicates the potential for the introduction of cost recovery in public institutions. The HEEP will create an environment which will foster diversification of financing to stimulate (a) private sector provision of higher education; and (b) cost recovery in public institutions. Within the public sector, important steps to rationalize financing are included in HEEP which support and build on initial steps Government has instituted to recover costs, albeit only in limited alternative programs (see also financial analysis).

### **2. Financial (see Annex 4 and Annex 5):**

NPV=US\$ million; FRR = % (see Annex 4)

#### **Fiscal Impact:**

In terms of budgetary commitment, Egypt’s spending on education is high, considerably higher than that of most OECD countries. It allocates close to 19 percent of the public budget to education, as compared to the OECD average of 13 percent. By international standards, Egypt’s education expenditure is also high relative to GDP: Egypt allocates 5.9 percent to education as compared to the OECD average of 3.4 percent. The Government has financed expansions in education spending by reallocating budget from other sectors, with the result that education spending as a percent of GDP rose by 1 percent between 1990/91 and 1998/99.

Primary and secondary education have benefited significantly from the budgetary expansion; per student spending increased even during a major demographic surge. Government has reallocated financial resources from higher to lower levels of education. Pre-university education now absorbs around 70 percent of the education budget, a major achievement. However, the Government has, while reallocating resources to pre-university levels, allowed very significant expansions in university enrollment to occur. The net result has been a rapid decline in per student spending at the higher education level; decreases in per student expenditures of the order of 9 percent, 3 percent and 1 percent in 1995/96, 1996/97 and



1997/98 occurred. In the absence of efforts to improve efficiencies in resource use, these cuts have adversely affected quality and performance in most faculties and institutions.

Given the already high budget effort to education, it is unlikely—and, indeed, undesirable—that public expenditures on higher education be increased. A key way of ensuring system sustainability under existing financing scenarios would be to put a cap on the number of students who would be enrolled under full subsidy. If students on full subsidy were reduced to the 1995/96 level of about 1 million by 2020 (implying a decline of 1.5 percent per year from the 1999 enrollment of 1.4 million), per student current cost could increase by 387 percent in real term. This increase would more than offset the recurrent costs incurred from introduction of new information technology under HEEP. No increases in overall staff numbers nor major civil works would be needed given the consequent reduction in publicly funded enrollment. This projection is carried out under a conservative assumption that education as a percent of GDP be held at 5.0 percent of GDP until 2020 (instead of the current 5.9 percent). This projection also assumes that, of those on full public subsidy, only 80 percent are attending full four-year university programs. The other 20 percent would be enrolled in the restructured TC system, or in the growing private university sector.

The issue of which students would qualify to receive full subsidies for higher education needs further consideration. Ostensibly, students fulfilling higher academic admissions standards would qualify, but some form of targeted subsidies for applicants from poorer backgrounds would need to be carefully considered. However, students not meeting the required admissions levels would have several options still open to them in pursuing higher education: (a) attend fee-paying alternative programs in public universities; (b) attend subsidized high quality technical colleges; and (c) attend full cost recovery private universities and technical institutes, which will be encouraged to expand under reformed regulatory framework, and whose quality would be assured given the higher education accreditation system being introduced under HEEP. Over a 20-year period, private institutions as well as public technical colleges should be able to gain sufficient credibility to attract a doubling or tripling of students. Over time, charging for non-education services in public institutions may also become more acceptable with improved quality of higher education institutions overall.

It should be noted that the current analysis does not take into account possible efficiency gains that might be achieved under the HEEP. The introduction of a formula system for allocating institutional resources, for example, and the introduction new efficiency measures introduced under the HEEPF, may improve efficiencies and, undoubtedly lead to a more rational staff: student mix in different disciplines.

### **3. Technical:**

*Technical Assistance:* Project development has benefited from expert technical assistance which will be continued during implementation, particularly in the areas of legislative reform and development, rationalization of funding allocation mechanisms, development and utilization of MIS, development of the integrated computer and networking infrastructures, and curriculum development. Plans for needed technical assistance are included in each of the Project components, and will build up existing technical expertise in the country.

*IT Hardware and Software:* The IT aspects of the Project will involve introduction of new technologies and systems. Technical assistance has been, and will continue to be, provided under the Project to ensure hardware and software appropriate to Egypt's needs and compatible with Egypt's technological capacities are selected. The establishment of pilot Instructional Technology and Distributed Learning Centers in two universities will ensure that technology is well-integrated into higher education instructional and learning

systems.

*Competitive Grants Program:* The proposed Higher Education Enhancement Project Fund (HEEPF) can be effectively managed by local institutions. Experience already exists in the management of such funds; a competitive fund already operated effectively under the Bank-supported Engineering and Technical Education Project. The Operations Manual governing this fund has been drawn on and adapted for use by the proposed HEEPF.

*Rehabilitation:* Proposed rehabilitation, which focuses principally on the TCs, are well within the proven technical capacity of the nationals. Rehabilitation will be in accordance with internationally recognized standards.

#### **4. Institutional:**

##### 4.1 Executing agencies:

The executing agency is the Ministry of Higher Education (MOHE). The MOHE will provide support and guidance in the following areas that require particular attention in terms of ensuring effective Project implementation:

- Submission to Egyptian Parliament of the necessary changes to the legislation to prepare the Project for implementation
- Improvements in coordination and communication between the various units within MOHE
- Restructuring of the SCTC under the Project during the first two years to prepare the agencies to be able to play their new role within the higher education system
- Establishment of the committee for the Higher Education Enhancement Fund during the first two years to ensure a fair and transparent selection process for the proposals submitted by the universities.
- Establishing the National Quality Assurance Council within the first two years.

##### 4.2 Project management:

Current MOHE staff have gained considerable experience in project management through implementing the former ETEP project. The former PMU of ETEP has been reinstated as the HEEP PMU; this will enable the MOHE to draw on the implementation capacity of this unit. This PMU has over nine years of experience in administering and implementing a Bank-financed project working with Bank procurement guidelines and disbursement procedures. The current staff possess a diverse skill mix to cope with all implementation issues related to the project. The PMU is currently updating the procedural manual, has hired an additional accountant since Project Appraisal and has agreed to further strengthen the Unit by additional staffing. In addition, the HEEP PMU will receive technical assistance in reviewing and updating the existing financial management systems and procedures in order to develop a computerized Project Management Information System that would generate the quarterly Financial Management Reports (FMRs) and establish auditing arrangements.

##### 4.3 Procurement issues:

The procurement capacity in the HEEP PMU has been assessed and found to be adequate for the implementation of HEEP (see Annex 6). The Government has prepared the first year procurement plan and the PIP. The documents have been appraised and found to be realistic and of satisfactory quality.

##### 4.4 Financial management issues:

There are two main issues relating to financial management: (i) difficulties in coordinating project

activities; and (ii) delays in generating FMRs. Both issues are considered manageable due to the various risk-mitigation measures taken. Nonetheless, these are highlighted here in view of their potential for adversely affecting project performance. These aspects will be monitored closely as part of project supervision. These risks are mitigated by the following factors:

- A well-staffed PMU for the project (HEEP's senior management has hired one additional accountant since Project Appraisal and has agreed to hire another accountant, as well as an MIS supervisor after loan effectiveness);
- Clear and relevant financial policies and procedures (The PMU's financial officer is currently working on finalizing a comprehensive set of accounting policies and procedures manual);
- A competent, independent and qualified external auditor (A private firm is being recruited based on a Bank reviewed TOR and according to the Bank procurement guidelines);
- Installment of an integrated/automated accounting package to be tailored to meet the exact needs of the PMU and other concerned parties – after loan effectiveness;
- Close supervision by the World Bank.

**5. Environmental:** Environmental Category: C (Not Required)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

None foreseen.

5.2 What are the main features of the EMP and are they adequate?

N/A

5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft:

N/A

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

N/A

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

N/A

**6. Social:**

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

The main social issue relevant to the project relates to inequity in reaching the higher education level. Secondary students must pass a final examination in order to enter a university. In practice, students whose parents can afford to pay for private tutoring have a distinct advantage over lower income students to pass the exam. This issue is currently being addressed through ongoing World Bank projects for basic and secondary education (EEP and SEEP). MTIs do offer an optional route into higher education for students from disadvantaged parts of society; but the quality and relevance of their provision are poor, many students drop out in mid-course and those who graduate in general have limited employment prospects. A key objective of this project is to transform this situation, and achieve major improvements in the quality of MTIs and in the education prospects and employment outcomes of students from the more

disadvantaged parts of society.

#### 6.2 Participatory Approach: How are key stakeholders participating in the project?

The Government has ensured that the preparation of the higher education reform initiative has been a highly participatory process. Indeed, the degree of consultation and participation elicited is unprecedented. The consultative process spanned more than 18 months, involved a wide array of stakeholders in a series of consultative forums and working committees, and culminated in a National Conference in February, 2000, attended by 1,200 participants. The MOHE convened the National Conference, which resulted in consensus being achieved around a Declaration for change. The Declaration was endorsed by both the President and the Prime Minister. A Framework for Action, identifying 25 specific reform initiatives to be pursued, was issued. The Bank has provided the Government with considerable support in this consultative effort, including technical assistance input from international experts on key issues, and logistical and financial support through a Japanese PHRD grant.

The Government recognizes the importance of continued consultation and information sharing with the full range of stakeholders as the reform initiatives begin to get underway. It also acknowledges the special emphasis that needs to be given to reaching key stakeholders such as students, parents, and communities which often have less voice in policy making. Provision is made in the proposed project to specifically support consultative and communications initiatives with stakeholders in the project components supporting systemic reform initiatives and the restructuring and consolidation of the MTIs into upgraded TCs. A social assessment will be undertaken early in Project implementation to gather information on parents' and students' attitudes towards cost recovery at the higher education level. This will be important in informing thinking on the rationalization of funding allocation mechanisms, an activity to be pursued under the Project.

The HEEPF initiative is also designed to provide support for innovative projects which will be identified and implemented by key stakeholders – higher education institutions, departments within them, and individual faculty and instructors. Provision is also made under the HEEPF initiative to ensure that stakeholders in the private sector – employers of university and mid-level technical graduates – are integrally involved in the reform and further development of the institutions. The Project would also support the development of the SCU and the SCTC, the key policy making body for the universities and TCs, respectively. Each body includes a diverse mix of stakeholders amongst its representatives.

#### 6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

Stakeholders and NGOs will have a political and guiding role in the reform of higher education. NGOs and the private sector will play a key part in determining the required skills of higher education graduates and subsequently the curriculum of the higher education colleges and institutes. They will also play an essential role in the tracer studies to be performed on higher education graduates during and after the reform activities. The role of NGOs and stakeholders will not be limited to the above, but may exceed it to support and establish new private institutions/MTIs.

#### 6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

The HEEP Committee structure will continue in order to monitor reform progress and requirements.

#### 6.5 How will the project monitor performance in terms of social development outcomes?

Tracer studies and attitude surveys will be conducted and surveys of employer perceptions will be undertaken.

**7. Safeguard Policies:**

7.1 Do any of the following safeguard policies apply to the project?

<b>Policy</b>	<b>Applicability</b>
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Natural Habitats (OP 4.04, BP 4.04, GP 4.04)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Forestry (OP 4.36, GP 4.36)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Cultural Property (OPN 11.03)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Indigenous Peoples (OD 4.20)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Involuntary Resettlement (OP/BP 4.12)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Safety of Dams (OP 4.37, BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)*	<input type="radio"/> Yes <input checked="" type="radio"/> No

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

N/A

**F. Sustainability and Risks**

**1. Sustainability:**

The following factors are likely to be critical to the sustainability of Project benefits:

The Project will contribute to the overall sustainability of tertiary education in Egypt through capacity building at the system and institutional levels. Component 1 would support enhancement of national and university planning and management capacity.

Sustainability of the competitive fund (HEEPF), which will provide incentives for improved sector performance and efficiency beyond the lifespan of the Project, has been considered. Government has responded to this issue by committing US\$10 million to support the Project. This is an important indication of the Government's commitment to HEEPF and indicates its intention to foster its continuing development. Ultimately, however, the sustainability of HEEPF will hinge on its ability to identify and fund highly successful initiatives. If its track record in this regard is good and is well documented, HEEPF should have no difficulty in mobilizing the resources needed to ensure its continuance.

**2. Critical Risks** (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

<b>Risk</b>	<b>Risk Rating</b>	<b>Risk Mitigation Measure</b>
From Outputs to Objective SCU does not maintain strict admissions standards to cap the number of publicly funded students.	H	During project implementation, a series publicity campaign will be instituted to convince the public of the need to upgrade admission standards to ensure quality. Furthermore, admission standards will be made public and transparent.
Institutions do not buy into NQAC standards assessment system.	M	The process of developing the NQAC standards will be highly participatory so that institutions would "own" these standards from the start.

<p>Senior administrators in higher education institutions do not support and endorse changes in governance and administrative procedures.</p> <p>Institutions are not able to introduce and implement performance criteria in the selection and management of personnel.</p>	<p>M</p> <p>S</p>	<p>A highly participatory approach will be used in change management, and pressure from all stakeholders will prompt the change to take place</p> <p>Technical assistance will be provided to introduce and monitor selection of and management of personnel</p>
<p><b>From Components to Outputs</b></p> <p>Parliament does not approve draft legislation.</p> <p>MOF no longer supports higher education reform objectives.</p> <p>SCU and SCTC are not fully operationalized and efficient.</p> <p>Institutions do not buy into NQAC benchmarking system and selection of members to ensure competency and transparency is not done</p> <p>Changes in administration and financing practices are not accepted by administrators in the respective institutions.</p> <p>HEEPF fails to elicit sufficient interest and competition in desired reform areas.</p> <p>Institutions and faculty do not fully buy into and support the reform initiatives.</p> <p>HEEPF does not create sufficient incentives for faculty to pursue and promote quality reform initiatives.</p> <p>TCs do not fully support the reform agenda.</p>	<p>M</p> <p>H</p> <p>M</p> <p>H</p> <p>H</p> <p>N</p> <p>N</p> <p>N</p> <p>H</p>	<p>Involving members of the parliament in the process of drafting the legislation would ensure safe passage through Parliament.</p> <p>Involving all stakeholders including MOF and parliamentarians in the reform process together would help bring ownership and sustainability to the reform objectives</p> <p>Technical assistance would be provided to support institution building</p> <p>Technical assistance and benchmarking against international standards would mitigate against non-transparency</p> <p>Technical assistance and involving the administrators in the process of designing the new process would mitigate against nonacceptance</p> <p>Based on experience from previous project, faculty interest became very high once full participation in the process is ensured.</p> <p>Based on experience from previous project, faculty interest became very high once full participation in the process is ensured.</p> <p>Based on experience from previous project, faculty interest became very high once full participation in the process is ensured. Criteria for HEEPf should be revised after a pilot phase based on feedback from faculty members.</p> <p>Selection of the head of TC based on objective criteria will be written into draft legislation. A strong head will be crucial to implementing the</p>

		reform agenda
SCTC does not become a fully effective governing body.	H	Technical assistance will be provided to support the SCTC
TCs are not successful in engaging the private sector in their administration and operation.	H	Twinning arrangements with foreign institutions will assist and demonstrate successful engagement with private sector.
TCs cannot positively influence public and employer perceptions of middle technical education	H	Implementing an effective communication strategy is part of the HEEP.
Demand for workers with technical skills is decreased.	M	Full partnership between TC and employers would mitigate this risk
<b>Overall Risk Rating</b>	<b>S</b>	

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

### 3. Possible Controversial Aspects:

A social assessment on cost recovery will be undertaken by the project. The assessment will identify mechanisms for changing attitudes of policy makers, parents and students. The current interpretation of the constitution is that higher education should be provided at no cost, and that any cost recovery is seen by the public as unconstitutional and a violation of their rights. Emerging interpretation of the constitution in order to change this attitude is that the core curriculum be provided at no cost to students and that parents and students should be able to choose alternative education at cost. This, however, is not widely accepted and awareness campaigns will need to be conducted in order for this change in attitude to be realized.

## G. Main Loan Conditions

### 1. Effectiveness Condition

None

### 2. Other [classify according to covenant types used in the Legal Agreements.]

None

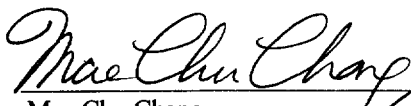
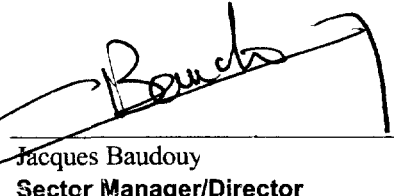
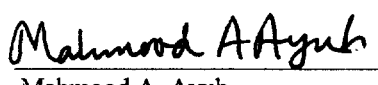
## H. Readiness for Implementation

1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
1. b) Not applicable.
2. The procurement documents for the first year's activities are complete and ready for the start of project implementation.
3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.

4. The following items are lacking and are discussed under loan conditions (Section G):

**I. Compliance with Bank Policies**

- 1. This project complies with all applicable Bank policies.
- 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.

 _____ Mae Chu Chang Team Leader	 _____ Jacques Baudouy Sector Manager/Director	 _____ Mahmood A. Ayub Country Manager/Director
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## Annex 1: Project Design Summary

### ARAB REPUBLIC OF EGYPT: Higher Education Enhancement Project

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p><b>Sector-related CAS Goal:</b> To develop human resources to build Egypt's competitiveness in a global market, reduce unemployment rates, and increase living standards.</p>	<p><b>Sector Indicators:</b> Increased employability and productivity of higher education graduates from universities and TCs.</p>	<p><b>Sector/ country reports:</b> Government employment survey and tracer studies  Surveys of employers' perceptions  SCU/SCTC annual reports produced from MIS</p>	<p><b>(from Goal to Bank Mission)</b> Egypt will continue to pursue a private sector-led, export-driven economy which will be competitive in a global market.</p>
<p><b>Project Development Objective:</b> To create conditions fundamental to improved system quality and efficiency through legislative reform, institutional restructuring, and establishment of independent quality assurance mechanisms and monitoring systems.</p>	<p><b>Outcome / Impact Indicators:</b> Key legislative reforms enacted for the universities to become effective self-governing institutions;  Legislative reform enacted to establish independent quality assurance mechanisms;  Legislative framework in place for the Technical Colleges to become self-governing institutions with linkages to the private sector;  Consolidation of 47 Middle Technical Institutes into 8 Technical Colleges accomplished;  Management Information System developed and operational for the post-secondary sector.</p>	<p><b>Project reports:</b>  PMU Reviews  Supervision mission reports  SCU and SCTC reports based on MIS output  Reports from NQAC on academic benchmarking of institutions and departments</p>	<p><b>(from Objective to Goal)</b>  Political support for reform initiatives sustained</p>
<p><b>Output from each Component:</b> 1. Restructure the governance and administration of the</p>	<p><b>Output Indicators:</b></p>	<p><b>Project reports:</b></p>	<p><b>(from Outputs to Objective)</b></p>

<b>higher education system:</b>			
Increase institutional autonomy on fiscal and governance matters;	Legislation in place granting institutions greater fiscal and management autonomy;	Supervision missions PMU supervision reports	SCU maintains strict admissions standards to cap the number of publicly funded students.
Establish governing bodies with oversight, monitoring and reporting responsibilities;	Supreme Council of Universities (SCU) and Supreme Council for Technical Colleges (SCTC) in place and overseeing sector and institutional performance;	SCU and SCTC published annual reports	
Align technical institutes with private sector interests, establish HEEPF council to review competitive grants proposals.	Operational MIS guiding sector and institutional planning, management and budgeting practices;  SCU and SCTC publishing annual reports on system performance and quality based on MIS data;		
	Competitive grant fund (HEEPF) being utilized to support improved management practices in at least 50% of universities by 2007.		
<b>2. Create conditions for improved quality and relevance of instruction in universities:</b>	All faculty and student have access to IT and new teaching methodologies in all 12 public universities by 2007;	Supervision missions PMU supervision reports	Institutions buy into NQAC standards assessment system.
Improve IT infrastructure;			
Improve faculty use of modern technology and pedagogy;	Two-thirds of all publicly university students utilizing internet facilities by 2007;	MOF annual budget and expenditure reports	
Create competitive grants.	Around 5,000 instructors trained in integration of IT into instructional methods and learning assessment and evaluation by 2007.	SCU and SCTC published reports  Annual MIS reports issued by respective institutions	
<b>3. Restructure mid-level technical education to provide conditions for</b>	Restructuring of 27 MTIs into 8 autonomous TCs linked to the industry	PMU reports Supervision missions	Senior administrators in higher education institutions support and endorse changes

<p><b>improved quality and relevance linked to local economy.</b></p>	<p>completed by 2007;</p> <p>Redesigned curriculum, reflecting private sector input, introduced in TCs by 2007, benchmarked against international standards;</p> <p>Each TC generating private revenues equivalent to at least 10% of their public recurrent budget by 2007;</p> <p>Proportion of higher education enrollments accounted for by TCs raised by 5 percent by 2007.</p>	<p>SCU and SCTC published annual reports</p> <p>NQAC reports</p> <p>Number trained by Instructional Technology and Distributed Learning centers</p> <p>Surveys of employer perception</p>	<p>in governance and administrative procedures;</p> <p>Institutions able to introduce and implement performance criteria in the selection and management of personnel.</p>
<p><b>Project Components / Sub-components:</b></p> <p><b>1. Reform system-wide governance, management and efficiency</b></p> <p><i>Reforming Legislation:</i> Reform legislation governing universities; Draft legislation to govern new TC system.</p> <p><i>Rationalize funding allocation mechanisms:</i> Design and implement a rational system for allocating sector resources; Assess public perceptions of cost recovery measures.</p> <p><i>Establish a mechanism for overseeing and monitoring quality improvements:</i> Establish a National Quality Assurance Council; Develop performance standards and benchmarking system.</p> <p><i>Upgrade management and governance capacity</i></p>	<p><b>Inputs: (budget for each component)</b> US\$33.13 million</p>	<p><b>Project reports:</b></p> <p>SCU/SCTC reports Progress reports</p> <p>Progress reports Disbursement reports MOF budget and expenditure reports Social assessment report prepared</p> <p>Progress reports Disbursement reports NQAC reports</p>	<p><b>(from Components to Outputs)</b></p> <p>Parliament approves draft legislation</p> <p>MOF continues to support higher education reform objectives SCU and SCTC are fully operationalized and effective</p> <p>Institutions buy into NQAC benchmarking system and selection of members done to ensure competency and transparency</p>

<p>Provide training to SCU and SCTC governing bodies and key institution administrators in management and financing practices; Design and operationalize university and TC system-wide and institution-based MIS.</p> <p><i>Create incentives for improved governance and performance:</i> Establish fund to support competitive proposals (HEEPF) which will encourage innovations in teaching and learning, private sector collaboration, and improved management and administration practices.</p>		<p>Progress reports Disbursement reports SCU and SCTC annual reports</p> <p>Progress reports Disbursement reports SCU and SCTC annual reports</p>	<p>Changes in administration and financing practices are accepted by administrators in the respective institutions</p> <p>HEEPF elicits sufficient interest and competition in desired reform areas</p>
<p><b>2. Improve the quality and relevance of university education</b></p>	<p>US\$9.37 million</p>		
<p><i>Improve access to IT and global knowledge base:</i> Establish fully integrated IT network; Operationalize pilot Instructional Technology and Distributed Learning centers.</p>		<p>Progress reports Disbursement reports SCU annual reports</p>	<p>Institutions and faculty fully buy into and support reform initiatives</p>
<p><i>Train faculty in use and application of IT:</i> Develop and provide training to faculty in IT skills, instructional design processes, and learning assessment.</p>		<p>Progress reports Disbursement reports SCU annual reports</p>	<p>HEEPF creates sufficient incentives for faculty to pursue and promote quality reform initiatives</p>
<p><b>3. Improve quality and relevance of the MTI System</b></p> <p><i>Consolidate MTIs into</i></p>	<p>US\$17.00 million</p>		

<p><i>Technical Colleges (TC):</i> Undertake audit of MTI resources; Refurbish facilities and provide equipment; Develop IT backbone; Provide leadership training for new TC administrators.</p>		<p>Progress reports Disbursement reports SCTC annual reports</p>	<p>TCs buy into and fully support reform agenda SCTC becomes a fully effective governing body with all members actively participating and being selected for their experience and competency TCs successfully engage private sector in their administration and operation</p>
<p><i>Redesign TC curriculum and upgrade instructor knowledge and teaching skills:</i> Design and develop new curriculum with private sector collaboration; Provide training for instructors; Operationalize Divisions for Continuing Education to develop customized in-service training for private sector employees.</p>		<p>Progress reports Disbursement reports SCTC annual reports Surveys of employers' perceptions</p>	<p>TCs can positively influence public and employer perceptions of middle technical education Demand for workers with technical skills is maintained or increased</p>
<p><i>Strengthen academic management and administration</i> Design and operationalize MIS; Design and introduce competency-based student evaluation and records system; Provide training to administrators in IT and MIS</p>		<p>Progress reports Disbursement reports SCTC annual reports</p>	<p>HEEPF creates sufficient incentives for faculty to pursue and promote quality reform initiatives</p>

## **Annex 2: Detailed Project Description**

### **ARAB REPUBLIC OF EGYPT: Higher Education Enhancement Project**

Egypt launched a significant and comprehensive effort to expand and enhance its education sector in the early 1990s. It rightly accorded first priority to expanding and improving the quality of its basic education system and sought support for this from the World Bank under the Education Enhancement Program (EEP). There is now almost universal access to basic education. Egypt subsequently increased its focus on secondary education, where great strides have been made. Secondary enrollment rates are now over 64 percent and concerted efforts are underway to improve quality and relevance. The Bank-supported Secondary Education Enhancement Project (SEEP) is supporting these efforts by upgrading both general and technical schools through the provision of quality improvements including the use of a wider range of assessment methods and improved teaching techniques. Moreover, the Government has initiated steps to strengthen its higher education system. The Minister of Higher Education consulted a wide range of stakeholders in meetings and through the establishment of a National HEEP Commission consisting of industrialists, parliamentarians and academics. The consultation culminated in a National Conference held in February, 2000, which was hosted by the Prime Minister and attended by 1,200 participants, including representatives of all higher education institutions. Consensus was reached at the Conference on a Declaration for action and change. The Declaration was publicly endorsed by the President and the Prime Minister. The Declaration has been translated into a Framework for Action which comprises 25 reform initiatives. The Bank has elected to support 11 of these reform initiatives in this Project. This detailed project description outlines the components and describes the activities to be supported under them.

#### **By Component:**

##### **Project Component 1 - US\$33.13 million**

##### **Improve efficiency through the reform of governance and management.**

Project Component 1 supports 5 activities. All focus on issues of governance, management and efficiency, but several are fundamental to, and play a key role in, improving system quality.

**(i) Reform legislation governing higher education:** Legislation governing the university system is complex and rigid, granting institutions limited autonomy to make decisions on even basic issues relating to budgeting, enrollment and management. The MTIs are not governed by a legislative code, falling under the direct supervision of the MOHE. The Project will support legislative reform necessary to allow universities more autonomy and the development of legislation to cover the structure and operation of the new TCs which will replace the MTIs. Specifically, it will support:

- Communications strategies necessary to inform and involve stakeholders in legislative reforms for universities and TCs;
- International and local technical assistance for the reform of legislation governing universities, and the development of legislation governing the TCs.

**(ii) Rationalize funding allocation mechanisms:** The allocation of resources to institutions is driven by historical budgeting practices. Allocations do not reflect institutional needs or system priorities. Budgets are usually simply incremental adjustments over the previous year. Budgets are allocated by line-item category. Monies are not fungible across line-item categories. Budgetary practices stifle rationale planning, do not promote efficiency, and discourage development of sound management. To move the system towards adoption of more rational resource allocation mechanisms, this activity will finance:

- A social assessment of parent and student perceptions of cost recovery in higher education;
- International and local technical assistance to help design and implement a rational system for allocating sector resources. The new system will allocate sector resources to institutions according to a transparent, equitable, and formula-driven approach;
- Stakeholder consultation and consensus building necessary during development of the funding formula;
- Staff training and equipment needs associated with operationalization of the funding mechanism.

**(iii) Establish a NQAC:** Currently, neither system nor institutional performance is systematically assessed and monitored. Standards against which performance and quality are assessed are not in place. Institutions and departments within them pay scant attention to evaluating teacher performance or student learning outcomes. To redress this situation, the Project will finance:

- International and local technical assistance necessary to establish a NQAC. The NQAC will develop a performance standard and benchmarking system for both universities and TCs. The NQAC will be vested with a high degree of autonomy and will include representatives of higher institutions within and outside the country, as well as employers;
- A consultative and communications strategy to support the NQAC initiative;
- Development of a full accreditation system for higher education institutions which will be overseen by the NQAC.

**(iv) Build capacity, Develop MIS system, and train management:** Changes in the legislative framework and in funding allocation mechanisms will significantly increase institutional autonomy and confer new planning, management, and budgeting responsibilities on both institutions and their governing bodies. An institutional assessment undertaken during Project preparation showed the need for capacity building and management training. Governing bodies and administrators require significant training in management and financing practices and also in the use of technology to rationalize and speed up routine administrative procedures. Additionally, the operationalization of an MIS and provision of training for administrators in its utilization will be necessary. This activity will therefore finance:

- Training, technical assistance and equipment for governing board members and institutional managers necessary to strengthen basic planning, management and budgeting responsibilities;
- Technical assistance, equipment and training required for the design and operationalization of modern MIS systems for universities, TCs, and associated governing bodies.

**(v) Establish HEEPF (see Annex 12):** Incentives to encourage higher efficiency, quality and performance are all but absent from the higher education system. Deep and sustainable change will be brought about most effectively if it is generated and supported by the key players in the higher education system – administrators, departments, and instructors. The Project will support establishment of the HEEPF, a fund which will provide incentives for institutions, departments and instructors to introduce “owned” initiatives which will support improved system management, efficiency, quality, and relevance. The HEEPF will fund competitive proposals submitted by institutions (universities and TCs) through 3 windows: (a) an academic window, which will encourage program and course innovations to improve teaching and learning in academic departments; (b) an entrepreneurial window which will support collaboration between universities and Technical Colleges, and between each of these institutions and the private sector; and (c) a management window which will support projects intended to enhance management and administration in the higher education sector. The HEEPF will have a designated Fund Coordinator and an advisory committee of five members who will be key stakeholders in higher education institutes and the private sector. A HEEPF Operational Manual has already been prepared to ensure transparency in the

selection and award processes. The HEEPF follows on from a very similar and successful competitive Fund run under the Bank-supported Engineering and Technical Education Project.

#### **Project Component 2 - US\$9.37 million**

##### **Improve the Quality and Relevance of University Education**

Project Component 2 focuses on needed improvements in quality and relevance at the university level and finances three activities. The specific activities to be financed include:

**(i) Establish an integrated computer and network infrastructure:** Improving access to IT is central to updating and improving educational quality in the universities. Broader faculty and student access to the internet will quickly expand access to information and academic materials, enhancing research and learning. Better access to IT and computer systems will also provide students with skills which are widely sought after by employers. Furthermore, the increased productivity that IT makes possible will improve universities' capacity to deliver information to, and assess the performance of, the very large, and expanding, number of entering university students. The foremost objective of this Project activity is to help the university system establish a robust, standards-based infrastructure, including hardware, software, associated applications, intra- and inter-university connectivity, and global connectivity through the Internet. While a good part of the infrastructure has already been established in the university system, the Project will provide important support in integrating all aspects of hardware, software, communication links, training, and support into a coherent, sustainable structure. The Project will specifically support:

- Deployment of a high-speed network infrastructure, based on international standards, at each university campus. The main principles for the network will be a high-speed ATM or Gigabit backbone, modular switches at the Faculty levels, edge switches at the departmental level, and shared/switched hubs at the labor or faculty office level. Local area networks will be financed by individual faculties and departments;
- Establishment of pilot Instructional Technology and Distributed Learning (IT&DL) centers in two universities (Cairo University and Suez Canal University). These centers would be established as "centers of excellence", with an official management structure and an allocated budget. Their core objectives would be to build faculty capacity in integrating instructional media into their coursework and to deploy instructional media for distributed learning and online education. The Project will support international and regional technical assistance for the establishment of the centers, for the design and delivery of a faculty professional development certificate program, for courseware design, and for the development of distributed and online learning methodologies.

**(ii) Train Faculty and Staff:** University instructors currently have only the most limited access to computer technology, networking systems, and the internet. This activity will therefore finance in-service training for university faculty and instructors to develop their competencies in the use and application of instructional technology in their teaching. Professional faculty development will be supported for about 5,000 faculty over the life of the Project. The training will consist of instruction in computer software operation, Internet operation, distributed learning methods, instructional design processes, course administration, and learning assessment and evaluation.

#### **Project Component 3 - US\$ 17.00 million**

Project Component 3 supports three activities, these include:



**(i) Consolidate 47 MTIs into 8 Technical Colleges (TCs):**

The 47 MTIs provide what is widely acknowledged to be substandard education and training. Most MTIs are small-scale and, because of their resourcing and equipment constraints, have no hope to be cost-effective. This activity will support the consolidation of the 47 MTIs into 8 TCs, required facility refurbishment, upgrading of technical equipment, and introduction of an IT infrastructure.

The Project will support needed updating and modification of technical and computer equipment, and the establishment of a networked library system. Financing will be provided for:

- Audits of the MTIs human, physical, and technical resources to facilitate their consolidation and to assess and cost new investment needs;
- Refurbishment of old facilities to acceptable international standards;
- Specification and procurement of generic equipment for basic laboratories and workshops;
- Technical assistance for design and development of an IT backbone;
- Phased procurement of computers and associated equipment;
- Establishment of a networked library system connected via the proposed Intranet;
- Training for TC governors and administrators in management, budgeting and communications skills, and training for administrators and instructors in networking systems;
- Establish training program with foreign institutions or professional associations.

**(ii) Redesign curriculum and train instructors:** The curriculum of the MTI system is outdated and does not meet labor market requirements. An MTI education has little reputational value and graduates struggle to find employment. A better quality, more relevant curriculum will be introduced in the TCs. TCs will also deliver in-service training courses in response to industry demand. This activity will finance:

- International and local technical assistance for development of a new curriculum and technical specializations;
- Design and implementation of communications strategies to engage employers, students and the public in curriculum development decisions;
- Auditing of qualifications of TC personnel and the development of personnel databases;
- Training in technical, IT, English and teaching skills for all TC instructors;
- Scholarships so instructors can undertake studies and practicums locally and abroad;
- Establishment of TC affiliations with regional and international higher technical institutes;
- Establishment of Divisions of Continuing Education in TCs and development of customized in-service employee training programs for industry.

**(iii) Strengthen academic management and administration:** New managers will be appointed to administer the TCs. These managers will oversee large, relatively autonomous institutions with close ties to employers. This activity will finance training for key administrators to ensure institutional effectiveness and efficiency, including:

- Adoption of competency-based student evaluation and records systems;
- Effective utilization of IT and the MIS.

**Annex 3: Estimated Project Costs**  
**ARAB REPUBLIC OF EGYPT: Higher Education Enhancement Project**

<b>Project Cost By Component</b>	<b>Local US \$million</b>	<b>Foreign US \$million</b>	<b>Total US \$million</b>
Reforming System-wide Governance, Management and Efficiency	22.27	7.28	29.55
Improving the Quality and Relevance of University Education	5.14	2.53	7.67
Improving the Quality and Relevance of Higher Technical Education	8.12	5.56	13.68
<b>Total Baseline Cost</b>	35.53	15.37	50.90
<b>Physical Contingencies</b>	1.79	1.17	2.96
<b>Price Contingencies</b>	4.39	1.25	5.64
<b>Total Project Costs<sup>1</sup></b>	41.71	17.79	59.50
Front-end fee		0.50	0.50
<b>Total Financing Required</b>	41.71	18.29	60.00

<b>Project Cost By Category</b>	<b>Local US \$million</b>	<b>Foreign US \$million</b>	<b>Total US \$million</b>
<b>Goods</b>	10.39	7.10	17.49
<b>Works</b>	4.02	2.74	6.76
<b>Services and Training</b>	11.60	7.85	19.45
<b>HEEPF</b>	12.00	0.00	12.00
<b>Operation and Maintenance</b>	3.80	0.00	3.80
<b>Total Project Costs<sup>1</sup></b>	41.81	17.69	59.50
Front-end fee		0.50	0.50
<b>Total Financing Required</b>	41.81	18.19	60.00

<sup>1</sup> Identifiable taxes and duties are 2.8 (US\$m) and the total project cost, net of taxes, is 57.2 (US\$m). Therefore, the project cost sharing ratio is 87.41% of total project cost net of taxes.

## **Annex 4**

### **ARAB REPUBLIC OF EGYPT: Higher Education Enhancement Project**

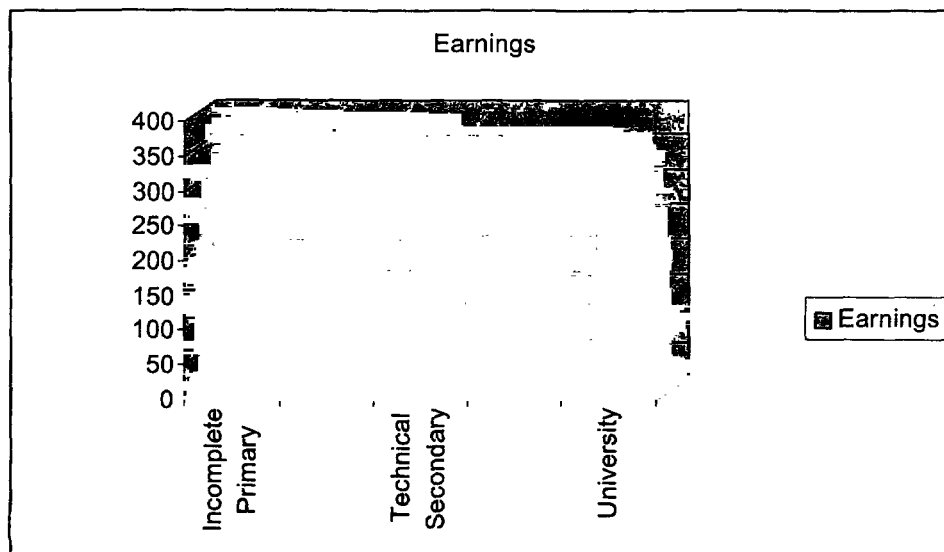
#### **Economic Analysis**

The economic evaluation of this Project attempts to answer these questions: (i) Why should higher education be the focus of this Project, as opposed to other levels of education? (ii) What is the rationale for supporting public higher education? (iii) What would happen without this Project? (iv) What is the economic rationale for the components of this Project?

#### **Why an investment Project in higher education?**

The proposed Project comes at a critical time in Egypt's economic development. The country is restructuring its economy to better compete in the global environment and has recently signed a partnership agreement with the European Union. To successfully compete in this international marketplace requires that Egypt have the capacity to fully participate in new knowledge-based enterprises. The speed with which Egypt makes this economic transition will be either facilitated or hindered by the relevance of its higher education system—its universities and middle technical institutes (MTIs)—and its capacity to bridge the growing digital divide. The system must produce graduates who contribute to a dynamic economy, in which the private sector carries an increasing weight, and help bridge the expanding scientific gap between Egypt and industrialized countries.

It is also important to note that the proposed project is part of a comprehensive strategy for education reform in Egypt. The Bank is already supporting basic education reform through the Education Enhancement Project (EEP) (US\$200 million) and the Secondary Education Enhancement Project (SEEP) (US\$50 million). Both EEP and SEEP are supporting Government's efforts to significantly upgrade the quality and relevance of education, by changing pedagogies so students' conceptual and problem-solving capacities are developed, and by introducing information technology into classrooms and instructional practices. Additionally, SEEP is supporting reform of the secondary technical and vocational stream to shift current focus on narrow specialization towards generic skills which are more fungible across industries and which will increase the employability of graduates. SEEP is also supporting a shift in the balance of vocational vs. general secondary schooling; the existing vocational:general mix of 70:30 will change to 50:50 over the lifespan of the project. The profound changes being undertaken under the EEP and SEEP projects will underpin, and feed into, the higher education reform effort, much of which is based on changes in pedagogical method, vastly strengthened research and analytical capacity among faculty and students, and widespread adoption of information technology for instructional and research purposes.



**What is the rationale for supporting public higher education?**

Egypt recognizes that it is not feasible to publicly finance all higher education. Secondary school enrollment rates are increasing and this, together with the population increase, will raise higher enrollment rates to between 1.25 and 1.66 million within five years. If, in addition, unit costs increase at the same rate as real GDP, higher education spending as a share of GDP is predicted to increase from the current 1.6 percent to between 1.9 and 2.6 percent. The consequence of this growth, should it all occur in public institutions, would be an increase in the percent of the Government's budget destined to higher education from 5.6 percent to as high as 10.2 percent. This is clearly neither desirable nor sustainable. Consequently, under HEEP the Government is working to establish a cap on student enrollments, and specifically a cap on student enrollees receiving full subsidization. Specific mechanisms for cost recovery for non-education services in higher education (e.g. student housing) will be identified, following extensive social assessments of parents and students during the Project. Initial informal assessment during HEEP preparation has indicated strong resistance, such that administrators felt that the risk of student uprising is not worth the benefit of cost recovery for such services. On the other hand, cost recovery for alternative programs which are perceived to be of higher quality and relevance has received strong demand. For example, a degree program in Commerce which uses English as the medium of instruction charges LE1,000 in tuition in public universities. The applicants for the program exceeds available space by nearly three times. While the tuition is still only about 33 percent of the actual average unit cost of the program, this sets a precedent towards cost recovery in public institutions.

This predicted fiscal burden of publicly financing all higher education demonstrates why the Government wishes to encourage private supply. However, since the higher education system is currently almost entirely public, it is unrealistic to expect to rely on nascent private sector providers to absorb the expanding higher education student base. The HEEP initiates the development of a more friendly, enabling environment for higher education—and ultimately, private education—to ensure its future growth, while in the short run addressing the serious problems of quality and efficiency in public higher education institutions. And, the establishment of the National Quality Assurance Council (NQAC) under HEEP will introduce accreditation based on objective quality criteria and external assessment. Such an accreditation mechanism should bolster the confidence of the public to apply to private institutions. There will also be a need to reform the legislation governing the higher education sector and undertake a careful assessment of

what type and extent of cost recovery measures might be politically feasible and acceptable.

It will, also, require the creation of new financial aid mechanisms to ensure that private supply does not limit equality of educational opportunity for the poor. In OECD countries, scholarship or student loans are possible financial aid mechanisms. During Project preparations, IFC conducted an extensive feasibility study (*The Market for Student Loans in Post-Secondary Education in Egypt, June 1998*). The study recommended **against** launching a student loan program at this time. Key reasons were: (a) limited market size; (b) underdeveloped debt/credit market; (c) cultural attitude uncomfortable with personal debt and loans; and (d) lack of a consumer credit agency. In the future when students from low SES will have an opportunity to enter and complete secondary education, a scholarship program could be considered during the Project. Currently 98% of graduates from general secondary schools enter higher education. Greater inequality, therefore, occurs at preparatory to secondary stage when disadvantaged students either drop out or are streamed into the inferior vocational education schools.

### **What would happen without this Project?**

A continuation of the status quo is clearly unsustainable. The nearly exclusive reliance on highly subsidized public provision, together with the high level of inefficiency inherent in the system, will result in further deterioration in the quality and relevance of education, and spiraling costs. Already, the increasing numbers entering the higher education system has meant that resources have been stretched, with a resultant 8 percent decline in per student spending. (Enrollments increased by a phenomenal 42 percent between 1997/98 and 1998/99. The teaching staff increased by 7 percent.) The decrease in spending has reportedly adversely affected quality and exacerbated disparities between faculties in resource allocations. Recent data show that the four faculties which enroll three quarters of the students—commerce, arts and humanities, education, and law—have an average student-teacher ratio of 119:1. If associate faculty (teaching staff without a PhD.) are excluded, the ratio increases to 201:1. The situation is very different for the faculties enrolling the other quarter of the students, notably medicine, agriculture and economy, and political science, where faculty:student ratios can be as low as 2:1.

Quality and internal efficiency are significantly lower in the MTI than university system. This is reflected in the high student failure rates, as shown in Table A4.1, below:

**Table A4.1: Global Examinations Results in Industrial MTIs in May 1997.**

Category	Male	Female	Total
Number of Candidates	19,649	14,530	34,179
Number of Students Taking the Examinations	19,288	14,166	33,454
Number Passing and Graduating	9,610	7,673	17,283
% Graduating from Graduating Class Cohort	49%	53%	50%

Table A4.1 clearly shows that only around 50 percent of students in the final (second) year of study actually graduate. Similar results are also observed amongst first year students, and the overall throughput (internal efficiency) is estimated to be less than 30 percent. Without intervention and support from the proposed HEEP, these already low rates will likely decline further as resources become more stretched as

additional students from the population bulge are accommodated in the MTI programs.

**What is the economic rationale for the components of this Project?**

This section examines the sub-components for which benefits could not be easily quantified, in order to determine whether there is a more cost effective way to achieve their respective objectives. The discussion will focus on the NQAC, information technology (IT), management information systems (MIS), library systems, and faculty development sub-components, as well as on the competitive window of the Higher Education Enhancement Project Fund (HEEPF).

**National Quality Assurance Council (NQAC)**

Option 1	Option 2
To set up a NQAC with the mandate to accredit institutions and programs.	To set up a NQAC whose mandate will be to coordinate institutional initiatives and to develop standards and methods for an evaluative framework
<b>Advantages</b>	<b>Advantages</b>
Institutions and their respective units may be forced into changing their practice toward becoming accountable more quickly.	There will be extensive consultations at all levels and as a result, the academic community will become a stakeholder in this process.
	There will be sufficient practice time with built-in support mechanisms to introduce a fundamental change in institutional practice.
	Adopted benchmarks and standards will take into account the national context as well as international and globally accepted professional standards.
	It will provide sufficient time to develop local expertise for running an accreditation agency.
<b>Disadvantages</b>	<b>Disadvantages</b>
Will anger academics and could result in major resistance and disruption.	There will be resistance from many faculty members and programs since accountability has not been enforced in the current system.
The decision would be top-down and will not have drawn on any input from the grass roots.	There might be insufficient resources available to assist units or individuals who want to improve.
It will ignore the efforts of those who have started work in this area in their respective institutions.	If there are no consequences for performance that does not meet standards, there will be no motivation to change.
There will be insufficient practice time and resources to help raise both awareness of and knowledge about the process.	

## Management Information Systems (MIS)

<b>Purchase "off-the-shelf" package</b>	
<b>Advantages</b>	<b>Disadvantages</b>
Pre-designed Higher Education "templates". Faster development.	Requires substantial customization. Egyptian system too complex for off-the-shelf package. Few Arabized packages available. High cost
<b>Develop New System "in-house"</b>	
<b>Advantages</b>	<b>Disadvantages</b>
Start with new "greenfield" requirements. Builds in-university technical capacity. Easy to Arabize.	Slow implementation Requires substantial project management and monitoring skills Higher cost
<b>Adapt and customize existing systems for system-wide deployment</b>	
<b>Advantages</b>	<b>Disadvantages</b>
Builds on existing systems and efforts Requires minimal new development Little adaptations required Easy to Arabize Less costly	Attaining consensus on which systems to use Assuring equitable division on labor in adapting systems.

**Faculty development**

<b>Options</b>	
Establish a National Center for Development and link with local faculty based Faculty Development Center at the universities.	Develop local expertise in faculty through intensive training at individual universities.
<b>Advantages</b>	
It is centralized and can coordinate all.	<p>Investment would be in human development rather than structures.</p> <p>The training sequence is hands on and extensive opportunities to apply content as well as to mentor colleagues in the same institution.</p> <p>Training is focussed and is immediately applicable.</p> <p>All institutions can benefit at the same time.</p>
<b>Disadvantages</b>	
<p>There are insufficient number of who are trained as faculty.</p> <p>The initial investment would go toward up a structure without having the ones who have specialized in pedagogy.</p> <p>A centralized unit will need extensive staff to deal with very large numbers of program.</p>	<p>Training is intensive and requires commitment and dedicated time from individual.</p> <p>Its success depends on the individuals selected to be trained as faculty.</p>



### Higher Education Enhancement Project Fund (HEEPF)

By the very nature of the HEEPF competitive window, sub-projects approved for funding can be expected to be more cost-effective than projects approved without competition. The key to this reason lies in the peer review process. All proposals received will be graded by the Peer Review Committees, and only proposals judged good or excellent will be funded. Furthermore it is expected that, as the HEEPF gains experience and recognition in the country, competition for funding will grow stronger. Peer review committees and the Fund Committee will take into account such factors as the likelihood that the project will achieve its stated objectives, the likelihood that its actual achievements will be socially or economically important to Egypt, as well as to the scientific and technological community in general, and the degree to which educational and training benefits are to be expected from the project. The successful introduction of such an open peer review process for these decisions will be one of the major accomplishments of the project.

<b>Option 1</b>	<b>Option 2</b>
To set up the HEEPF as a noncompetitive development fund that supports projects identified as important by the SCU.	To set up the HEEPF as a competitive fund that supports projects proposed at any level on the basis of technical merit of the proposal and the competency of the applicant(s) for implementation.
<b>Advantages</b>	<b>Advantages</b>
SCU has a global picture of all institutions and their needs and can recommend projects that would have a broader impact.	It will be a fair and transparent system so long as the process follows the Fund Operations Manual. It could support sector-wide projects as well as innovative ideas generated by individuals. It could provide greater incentive and source of motivation to acquire skills for systematic planning, implementation, evaluation and accountability. Being awarded a grant could be used as an indicator of academic performance. The competition process will engender a desire to learn how to prepare proposals and may lead to the acquisition of other funds from international organizations.
<b>Disadvantages</b>	<b>Disadvantages</b>
The decision-making process will be in the control of a limited group. Its benefits will not reach a wider base. Some institutions may be favored.	May not be able to engage in a peer review process because of inviolability of qualified individuals. The competition process may further separate productive and accountable individuals from their colleagues.

## Middle Technical Institutes (MTI) Reform

	Strategies		
	Proposed Strategy	Alternative Strategy 1	Alternative Strategy 2
<b>Defining Characteristics of Strategy</b>	Development of the sector through “clustering” of the 47 MTIs into 8 regional Technical Colleges (TCs)	Separate development of 47 MTIs through traditional capacity building and institutional support.	Franchising the MTIs to the Private Sector, and the creation of a TEVT Fund to support training in industry
<b>Links to Industry and Enterprises</b>	<p><b>Advantages:</b> division of labor in the provision of skills between the TCs and the employers is possible, with the former providing basic and generic skills, and the latter providing the advanced and work-related skills.</p> <p><b>Disadvantages:</b> Achieving the objectives of the proposed reforms needs political will and the adoption of major reforms in legislation and the governance of higher education.</p>	<p><b>Advantages:</b> none</p> <p><b>Disadvantages:</b> Difficulty in establishing meaningful links to employers from a small and weak institutional base.</p>	<p><b>Advantages:</b> Directly linked and accountable to employers.</p> <p><b>Disadvantages:</b> International evidence shows that the private sector is more interested in funding programs for the development of advanced and work –related skills than for the development of the “generic” and “basic” skills for which the TCs are intended.</p>
<b>Diversification of Funding Sources</b>	<p><b>Advantages:</b> Public funding for the TCs to develop basic and generic skills is complemented by private sector support for provision of advanced and work specific skills by employers.</p> <p><b>Disadvantages:</b> The above-mentioned expected support from the private sector is dependent on the development of a shared vision among all stakeholders; MOHE, the TC sector and employers.</p>	<p><b>Advantages:</b> None</p> <p><b>Disadvantages:</b> The lack or relevant links to employers precludes any meaningful contribution from the private sector.</p>	<p><b>Advantages:</b> A Training Fund jointly funded by the public and private sectors. The private sector – managed fund can respond efficiently to identified needs in industry.</p> <p><b>Disadvantages:</b> Equity concerns related to the allocation of public resources to a Training Fund intended for benefit of the private sector.</p>

MTI Reform (continued)

<p><b>Autonomy in Governance and Management</b></p>	<p><b>Advantages:</b> The proposed structures of governance including the Board of Trustees of the TCs would remove the direct bureaucratic control of MOHE and ensure the effective participation of employers in policy formulation and decision making.</p> <p><b>Disadvantages:</b> Achievement of autonomy objectives depends on the willingness of MOHE to relinquish control and the political will of GoE to pass the necessary legislation.</p>	<p><b>Advantages:</b> Familiar structures of governance and control represent a more acceptable strategy to MOHE.</p> <p><b>Disadvantages:</b> This strategy will perpetuate the bureaucratic control that MOHE exercises over all non-university institutions of higher education and would frustrate all initiatives to provide the MTIs with reasonable degree of autonomy.</p>	<p><b>Advantages:</b> Control of policy formulation and implementation resides with the employers and their organizations and associations.</p> <p><b>Disadvantages:</b> The lack of experience in the joint governance and management of a Training Fund would create great difficulties in implementation initially.</p>
<p><b>Efficiency</b></p>	<p><b>Advantages:</b> The clustering of MTIs into TCs will provide the framework for sharing of resources to maximize the efficiency in resources' allocation and utilizations.</p> <p><b>Disadvantages:</b> The sharing of resources is dependent on the establishment of a viable and reliable ICT network to allow effective communication among MTIs in the cluster.</p>	<p><b>Advantages:</b> None</p> <p><b>Disadvantage:</b> cost of networking 47 scattered small MTIs would be prohibitive.</p>	<p><b>Advantages:</b> Outsourcing the design and delivery of training programs on a competitive basis to private providers of technical education and training <u>could</u> lead to improvement in efficiency and cost-effectiveness.</p> <p><b>Disadvantages:</b> The global track record of private delivery of technical education and training services is inconclusive on the issue of efficiency and cost-effectiveness especially for basic and generic skills formation.</p>
<p><b>Quality and Relevance of Programs</b></p>	<p><b>Advantages:</b> The proposed involvement of employers (through program advisory committees) in the design of programs and the development of curricula will ensure improvement in the quality and relevance of TCs' programs.</p> <p><b>Disadvantages:</b> The potential for continuous involvement and meddling by MOHE in program review could hinder the achievement of quality and relevance objectives.</p>	<p><b>Advantages:</b> None</p> <p><b>Disadvantages:</b> The participation of employers in program design and curricular development is more difficult to achieve in the small and scattered MTIs.</p>	<p><b>Advantages:</b> Methods of quality assurance can be readily incorporated in the design and delivery of services to ensure the quality and relevance of programs.</p> <p><b>Disadvantages:</b> The lack of knowledge and experience in the private sector concerning the methodologies of technical and vocational education and training has led to poor outcomes in many countries such as the Philippines where private service provision is the norm.</p>

**Annex 5: Financial Summary**  
**ARAB REPUBLIC OF EGYPT: Higher Education Enhancement Project**

	Implementation Period							Operational Period				
	2002	2003	2004	2005	2006	2007	Total	2008	2009	2010	2011	2012
<b>Project Costs</b>												
Investment Costs	0.21	12.67	15.41	12.34	10.58	5.00	56.19					
Recurrent Costs	0.16	0.35	0.46	0.79	1.30	0.77	3.80	1.49	1.56	1.64	1.72	1.64
<b>Total</b>	<b>0.37</b>	<b>13.02</b>	<b>15.86</b>	<b>13.13</b>	<b>11.88</b>	<b>5.76</b>	<b>60.00</b>					
<b>Financing Sources (amounts)</b>												
IBRD	0.00	11.59	13.37	10.68	9.57	4.79	50.00					
DFID	0.25	0.25	-	-	-	-	0.50					
Republic of Egypt	0.12	1.18	2.49	2.45	2.31	0.97	9.50	1.49	1.56	1.64	1.72	1.64
<b>Total</b>	<b>0.37</b>	<b>13.02</b>	<b>15.86</b>	<b>13.13</b>	<b>11.88</b>	<b>5.76</b>	<b>60.00</b>	<b>1.49</b>	<b>1.56</b>	<b>1.64</b>	<b>1.72</b>	<b>1.64</b>
<b>Financing Sources (as % of Project Costs)</b>												
IBRD	0%	89%	84%	81%	81%	83%	83%	0%	0%	0%	0%	0%
DFID	67%	2%	0%	0%	0%	0%		0%	0%	0%	0%	0%
Republic of Egypt	33%	9%	16%	19%	19%	17%	16%	100%	100%	100%	100%	100%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Note: Figures may not add up due to rounding.												
Loan amount includes the capitalized Front-End fee of US\$0.5 million												

**Annex 6: Procurement and Disbursement Arrangements**  
**ARAB REPUBLIC OF EGYPT: Higher Education Enhancement Project**

**Procurement**

1. General. Procurement of works and goods for the proposed Project will be carried out in accordance with the “Guidelines- “Procurement under IBRD Loans and IDA Credits,” January 1995 (revised in January and August 1996, September 1997, and January 1999); as well as those for “Selection and Employment of Consultants by World Bank Borrowers,” January 1997 (revised September 1997 and January 1999). A General Procurement Notice (GPN) will be published in United Nations Development Business (UNDB) upon approval of the Loan. All subsequent International Competitive Bidding (ICB) procurement of goods and all Requests for Proposals (RFPs) for consulting services with an estimated contract value above US\$200,000 equivalent will be advertised in UNDB. Procurement activities under National Competitive Bidding (NCB) procedures will be advertised in at least two national newspapers of wide circulation.

2. Works. (US\$6.76 million) Works will include mainly the rehabilitation of the Middle Technical Institutes (MTIs) and possibly some of the university colleges (such as faculties of education) and other buildings. Since these works are below an estimated value of US\$600,000 equivalent and geographically dispersed, they are unlikely to be of interest to foreign bidders. Therefore, civil works will be procured using NCB procedures; IBRD Standard Bidding Documents (SBDs) and Standard Bid Evaluation Form (SBEF) adapted to NCB will be used. The NCB bidding documents used under both Loan No. 2476-EGT and ITF N0080-EGT have been previously reviewed and are acceptable to IBRD under this Project.

3. Goods. (US\$17.49 million). Procurement of goods will include information technology equipment such as servers, computers, equipment for laboratories and libraries, technical books and special training materials in addition to furniture and general equipment for MTIs. To the extent possible, all the goods will be packaged in lots suitable for ICB procurement. The procurement of goods with an estimated contract value below US\$250,000 equivalent, up to an aggregate amount of US\$1.3 million, will be procured through NCB. The PMU will use modified SBD and SBEF for Goods. These documents have been reviewed and are acceptable to IBRD. The procurement of goods with an estimated contract value below US\$100,000 equivalent, up to an aggregate amount of US\$1.6 million, will be procured through International Shopping (IS) procedures by obtaining quotations from at least three suppliers in two different countries. National Shopping (NS) may be used for the procurement of goods with an estimated contract value below US\$50,000 equivalent, up to an aggregated amount of US\$1.1 million, provided the desired goods are available from more than one domestic source at competitive prices.

4. Services and Training. (US\$19.45 million). Services will include short-term consultancies, long-term technical assistance, training services, architectural services, construction supervision and financial auditing. For consultancies with an estimated contract value above US\$100,000 equivalent, the Quality-and-Cost-Based Selection (QCBS) method and IBRD’s Standard Request for Proposals (RFP) will be used. For consultancies with an estimated contract value above US\$50,000 equivalent and for all specialized consulting services, the Quality-Based Selection (QBS) method and a simplified invitation for competitive proposals will be used. For all other consultancies, Consultants’ Qualifications (CQ) method will apply and simplified contracts will be used. Single-source (SS) selections may be used with IBRD’s prior concurrence for consultancies with an estimated contract value below US\$10,000 and for short-term assignments.

5. HEEPF. (US\$12.00 million). A HEEPF permanent committee will be established within the first two years of the Project. This committee will consist of eight members and will be responsible for setting up specialized committees which will evaluate the proposals submitted by the different universities and institutes. Proposals will be solicited in the areas of (a) pedagogic and quality enhancement; (b) entrepreneurial development and private sector/TC partnership; and (c) upgrading management. Adequate private sector representation will be required in all specialized committees to ensure that the selected proposals are responsive to labor market conditions and needs. The evaluation process will follow the procedures spelled-out in detail in the HEEPF Manual. Approved proposals will be implemented by the submitting university or institution with assistance from the PMU in all areas related to procurement and financial management.

6. Prior Review. The following procurements will be subject to IBRD's prior review and concurrence: (a) all ICB procurement of goods; (b) the first three NCB procurement of works and goods, irrespective of their contract value; (c) all selections of consulting firms with an estimated contract value above US\$100,000 equivalent and all selections of individual consultants with an estimated contract value above US\$50,000 equivalent; and (d) all single source selections of consultants; all other contracts will be subject to post review during periodic procurement audits.

7. Responsibilities. The PMU will be the unit responsible for managing the Project, opening and maintaining separate Special and local accounts as well as implementing the procurement plan per World Bank Guidelines and Procedures in full conformity with the Project. These responsibilities will be carried out in full coordination with the Supreme Council of Universities (SCU), the Supreme Council of Technical Colleges (SCTC), the Higher Education Enhancement Project Fund (HEEPF) and all other entities participating in the implementation of the Project. The PMU is currently staffed with a procurement specialist, a financial management specialist, an information specialist and a secretary. These experts are familiar with IBRD procurement procedures and have implemented other Bank-financed projects. This core PMU unit will be responsible for the proposed Project in relation to the procurement needs of the SCU, the SCTC, the HEEPF, the MTIs and all other project entities. These implementing entities will work with the PMU to finalize all necessary documentation. The PMU will take the lead in regard to procurement. The implementing entity will be participating in finalizing the specifications (in case of goods and works) and the Terms of Reference (TOR). The implementing entities will assist in the procurement process and will be represented in the evaluation committees of every procurement. For training activities, the implementing entities will receive from the PMU in advance, the estimated amount of travel and subsistence costs necessary for conducting the training activity for two months. While the implementing entities keep all necessary documentation for record keeping and audit purposes, they shall also send copies of all documentation to the PMU for record keeping and facilitating the work of the reviewers and supervision missions. Additional staff will be added and training will be provided to the PMU and the implementing entities to improve their capacity in implementing and managing the project and to familiarize them with the Bank new reporting requirements (FMRs).

8. Procurement Planning and Monitoring. A detailed procurement plan for the first year of project implementation is part of the Project Implementation Plan (PIP)- see Annex 8. This plan has been appraised by the Bank and found to be of satisfactory quality. The PIP will be updated during supervision missions and extended to cover subsequent years.

**Procurement methods (Table A)**

Procurement Arrangements (US\$ Million)	Procurement Method			N.B.F.	Total
	International Competitive Bidding	National Competitive Bidding	Other		
<b>A. Civil Works</b>	-	6.76	-	-	6.76
		(4.73)			(4.73)
<b>B. Goods</b>	14.66	1.85	0.97	-	17.49
	(10.42)	(1.32)	(0.69)		(12.43)
<b>C. Services and Training</b>					
Consulting Service	-	-	14.02	-	14.01
			(13.52)		(13.52)
Training Activities	-	-	5.44	-	5.44
			(5.36)		(5.36)
<b>D. HEEF Fund</b>	-	-	12.00	-	12.00
			(12.00)		(12.00)
<b>E. Operating Expenditures</b>					
Operating Cost	-	-	3.80	-	3.80
			(1.47)		(1.47)
<b>Total</b>	14.66	8.61	36.23	-	59.50
	(10.42)	(6.05)	(33.04)	-	(49.50)

Note: Figures in parenthesis are the respective amounts financed by IBRD  
US\$ 0.5 million Front-End Fee will be capitalized through the IBRD loan of US\$ 50.0 million.

Prior review thresholds (Table B)

**Table B: Thresholds for Procurement Methods and Prior Review**<sup>1</sup>

<b>Expenditure Category</b>	<b>Contract Value Threshold (US\$ thousands)</b>	<b>Procurement Method</b>	<b>Contracts Subject to Prior Review (US\$ millions)</b>
<b>1. Works</b>	< US\$600	NCB	First three contracts
<b>2. Goods</b>	> 250 > 100 and <= 250 > 50 and <= 100 <= 50	ICB NCB IS NS	All Contracts First three contract First three contracts First three contracts
<b>3. Services</b> Firms: Individuals:	> 100 < 100 > 50 < 50	QCBS QBS QC LC/QC	All contracts First three contracts All contracts First three contracts
<b>4. HEEPF</b>	< 100 > 100	See selection mechanism in HEEPF Manual	First three contracts All contracts
<b>5. Operation &amp; Maintenance</b>	< 25 > 25		First three contracts All contracts

**Total value of contracts subject to prior review:** US\$20 million- ALL ICB Contracts and approximately 10% of all other contracts

**Overall Procurement Risk Assessment**

**Average**

**Frequency of procurement supervision missions proposed:** One every 6 months (includes special procurement supervision for post-review/audits)

<sup>1</sup> Thresholds generally differ by country and project. Consult OD 11.04 "Review of Procurement Documentation" and contact the Regional Procurement Adviser for guidance.



## **Disbursement**

### **Allocation of loan proceeds (Table C)**

The Loan of US\$50.0 million will be disbursed during Project implementation according to Table C. The Loan is expected to disburse over a period of five years. The estimated Loan disbursements over the five-year period are presented on page 2 of this Project Appraisal Document. All Project activities are expected to be completed by June 30, 2007, and the Loan will close on December 31, 2007. Preparation and submission of disbursement applications will be the responsibility of the PMU.

**Table C: Allocation of Loan Proceeds**

<b>Expenditure Category</b>	<b>Amount in US\$million</b>	<b>Financing Percentage</b>
Works	4.50	75%
Goods	11.00	100% of all foreign expenditures; 100% ex-factory; 75% of all local cost
Services and Training	16.00	100% of all expenditures
HEEPF	12.00	100% of all expenditures
Operation and Maintenance	1.50	80%
Unallocated	4.50	
<b>Total Project Costs</b>	<b>49.50</b>	
<b>Front-end fee</b>	<b>0.50</b>	
<b>Total</b>	<b>50.00</b>	

*All expenditures are net of taxes and duties.*

### **Use of statements of expenditures (SOEs):**

9. Withdrawals from the loan account may be made on the basis of Statement of Expenditures (SOEs) on the following expenditures:

- US\$250,000 for civil works
- US\$250,000 for goods
- US\$100,000 for consulting firms
- US\$50,000 for individual consultants

All supporting documentation for SOEs, including copies of invoices and bank statements, must be maintained by the for at least one year after completion of the Project. Special Accounts would be audited annually by an independent auditor acceptable to the Bank, and all records must be made available for review by the external auditor and visiting supervision missions from the World Bank.

### **Special account:**

10. To facilitate Project implementation and make timely payments of the Bank's share of eligible expenditures to contractors, suppliers, consultants and others, the Borrower's MOHE will open and maintain a local currency (Egyptian Pounds) Special Account (SA) in the Central Bank of Egypt, on terms and conditions acceptable to the Bank. The PMU will have access to, and manage, the SA. Disbursement will be made by the PMU directly from the SA. The authorized allocation of the SA will be equal to four months estimated expenditures, equivalent to US\$4.0 million. At the start of the Project, the initial deposit to the SA will be limited to US\$2.0 million. The remaining amount of the authorized allocation may be

requested only after cumulative disbursements reach the equivalent of US\$10.0 million. Requests for replenishment of the SA will be submitted on a monthly basis. A bank statement of the SA and a reconciliation of the SA against the bank records will support the replenishment applications. The minimum amount for applications for direct payment and for special commitments will be 20 percent of the authorized allocation to the SA. Replenishment of the SA will follow Bank procedures. There is no minimum amount applicable to replenishment requests (Withdrawal Applications), which will be submitted on a monthly basis.

### Project Account for Counterpart Funding and Disbursement

11. The project will open a bank account for the counterpart funding from GOE for both the Value Added Tax compensation and the part of expenditures being financed by GOE. Total GOE funds needed for the project is US\$ 10 million (excluding taxes) for the five-year project period.

**Table D: Estimated Counterpart Funding**

(US\$ Million)	DFID [UK]		IBRD		The Government		Total		For. Exch.	Local (Excl. Taxes)
	Amount	%	Amount	%	Amount	%	Amount	%		
1. Works	-	-	4.73	70.0	2.03	30.0	6.76	11.3	2.74	4.02
2. Goods	-	-	12.43	71.1	5.06	29.0	17.49	29.1	7.10	10.39
3. Services	0.50	3.5	13.75	96.5	0.00	-	14.25	23.7	5.82	8.43
4. Training Activities	-	-	5.58	100.0	0.00	-	5.58	9.3	2.28	3.30
5. HEEP FUND	-	-	12.00	100.0	-	-	12.00	20.0	-	12.00
6. Operation and Maintenance /a	-	-	1.51	38.6	2.40	61.4	3.92	6.5	0.05	3.87
<b>Total</b>	<b>0.50</b>	<b>0.8</b>	<b>50.00</b>	<b>83.3</b>	<b>9.49</b>	<b>15.8</b>	<b>60.00</b>	<b>100.0</b>	<b>17.98</b>	<b>42.02</b>

/a Year 1: 80%, Year 2: 60%, Year 3: 40%, Year 4: 20% ,Year 5: 0%

Note: US\$0.5 million front-end fee will be capitalized through the IBRD Loan and is included in the total amount of US\$50 million.

### Assessment of the Financial Management System

#### Project Implementation

12. The former Project Implementation Unit (PIU) of the Engineering and Technical Education Project (ETEP) has been reinstated as the HEEP Project Management Unit (PMU). Staff currently hired by the PMU have nine years of experience in administering and implementing Bank-financed projects.

13. The PMU will be responsible for procurement, budgeting, financial, accounting and reporting functions, and management of all components of the project. It will ensure that all project-related activities and related documentation are appropriately maintained and recorded. It will consolidate all information generated during the implementation of the project by all concerned parties. The PMU would be responsible for overall project financial management and accounting. It would maintain a cash accounting system for the project, open and maintain the special account and handle the disbursement process. Prepare and disseminate Financial Statements (FS) and Financial Monitoring Reports (FMR). The PMU will ensure that the project FS and related reports are audited in a timely fashion and that audit reports are submitted to the Bank according to loan agreement provision.

14. During the course of implementation, targeted universities will receive technical assistance to

strengthen their financial management systems. Following Bank reviews to ascertain their respective capability in handling financial management and procurement functions, additional special accounts will be opened for each of these qualified universities. However, at the beginning of the project, all universities' financial management, disbursement, and procurement transactions will be conducted by the PMU.

### **Financial Management System**

15. The Financial Management Systems (FMS) of the reinstated PMU was found acceptable to the Bank and selected universities (i.e., Ain Shams and Cairo universities) were also reviewed to assess their adequacy.

#### Main characteristics of the PMU system are as follows:

16. Staffing: The PMU has a director, finance manager (supported by one accountant), procurement manager (supported by one assistant), and a MIS officer. The finance and procurement managers have vast experience with Bank funded projects and have attended numerous Bank courses in the past. In addition, both managers are experts in governmental policies and procedures, especially those relating to MOHE. The PMU has a tentative organizational chart and written job descriptions for key staff.

17. Accounting Policies and Procedures: The accounting department follows a set of accounting policies and procedures to ensure that all transactions are correctly made and disclosed. The policies and procedures ensure that recording, custody, and authorization functions are separated. A cash basis accounting system is in place and is maintained regularly. However, Excel sheets are used for the analysis of accounts, suppliers, and banks. The current accounting system was able to meet the needs of a project the size of ETEP.

18. Budgeting System: The PMU does not have a formal budgetary or planning system capable of linkage between physical outputs and financial reporting. This weakness must be addressed to ensure that PMU has a budgeting system capable of laying down physical and financial targets; preparing budgets for all significant activities in sufficient detail to monitor subsequent performance; comparing actual expenditure with budgets and investigating variances; planning project activities; collecting information from various units, and later preparing the budget.

19. Audit Process: The ETEP project was audited by the Central Auditing Organization (CAO), but as the CAO auditors did not perform an audit for three consecutive years, a private auditor was hired upon project completion to do an audit for the project as a whole in accordance with International Standards on Auditing and a clean/unqualified opinion was rendered.

20. Overall Conclusion: Based on the recommendation of the appraisal mission, the PMU has strengthened its capacity by hiring one additional accountant, and has agreed to hire another accountant and an MIS supervisor after Effectiveness. Furthermore, the PMU is currently carrying out the following activities to meet Bank's requirements:

- Creating a formal and written organization chart to be finalized together with job descriptions for all staff;
- Updating financial policies and procedures to reflect the exact needs of HEEP together with developing a simple and effective budgeting and planning system;
- Engaging an independent, qualified, and competent external auditor.

#### Main characteristics of targeted universities' financial management system are :

21. University Assessments: An initial assessment of two out of thirteen universities revealed that the FMS is based on principles and procedures defined by the legal framework applicable to the public sector and more specifically to governmental institutions. An accounting system based on the cash basis and the outline of budget components is operational and reflected in the legal books maintained manually. An annual approved budget is issued by the university and its various faculties and is submitted to MOHE and MOF. Universities follow a strictly defined set of policies and procedures issued by MOF.

22. General Accounting Department: General accounting department in the universities (average 130 accountants) consists of the following sections: (a) Secretary (mail and correspondence), (b) Control function (review before disbursing), (c) MOF representative (review before disbursing), (d) Journals (prepare manual journal entries), (e) Recording (maintains manual journals and ledgers), (f) Treasury (preparing checks to be signed by MOF representative and Finance director of the university), (g) Final Accounts (prepare quarterly financial statements under the supervision of MOF representative and MOF forms), (h) Filing (manual filing of all documents), (i) Budget (prepares budget under supervision of MOF representative), (j) Research (research work on behalf of the accounting department).

23. Central Auditing Agency: Central Auditing Agency (CAA) has a permanent presence at the university where they spend the whole year auditing all transactions. CAA issues an annual audit report together with their findings (e.g., internal control weaknesses).

24. Separate Accounting Units: University bylaws allow the creation of "Separate Accounting Units" (SAU) reporting directly to the university's president and have accounting and finance personnel from within the university. These units do not have to follow MOF rules and regulations and are free to develop their own accounting policies and procedures. Creating such a unit within target universities would facilitate running the project's operations, link with the project's PMU, and control/separate the project's funds from other university resources. These units can hire private audit firms to conduct annual audits for the project (subject to the university's president approval).

25. Overall Conclusion: The accounting system and internal controls used at universities are based on governmental norms, and do not meet the Bank's requirements for proper financial management. As such, the Project's financial management functions, including budgeting, procurement, recording financial transactions, maintaining accounting records, treasury functions, and preparing periodic and annual financial reports, will be managed through creating a SAU within each targeted university to handle financial and procurement aspects. Until SAUs with adequate FM systems are put in place, the PMU should handle all financial management and procurement issues for all universities.

### **Flow of Funds**

26. The allocation of funds would include both counterpart funds from MOHE budget and funds from the Bank. Annual budgetary allocations would be based on programmed project activities and expenditures as prepared by the MOHE and PMU. It is envisaged that two Project Accounts, managed by the PMU, will be opened. One account is the Special Account (SA) and will be in foreign exchange funded by the Central Bank of Egypt. The second account is the Local Currency Account and will be funded by the Government. Deposits into, and payments from, the SA will be made in accordance with provisions in the Loan Agreement. Withdrawal applications and replenishments of the SA would be prepared and sent by PMU carrying the authorized signature.

## **Financial Management Arrangements**

27. Project accounting will cover all sources of project funds and all utilization of said funds. All project-related transactions would be recorded in the books of accounts. Direct disbursements made by the Bank and from the Special Account will be included in the project accounting system. Funds received from different sources (World Bank, Government budget and other possible financing sources) would be identified separately and reflected in the project accounts and the FS.

28. During an interim period the PMU will issue the agreed-upon FMR using Excel sheets. Later, an automated financial system for the project will be maintained by the PMU using a computerized FMS system.

29. Targeted universities which have the capacity both for procurement and financial management will handle both functions under PMU supervision and guidance. The following steps would be followed:

- The Bank will review SAU's to determine whether they have the financial management and procurement capacity.
- In case the SAU does not have the minimum requirements, the Bank together with the PMU and the university should agree on an action plan to improve SAU's capacity.
- The Bank will follow-up to ensure that recommendations included in the action plan have been adequately implemented.

30. Once a university is deemed qualified, and later certified by the Bank to handle its financial and procurement functions, direct disbursement to their special account can begin based on request by the university. The university should:

- open a special account in US dollars at the Central Bank of Egypt, and submit the account number and bank address, along with the names of two signatories and a specimen signature to the Bank. The signatories are the only persons authorized to sign the withdrawal application.
- certify that the SAU is responsible for keeping proper accounting records of all funds received and used by the project, including from all sources (the Bank, own sources, government funding, and other donors) and the uses of these funds.
- ensure that SAUs will release quarterly FMRs and annual financial statements, which should be audited by competent, qualified, and independent external auditors.
- ensure that PMU staff (finance and/or procurement departments) undertake visits to the qualified universities, when needed, to guide SAU staff and to ensure compliance with project agreements. Also, the PMU will be responsible for consolidating data for the project as a whole.

31. However, for universities that lack the capacity to handle their financial management and procurement functions, the PMU will be responsible for handling these tasks.

## **Financial Reports**

32. The PMU will be responsible for issuing quarterly Financial Monitoring Reports (FMR) and annual Project Financial Statements (PFS).

33. Quarterly unaudited FMR (45 days from each quarter closing): The format and content of the FMRs were determined as part of project appraisal, to be agreed at negotiations, and included in the Financial Management Manual. FMRs include financial, physical progress and procurement information.

There should also be an introductory narrative discussion of project developments and progress during the quarter, to provide context to, and explanation of, information reported in FMRs.

34. Annually audited PFS (6 months from fiscal year) would be submitted to the Bank, and would include:

- a statement of sources and utilization of funds or Balance Sheet, indicating funds received from various sources, project expenditures, assets and liabilities;
- appropriate schedules classifying project expenditures by components, expenditure categories, and sector
- a Special Account Reconciliation Statement;
- a Statement of Withdrawals made on the basis of Statements of Expenditure (SOEs).

#### **Auditing Arrangements**

35. An audit should be performed for the project as a whole (i.e., PMU, Universities and other implementing agencies). This audit should be conducted by a private, external, competent, and independent auditor acceptable to the Bank.

36. PMU audit arrangements: Auditors should be engaged before loan effectiveness. A copy of the audit report together with a management letter should be communicated to the Bank no later than six months following the closing of the fiscal year subject of audit. The external audit report should encompass all project activities under the loan agreement (including implementing agencies and uncertified universities) and should be in accordance with the Bank auditing requirements and conducted according to International Standards on Auditing. It will cover the project's financial statements, reconciliation and use of the special account, use of direct payments, and withdrawal based on Statement of Expenditures (SOEs).

37. Universities audit arrangements: Before a university is certified as capable of handling its financial and procurement functions and allowed to have a separate special account, qualified and independent auditors should be engaged. Once a university's SAU is certified, a copy of the audit report together with a management letter should be communicated to the Bank no later than six months following the closing of the fiscal year subject of audit. The external audit report should encompass all sub-project activities handled by the university and should be in accordance with the Bank auditing requirements and conducted according to International Standards on Auditing. It will cover the sub-project's financial statements, reconciliation and use of the special account, use of direct payments, and withdrawal based on SOEs.

#### **Risks**

38. There are two main risks relating to financial management aspects: (a) difficulties in coordinating project activities; and (b) delays in generating FMRs. Both risks are considered manageable due to the various risk-mitigation measures taken. Nonetheless, these are highlighted here in view of their potential for adversely affecting project performance. These aspects will be monitored closely as part of project supervision. The above-mentioned risks are mitigated by the following factors:

- A well-staffed PMU for the project (HEEP's senior management has hired one additional accountant since Appraisal, and has agreed to hire another accountant and an MIS supervisor after Effectiveness);
- Clear and relevant financial policies and procedures (The PMU's financial officer is currently working on finalizing a comprehensive set of accounting policies and procedures manual);

- A competent, independent, and qualified external auditor (A private firm is being recruited based on a Bank reviewed TOR and according to the Bank procurement guidelines);
- Installment of an integrated/automated accounting package (The package will be tailored to meet the exact needs of the PMU and other concerned parties – after effectiveness);
- Close supervision by Bank.

**Annex 7: Project Processing Schedule**  
**ARAB REPUBLIC OF EGYPT: Higher Education Enhancement Project**

<b>Project Schedule</b>	<b>Planned</b>	<b>Actual</b>
<b>Time taken to prepare the project (months)</b>		
<b>First Bank mission (identification)</b>	04/12/1998	04/12/1998
<b>Appraisal mission departure</b>	10/27/2000	11/06/2001
<b>Negotiations</b>	01/07/2002	02/19/2002
<b>Planned Date of Effectiveness</b>	07/01/2002	

**Prepared by:**

Mae Chu Chang

**Preparation assistance:**

*A Japan PHRD grant for US\$216,161(TF025659) was received and used for project preparation by contracting consulting services to carry out six studies in higher education in the areas of labor market analysis, quality assurance and relevance, private sector role, financial diversification, governance and accountability, and developing policy framework.*

**Bank staff who worked on the project included:**

<b>Name</b>	<b>Speciality</b>
Mae Chu Chang	Cluster Leader, Principal Educator
Maris O'Rourke	Director of Education
Francis Steier	Sr. Education Economist
Richard Hopper	Tertiary Education Specialist
Carolyn Winter	Sr. Education Specialist
Hisham Waly	Sr. Financial Management
Mahmoud Gamal El Din	Sr. Operations Officer
Ghassan Alkhoja	Sr. Information Officer
Raja B. Kattan	Education Specialist, Consultant
Iqbal Kaur	Research Analyst
Douglas L. Adkins	Economist, Consultant
Alenoush Saroyan	Faculty Development Specialist, Consultant
Robert Davies,	Library Specialist, Consultant
Roddy Begg	Consultant
Sam Mikhail	Technical Education Specialist, Consultant
Serge Goursaud	Consultant
Haris Lambropoulos	Consultant
Eleni Karadjia	Consultant
Elaine El-Khawas	Consultant
Alia Achsien	Program Assistant
Hans Korb	Implementation Specialist, Consultant
Christina Djemmal	Operations Analyst



**Annex 8: Documents in the Project File\***  
**ARAB REPUBLIC OF EGYPT: Higher Education Enhancement Project**

**A. Project Implementation Plan**

The Project Implementation Plan (PIP) is located in the Project files.

**B. Bank Staff Assessments**

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### **C. Other**

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\*Including electronic files

**Annex 9: Statement of Loans and Credits**  
**ARAB REPUBLIC OF EGYPT: Higher Education Enhancement Project**  
01-Mar-2002

Project ID	FY	Purpose	Original Amount in US\$ Millions			Cancel.	Undisb.	Difference between expected and actual disbursements*	
			IBRD	IDA	GEF			Orig	Frm Rev'd
P045499	2000	EG-NATIONAL DRAINAGE II	50.00	0.00	0.00	0.00	48.29	0.62	0.00
P050484	1999	SEC EDUC ENH PROG	0.00	50.00	0.00	0.00	42.78	5.35	0.00
P052705	1999	SOCIAL FUND III	0.00	50.00	0.00	0.00	46.68	41.81	1.36
P053832	1999	PRVT SECT.& AG. DEV.	225.00	75.00	0.00	0.00	167.81	95.22	5.93
P066336	1999	SOC PROT INIT PROJ	0.00	5.00	0.00	0.00	4.21	1.09	0.02
P041410	1999	P. S. REHAB. III	120.00	0.00	0.00	0.00	111.89	62.43	0.00
P040858	1999	SOHAG RURAL DEV.	0.00	25.00	0.00	0.00	22.43	9.64	-0.15
P049166	1998	EG-EAST DELTA AG.SERV.	0.00	15.00	0.00	0.00	12.60	11.14	-0.15
P054958	1998	POLLUTION ABATEMENT	20.00	15.00	0.00	0.00	18.18	11.58	-7.87
P045175	1998	EG-HEALTH SECTOR	0.00	90.00	0.00	0.00	77.71	51.13	0.00
P005169	1997	EG-ED.ENHANCEMENT PROG.	0.00	75.00	0.00	0.00	35.65	33.17	24.46
P005163	1996	POPULATION	0.00	17.20	0.00	0.00	12.44	14.45	11.08
P005173	1995	EGYPT IRRIGATION IMP	26.70	53.30	0.00	0.00	46.40	41.80	29.57
P004981	1993	EG-RED SEA COASTAL	0.00	0.00	4.80	0.00	0.20	0.91	0.03
P005153	1993	MATRUH RESOURCE MANA	0.00	22.00	0.00	0.00	0.59	1.15	1.12
P005161	1993	BASIC EDUCATION PROJ	0.00	55.50	0.00	0.00	7.01	10.65	3.24
P005168	1993	PVT SEC TOURISM INF & ENV	130.00	0.00	5.00	189.50	8.00	67.50	4.66
P005152	1992	SCHISTOSOMIASIS CONTROL	0.00	26.84	0.00	0.00	8.64	9.75	4.14
<b>Total:</b>			<b>571.70</b>	<b>574.84</b>	<b>9.80</b>	<b>189.50</b>	<b>671.52</b>	<b>469.38</b>	<b>77.43</b>

ARAB REPUBLIC OF EGYPT  
STATEMENT OF IFC's  
Held and Disbursed Portfolio  
Jan - 2002  
In Millions US Dollars

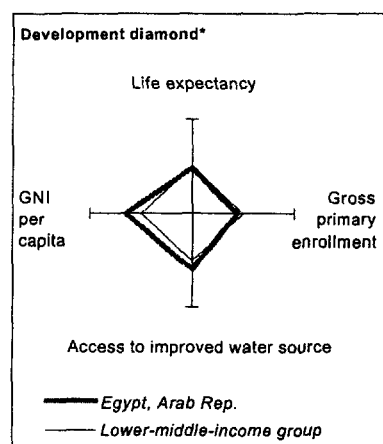
FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1999	HC Investment	0.00	1.41	0.00	0.00	0.00	1.41	0.00	0.00
2001	IT Worx	0.00	2.50	0.00	0.00	0.00	2.50	0.00	0.00
1997	MGDK	0.00	1.47	0.00	0.00	0.00	1.47	0.00	0.00
1986/88/92	Meleiha Oil	0.00	13.00	0.00	0.00	0.00	0.00	0.00	0.00
1992	Misr Compressor	9.70	0.00	0.00	0.00	9.70	0.00	0.00	0.00
1997/99	Orascom	0.00	0.85	0.00	0.00	0.00	0.85	0.00	0.00
1996/01	Orix Leasing EGT	6.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2001	Port Said	45.00	0.00	0.00	152.50	2.28	0.00	0.00	7.72
2001	SUEZ GULF	45.00	0.00	0.00	152.50	10.94	0.00	0.00	37.06
1997/01	UNI	3.00	0.00	0.00	0.00	3.00	0.00	0.00	0.00
1983/91/92/94/96/98	ANSDK	0.00	11.15	0.00	0.00	0.00	11.15	0.00	0.00
1994/96/99	Abu Soma Develop	0.00	0.07	0.00	0.00	0.00	0.07	0.00	0.00
2001	Amreya	3.08	0.00	0.00	0.00	3.08	0.00	0.00	0.00
1999	CIL	0.00	1.65	0.00	0.00	0.00	1.65	0.00	0.00
1992/97/98	Carbon Black-EGT	7.50	0.00	0.00	0.00	7.50	0.00	0.00	0.00
1994	Club Ras Soma	2.17	2.37	0.00	0.00	2.17	2.37	0.00	0.00
1993	Cmrcl Intl Bank	0.00	15.59	0.00	0.00	0.00	15.59	0.00	0.00
2001	EFG Hermes	30.00	0.00	0.00	0.00	15.00	0.00	0.00	0.00
1997	Egypt Trust	0.00	5.00	0.00	0.00	0.00	5.00	0.00	0.00
Total Portfolio:		151.45	55.06	0.00	305.00	53.67	42.06	0.00	44.78

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic
2000	ACB Expansn III	9.00	0.00	0.00	0.00
2002	Gava Sanitary	6.00	0.00	0.00	0.00
1999	Sidi Krir	70.00	0.00	0.00	122.00
Total Pending Commitment:		85.00	0.00	0.00	122.00

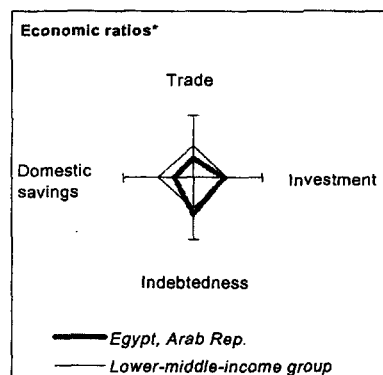
## Annex 10: Country at a Glance

### ARAB REPUBLIC OF EGYPT: Higher Education Enhancement Project

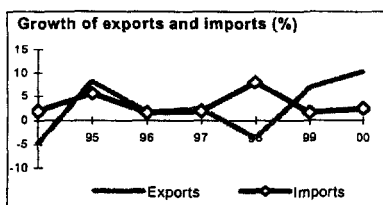
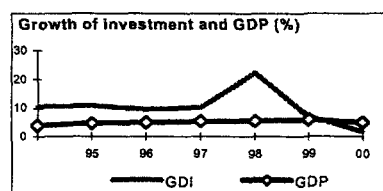
POVERTY and SOCIAL	Egypt	M. East & North	Lower-
		Africa	middle-
			income
<b>2000</b>			
Population, mid-year ( <i>millions</i> )	63.8	296	2,046
GNI per capita ( <i>Atlas method, US\$</i> )	1,490	2,040	1,140
GNI ( <i>Atlas method, US\$ billions</i> )	95.3	602	2,327
<b>Average annual growth, 1994-00</b>			
Population (%)	1.9	2.0	1.0
Labor force (%)	2.8	2.8	1.3
<b>Most recent estimate (latest year available, 1994-00)</b>			
Poverty (% of population below national poverty line)	23	..	..
Urban population (% of total population)	45	59	42
Life expectancy at birth ( <i>years</i> )	67	68	69
Infant mortality ( <i>per 1,000 live births</i> )	47	44	32
Child malnutrition (% of children under 5)	11	..	11
Access to an improved water source (% of population)	95	89	80
Illiteracy (% of population age 15+)	45	35	15
Gross primary enrollment (% of school-age population)	101	95	114
Male	108	102	116
Female	94	88	114



KEY ECONOMIC RATIOS and LONG-TERM TRENDS		1980	1990	1999	2000
GDP ( <i>US\$ billions</i> )		22.9	35.6	89.1	98.7
Gross domestic investment/GDP		27.5	28.8	25.5	23.9
Exports of goods and services/GDP		30.5	20.0	15.1	16.1
Gross domestic savings/GDP		15.2	16.1	16.9	17.3
Gross national savings/GDP		..	26.8	23.5	23.0
Current account balance/GDP		-1.9	-1.8	-1.9	-1.2
Interest payments/GDP		1.5	3.9	0.8	0.7
Total debt/GDP		83.5	97.4	33.4	28.8
Total debt service/exports		13.4	37.7	9.2	7.9
Present value of debt/GDP		..	..	27.4	..
Present value of debt/exports		..	..	126.9	..
		<b>1980-90</b>	<b>1990-00</b>	<b>1999</b>	<b>2000</b>
<i>(average annual growth)</i>					<b>2000-04</b>
GDP		5.4	4.6	6.0	5.1
GDP per capita		2.8	2.6	4.1	3.2
Exports of goods and services		5.2	3.5	6.8	10.3



STRUCTURE of the ECONOMY		1980	1990	1999	2000
<i>(% of GDP)</i>					
Agriculture		18.3	19.4	17.4	16.6
Industry		36.8	28.7	31.5	34.0
Manufacturing		12.2	17.8	19.5	19.4
Services		45.0	52.0	51.1	49.4
Private consumption		69.2	72.6	73.0	73.0
General government consumption		15.7	11.3	10.1	9.7
Imports of goods and services		42.9	32.7	23.7	22.7
		<b>1980-90</b>	<b>1990-00</b>	<b>1999</b>	<b>2000</b>
<i>(average annual growth)</i>					
Agriculture		2.7	3.1	3.7	3.4
Industry		3.3	4.9	3.6	12.7
Manufacturing		..	6.3	9.7	7.9
Services		7.8	4.5	8.2	1.1
Private consumption		3.4	4.0	3.6	3.9
General government consumption		3.1	3.0	5.4	0.8
Gross domestic investment		0.0	6.3	7.0	1.8
Imports of goods and services		-2.0	3.1	1.7	2.5

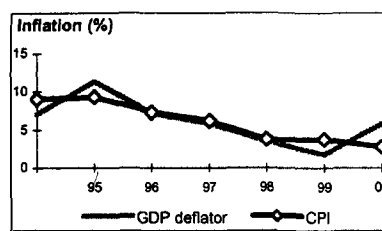


Note: 2000 data are preliminary estimates.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

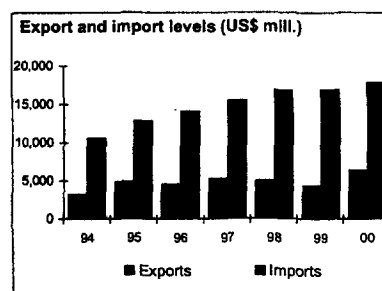
## PRICES and GOVERNMENT FINANCE

	1980	1990	1999	2000
<b>Domestic prices</b>				
(% change)				
Consumer prices	..	21.2	3.8	2.8
Implicit GDP deflator	18.0	18.4	1.8	5.8
<b>Government finance</b>				
(% of GDP, includes current grants)				
Current revenue	..	17.7	22.2	21.5
Current budget balance	..	-5.6	2.0	1.1
Overall surplus/deficit	..	-15.1	-4.2	-3.6



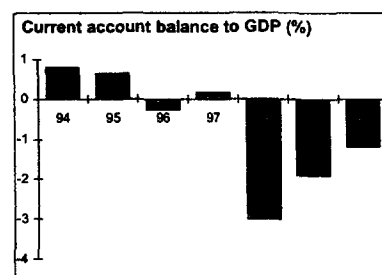
## TRADE

	1980	1990	1999	2000
(US\$ millions)				
Total exports (fob)	..	3,145	4,445	6,388
Cotton	..	1,229	1,000	2,273
Other agriculture	..	220	208	167
Manufactures	..	1,302	2,080	2,845
Total imports (cif)	..	11,441	16,969	17,861
Food	..	2,328	2,374	1,395
Fuel and energy	..	781	1,319	2,451
Capital goods	..	3,151	5,575	5,639
Export price index (1995=100)	..	101	92	101
Import price index (1995=100)	..	89	87	87
Terms of trade (1995=100)	..	114	106	116



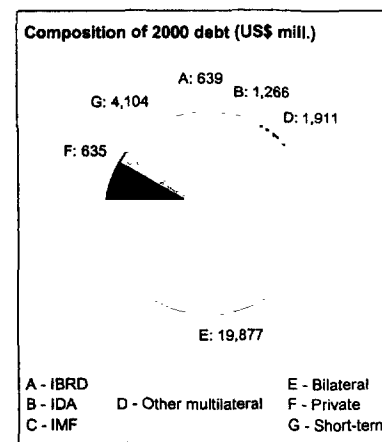
## BALANCE of PAYMENTS

	1980	1990	1999	2000
(US\$ millions)				
Exports of goods and services	6,246	9,151	13,537	15,975
Imports of goods and services	9,157	13,710	21,109	22,756
Resource balance	-2,911	-4,559	-7,572	-6,781
Net income	-318	-912	995	932
Net current transfers	2,791	4,836	4,869	4,679
Current account balance	-438	-634	-1,709	-1,171
Financing items (net)	270	-1,088	-409	-1,854
Changes in net reserves	168	1,722	2,117	3,025
<b>Memo:</b>				
Reserves including gold (US\$ millions)	..	2,555	18,763	15,795
Conversion rate (DEC, local/US\$)	0.7	2.7	3.4	3.4



## EXTERNAL DEBT and RESOURCE FLOWS

	1980	1990	1999	2000
(US\$ millions)				
Total debt outstanding and disbursed	19,131	34,668	29,771	28,432
IBRD	421	2,006	1,871	639
IDA	307	908	1,273	1,266
Total debt service	1,235	5,147	1,769	1,708
IBRD	36	301	214	128
IDA	3	12	27	32
Composition of net resource flows				
Official grants	165	0	0	0
Official creditors	1,752	413	-298	-587
Private creditors	585	472	-224	-201
Foreign direct investment	548	0	0	0
Portfolio equity	0	0	0	0
World Bank program				
Commitments	460	236	225	50
Disbursements	210	106	136	55
Principal repayments	7	175	166	110
Net flows	203	-70	-31	-54
Interest payments	32	138	75	51
Net transfers	172	-207	-105	-105



Additional  
Annex 11

LETTER OF SECTOR POLICY



*Arab Republic of Egypt*  
*Ministry of Higher Education*

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*The Minister*

**Mr. Jean Louis Sarbib**  
**Vice President**  
**Middle East & North Africa Region**  
**The World Bank**

2/10/2000

Excellency,

I am pleased to reiterate our ministry's continued commitment to Egypt's goal for the 21<sup>st</sup> century, which is to design and implement a comprehensive plan of reform for an education system that will provide all students with a quality education relevant to their current and future needs. These reforms are intended to enhance continued Egyptian economic and social development. Therefore, I take this opportunity to thank you for your ongoing support and collaboration with us in this noble effort.

It is clearly important that Egypt's education system should provide graduates who are efficient contributors to the country's economic and social development. With the help of the World Bank, Egypt is making a significantly substantial progress in addressing educational needs and priorities at the basic and secondary education levels. Egypt has also initiated efforts to enhance its higher education system. As you know, an important national conference on higher education was held in February 2000 with over 1200 stakeholders, in which a consensus declaration was reached outlining recommended legislative, financial and structural reform in the higher education.

Our local experts with extensive collaboration from the World Bank team have developed a proposed Higher Education Enhancement Program which will support key reform initiatives outlined in the declaration. The proposed program will thus support the Egyptian government's efforts to enhance the governance, efficiency and quality of the higher education system. It will help Egypt have managing leaderships, high level professionals and technical workers qualified for promoting economy to be internationally competitive.

The proposed Higher Education Enhancement Program will reinforce important reforms in the governance of the higher education system. Specifically, it will help Egypt modify the legislation governing the higher education system. This, combined with steps to rationalize higher education funding allocation mechanisms, will greatly improve the efficiency of the system. The operationalization of an improved management information system and the introduction of a national quality assurance committee will underpin planning, management and evaluation of the system performance. The program will also support important initiatives to enhance the quality of the higher education system. In universities, the program will assist Egypt in establishing a modern and integrated computer network infrastructure to reinforce new teaching methodologies and expand access to the most up to date research materials. The competitive higher education enhancement fund will provide higher education institutions with real incentives to improve research, teaching and links with industry. The program will also assist Egypt with the much needed restructuring and





*Arab Republic of Egypt*  
*Ministry of Higher Education*

*The Minister*

improvement of the non-university middle technical institutes to be responsive to the needs of the industry. These institutes will be consolidated into fewer and more efficient higher quality clusters where an improved curriculum taught by retrained teachers and reinforced by ready access to appropriate technology and close links to enterprises will provide graduates better qualified for an ever-changing and increasingly technology driven economy.

Our national counterpart team has been fully engaged with the World Bank team in preparing this program through a highly collaborative process. I would like again to convey the government's commitment to the goal of promoting a quality education and ensure that our national team at the various implementing agencies will receive the financial and institutional support required to bring our plans to fruition.

I look forward to further support and more joint efforts for the realization of our national ultimate goal.

Yours sincerely,

  
Prof. Mostafa Shabat  
Minister of Higher Education  
and of State for Scientific Research

**Additional  
Annex 12**

**Proposal for Higher Education Enhancement Project Fund (HEEPF)**

**Rationale:**

Providing innovation funds is a way to promote and finance improvements in university quality and empower university staff to undertake quality improvements not provided by the education system. An innovation fund serves as a funding pool that can be accessed by groups within the university community to carry out new initiatives and innovative approaches to existing problems in teaching, learning and management. The innovation fund is a tool that enables university units to link their strategic planning with actual prospects for strategic implementation of these plans. Innovation funds have been used as policy tools to help university systems: improve academic and management quality, introduce innovations aimed at greater academic relevance and increase university cost-effectiveness. Innovation funds accelerate processes of constructive change and institutional modernization by promoting both cooperation and competition among participating departments, faculties and universities

**Objectives:**

The Higher Education Enhancement Project Fund (HEEPF) will support initiatives that will lead to improvements in the quality, relevance and efficiency of higher education at Egyptian public universities and non-university institutes. The HEEPf will support initiatives through three windows:

- (i) The *academic* HEEPf will encourage program and course innovations that will improve teaching and learning in academic departments.
- (ii) The *entrepreneurial* HEEPf will support collaboration between university or post-secondary technical education and the private sector to provide advisory, technical, and training services and to conduct applied contract research and initiate activities that contribute to the enhancement of incubator and multi-disciplinary centers.
- (iii) The *management* HEEPf will support programs that enhance management and administration in the higher education system.

While HEEPf's main mandate is to administer the competitive fund, it will play a significant role in capacity building by developing competencies in project planning, proposal preparation, implementation, evaluation and reporting

**Projects and activities funded by HEEPf:**

- (i) Through the *academic* window, HEEPf will finance projects in the areas of: (a) course and curriculum development, (b) pedagogical improvements which might include the acquisition of equipment, materials, to support the proposed project, including instructional technologies, (c) training courses, (d) program evaluation, and (e) innovative Egyptian Digital Libraries Program (EDLP) projects.
- (ii) Through the *entrepreneurial* window, HEEPf will finance projects such as (a) advisory or technical services, (b) applied contract research, (c) training, (d) MTIs training, including specialized equipment and the (e) development of incubator and multi-disciplinary centers.
- (iii) Through the *management* window, HEEPf will finance (a) performance enhancement interventions including academic management and leadership, (b) training, (c) use of technologies in administration

and management, and (d) teamwork.

### **Organization and management:**

#### *Higher Education Enhancement Project Fund Committee (HEEPFC)*

The HEEPF unit will have a designated Fund coordinator and an advisory board, representing various stakeholders from universities, non-university institutes, the MOHE and the private sector. The HEEPF committee will be formed by the minister of Higher education upon the recommendation of the HEEPF director to serve as an advisory technical body responsible for the development of procedures for the management of sub-projects and for actual evaluation and supervision thereof. Membership will be on a rotating basis to allow equal participation from all institutions. The committee would include the HEEPF director as chairman and compose of eight members:

two members of the SCUs,  
two university academics, and  
four independent members representing 2 persons who are represented on the governing councils of the TCs and 2 who are from the private sector.

The HEEPF director will have the principal responsibility for overall management responsibility for normal program implementation, which includes, with the collaboration with the HEEPF committee, the solicitation of the proposals, supervision of their refereeing, implementation and evaluation. The Fund director will also prepare an annual report on behalf of the Advisory Committee and will present it to the SCU's Secretary General.

#### *Procedures*

HEEPF will issue requests for proposal 6 times during the life of the Project. In the first year after Project effectiveness, there will be one call for proposals (US\$3 million). In the second and third years, there will be two calls in each year, with a total budget of US\$12 and US\$7 million respectively. In the fourth year of the Project, there will be one competition (US\$2 million).

The competition process will be completely transparent and will strictly adhere to procedures spelled out in the *Fund Operations Manual*, which will be widely distributed with sufficient advance notice so that applicants can develop their project with accurate knowledge of the criteria based on which their proposals will be evaluated. Competitions will be announced around specific themes that will be determined at the HEEPF committee level based on the input from NQAC, surveys and needs assessment studies conducted by HEEPF.

Public Universities or Institutes seeking enhancement funds would be requested to provide proposals meeting wider policy goals, specifically supporting activities that enhance teaching, learning including academic programs and curricula, and targeted to maximize the use of educational resources and provide better educational services. Proposals can fall into one of the three categories—*academic*, *entrepreneurial*, or *managerial* according to the type and nature of the proposal.

All endorsed projects are required to commit an equal contribution from their respective affiliation in funds or in kind. In the case of Academic projects, the university of the applicant(s) could make a contribution of kind. In the case of Entrepreneurial projects, the proposal would require 50 percent, in funds or in kind financing by the nonacademic partners, who maybe private firms, NGOs or community organizations.

### *Administering the Fund*

Six steps precede the release of funds to public Egyptian universities and non-university institutes:

- (i) Proposal submission period: HEEPF will organize workshops to guide applicants in the process of project preparation.
- (ii) Pre-qualification period: a special committee set up by HEEPF will check proposals for completeness and conformity to project objectives.
- (iii) Peer-Reviewer Selection: The HEEPF committee will select peer reviewers for each project from the database of local and external reviewers maintained by the HEEPF. The peer reviewers will be provided with specific guidelines for review when they are invited to participate in the process.
- (iv) Selection of Projects by the HEEPF committee: The HEEPF director will collect the reviewed proposals and make a summary of scores and ranking. Based on the rankings, and the qualitative comments, the HEEPF Committee will select the proposals to be funded for each type of project.
- (v) Award notification and Grant contracting: HEEPF director will notify the grantee, the institution, and the PMU of the selected projects.
- (vi) Procurement and Disbursement Arrangements: Once the project is awarded, HEEPF will sign a contract, including a procurement and disbursement schedule, with the affiliated institution of the grantee and will inform the PMU to disburse project-related funds to that institution.

### *Monitoring and Evaluation*

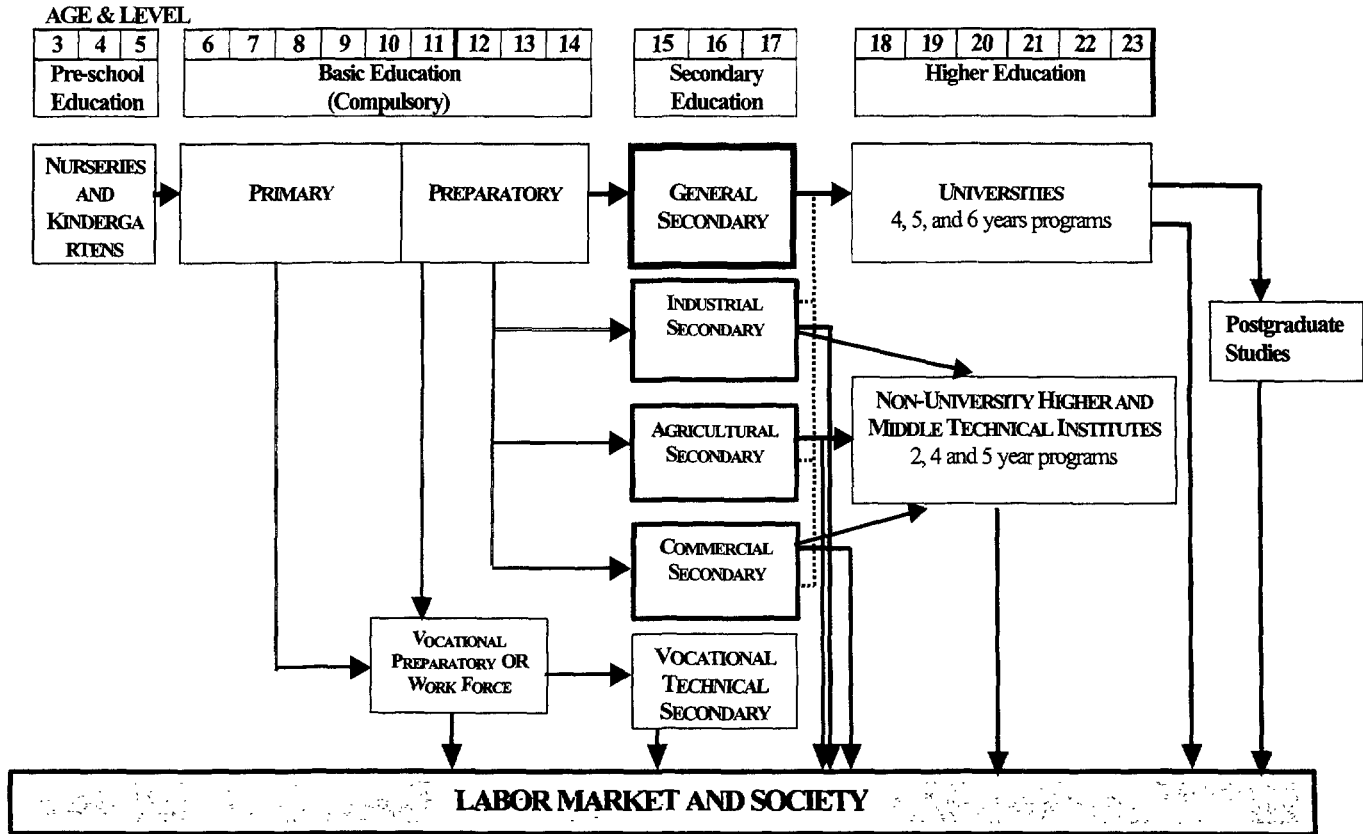
Monitoring and Evaluation of HEEPF and subprojects will be conducted by project participants, designated peer monitors and evaluators, and the HEEPF Committee at three levels: the subproject levels the level of the fund, and at the level of the University system. In addition to the interim and final reports that the grantee will prepare for HEEPF, assessment used to evaluate the projects will be both quantitative and qualitative at the three levels and will take place at the beginning during the middle, and once when the funded project is completed.

- (i) At the subproject level, each project will be required to produce an annual report summarizing the project's implementation progress and impact on improved teaching and learning.
- (ii) At the level of the Fund, a peer evaluator will write a brief report assessing the project's quality and impact.
- (iii) At the university level, an assessment of any trends within higher education that have been affected by the activities of the fund.
- (iv) Tracer studies will be conducted to establish graduate employment patterns, for subproject participants and university graduates in general as well as random sample surveys of students and professors on several impacts of fund impact.

Finally, HEEPF will hold two evaluation conferences during the life of the project for disseminating information about funded projects and the evaluation of their impact on quality, efficiency and relevance of higher education. This will also serve to strengthen networks for future collaborations and bring together individuals and unit representatives who are likely to benefit from the outcome of completed projects.

**Additional  
Annex 13**

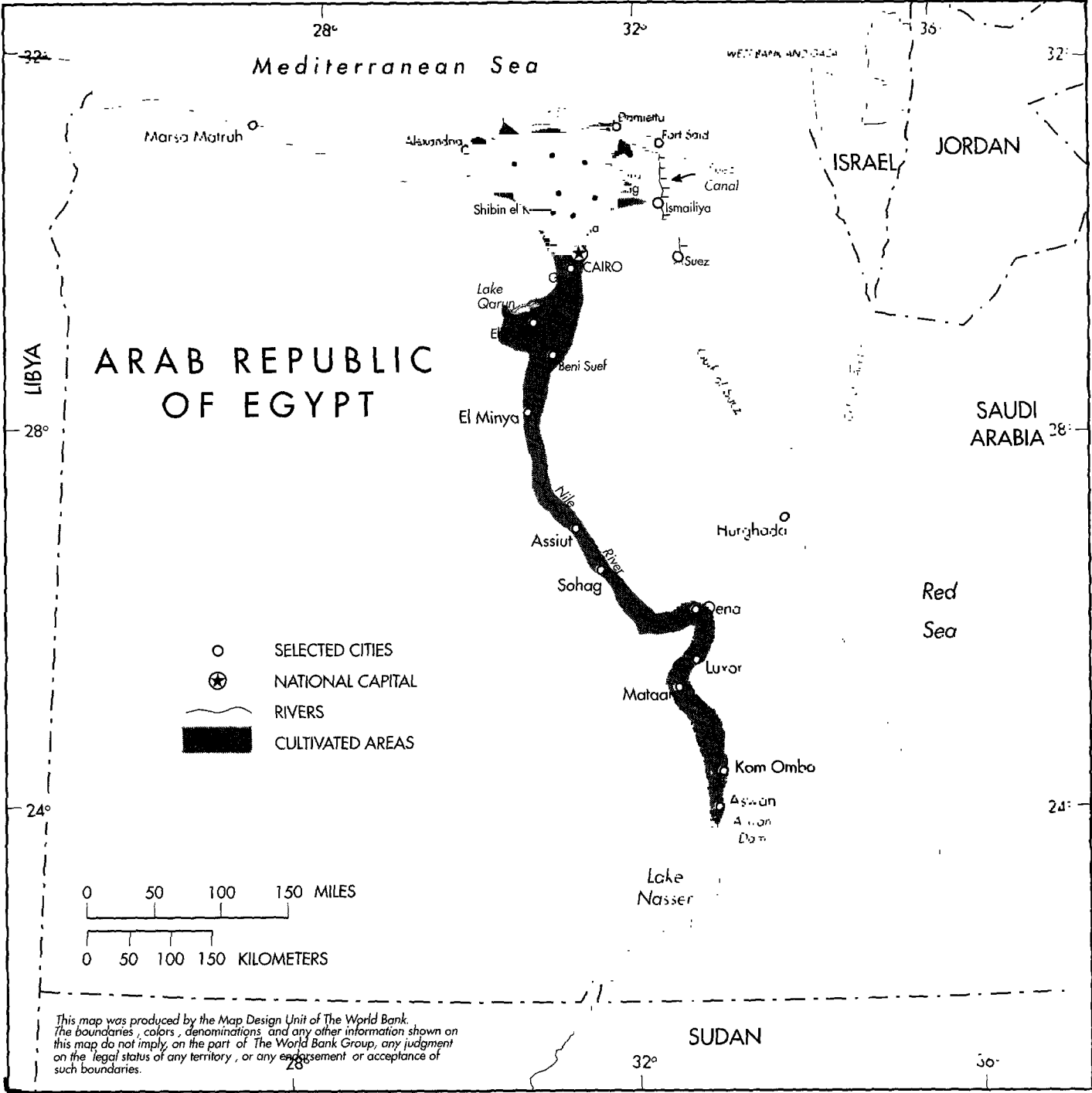
**STRUCTURE OF THE PUBLIC EDUCATION SYSTEM BY AGE AND LEVEL**





# ARAB REPUBLIC OF EGYPT

IBRD 27759



APRIL 1997