

**EGYPT**

**REVIEW OF TECHNICAL AND VOCATIONAL  
EDUCATION AND TRAINING**

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# I. INSTITUTIONAL ARRANGEMENTS

## 1. SYSTEM-WIDE ARRANGEMENTS

Basic technical and vocational education and training (TVET) in Egypt is provided through secondary education in technical and commercial schools and post-secondary education in training institutions. Other forms of training include training through industry attachments (such as dual systems and apprenticeships), in-service training, and the re-training of people already in the labor force, both employed and unemployed. Each of these can be delivered formally or informally, as well as through either private or government institutions.

The public system is administered by a multitude of government agencies. These agencies work independently although in recent times the Government has sought to bring about more coordination between them and to bring more cohesion to TVET policies. It has established a Supreme Council on Human Resource Development (SCHRD), a tripartite body chaired by the Minister of Manpower and Emigration. Although other ministries are represented by senior officials, the Council is to be re-established, elevating government representation to ministerial level<sup>1</sup>.

As one of its first tasks in 2002, the SCHRD issued a paper entitled *Policy Statement on Skills Development in Egypt*, which defined the Government's strategic objectives for TVET as:

- A qualifications framework that would foster lifelong learning.
- A system that would be responsive to the demands of the economy.
- A new legal and institutional basis for governing TVET institutions.
- Enhanced labor mobility.

A number of short-term goals or priorities for development emerged out of the objectives:

- Developing tripartite management of training in individual industries.
- Establishing an integrated framework TVET including through its links to employment.
- Creating a qualifications framework for TVET
- Reviewing relevant donor-supported initiatives with a view to preparing options for continuing worthwhile initiatives.
- Reforming the administration of government training centers by monitoring their performance and providing them with greater financial responsibility and accountability for their operations.
- Developing a substantive non-government training market.

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<sup>1</sup> The re-structured SCHRD is expected to have 15-20 members. The Government will be represented by the Ministers of: Manpower and Emigration (Chair), Education, Higher Education, Industry and Technological Development, Electricity and Power, Health and Population, Communications and Petroleum. Other representatives will come from trade unions, employers associations and the Social Fund for Development.

- Developing a broader-based, sustainable mechanism for financing training.

The SCHR is supported by a tripartite Executive Committee and by a secretariat located in the Human Resource Development Program, which is within the Social Fund for Development, an agency that has no education and training institutions of its own and, in that respect, is regarded as independent. Tripartite Local Councils on Human Resource Development (LCHRDs), chaired by regional governors, have also been established. Although they are not yet active or providing any services they will become critical to the developments and reforms now taking place.

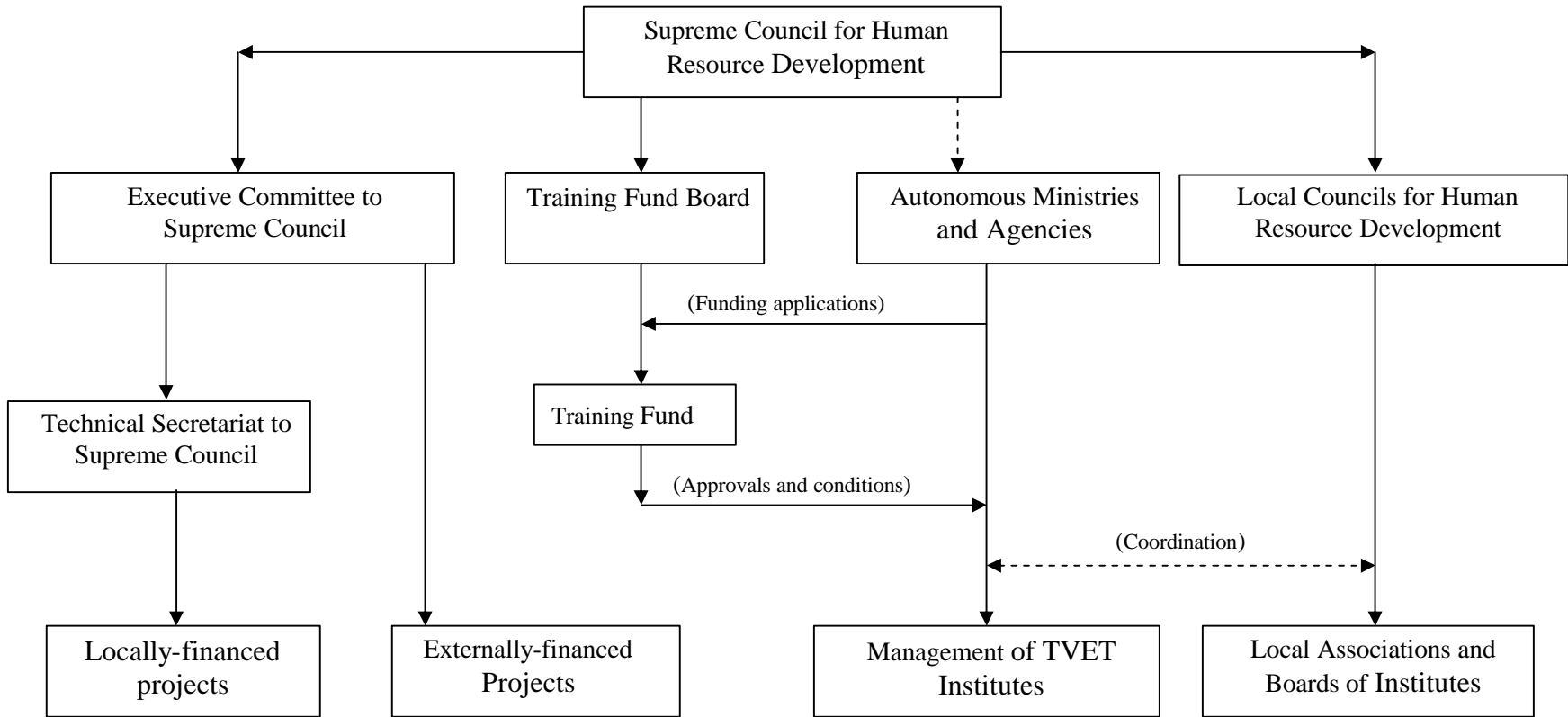
A new Labor Law has also legislated to establish a Training Finance Fund (TFF), to be managed by a tripartite Board of Directors<sup>2</sup>. The TFF will have a separate structure under an Executive Director who will report to the Minister of Manpower and Emigration - not in his role as Chairman of the SCHR but as line minister. It is not yet clear how this new agency will relate to the SCHR.

One area not yet covered either by existing or proposed structures concerns individual industries. As this paper will discuss later, training standards are currently being developed in three industries, building and construction, manufacturing, and tourism and hospitality, with substantial involvement by the relevant employer associations and trade unions. Although this has not crystallized into standing arrangements through, for example, Industry Training Committees, a number of associations have established their own training committees or training units.

The chart on the following page reflects the changes that are currently being approved by the President and the Prime Minister.

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<sup>2</sup> The Board of the TFF is expected to include 7 members. The Government will be represented by the Ministers of: Manpower and Emigration (Chair), International Cooperation, and Finance. Other representatives will come from trade unions, employers associations and the Social Fund for Development.



## 2. MINISTERIAL ARRANGEMENTS

### Education Portfolios

Entry-level TVET is provided through Egypt's two education ministries. The Ministry of Education (MoE) administers about 1,600 technical and vocational schools and the Ministry of Higher Education (MoHE) administers 47 Middle Technical Institutes (MTIs).

The technical education sector (about 1,800,000 students) is comprised of Technical and Commercial Secondary Schools that offer a Technical Diploma for 3-year courses, and a Technical Diploma (First Technician) for 5-year courses. The relatively small vocational education sector (about 200,000 students) is comprised of Preparatory Schools offering a Preparatory Vocational Certificate, and by Secondary Vocational Schools offering a Secondary Vocational Certificate. Students in preparatory schools are usually in their early teen years, while those in Secondary Vocational Schools and Technical Secondary Schools are 15 to 18 years.

The Middle Technical Institutes<sup>3</sup> offer three levels of qualification to about 110,000 students<sup>4</sup>:

- A High Technical Diploma through two-year courses in industrial and commercial fields.
- A Bachelor of Technology through four-year courses to train technical teachers for technical secondary school.
- A High Technical Diploma through two to five-year courses preparing students for employment in specific industry sectors.

Although the MTI qualifications are intended to reflect a higher level of skills being attained, many students and employers have regarded these skills as more suitable for workers in skilled occupations than for technicians. Only about half of the 50,000<sup>5</sup> annual intake actually complete their courses and some 60% of those are unemployed after graduation.

The flow of students between institutions and sectors has largely been governed by a system of streaming. Although this has been of considerable importance in Egypt it has distorted the flow of students between sectors. For more than 30 years until recently, technical and vocational secondary education had been expanding. Students aged about

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<sup>3</sup> MTIs are comprised of 23 Industrial Institutes, 19 Commercial Institutes, 4 Hotel Institutes and a Social Services Institute. Two MTIs have recently been closed but it is not clear where they are or in what fields they practice. The Ministries of Defense, Communications and Tourism administer a few institutes providing training in specific industrial sectors. There are also 9 private MTIs

<sup>4</sup> The data on MTIs are taken from *A Study of Technical Institutes* (2001), Mohamed Safwat Salem, prepared for the Human Resource Development Program.

<sup>5</sup> *Report of the Education and Training Foundation* (2001) [the original source of this information is not quoted in the report.](#)

13 or 14 years were streamed either to general education or, increasingly, to technical and vocational education.

Over this period, students in general education came increasingly to expect to proceed to university. This was accommodated by Government policies that limited entry to the general stream while at the same time improving the chances of general students proceeding to university by increasing the budget for universities 7-fold between the first and fourth 5-year plans (1982 to 1998). Over the same period, the allocation for MTIs merely doubled<sup>6</sup>. This shift in emphasis towards universities also meant that the unit cost of post-secondary education rose, the cost of a university place being about four times the cost of an MTI enrolment.

Limiting entry to general education meant that more students had to be directed to the technical and vocational stream. By the late 1990s technical and vocational schools had about 2 million students, almost twice as many as in general education. Most of them left education to enter the labor market directly, more often than not without completing their courses<sup>7</sup>. Even those who did complete their courses had high unemployment rates, competing less successfully against an increasing number of university graduates going for the same type of work, as well as against semi-skilled workers trained mostly on the job. This observation led the *Report of the Education and Training Foundation* in 2001 to conclude that the key issue for reform of TVET was overcoming the absence of properly skilled workers (typically classified as Levels 2 and 3 in ISCED).

In addition, few of those who completed their course proved capable of competing for university places, providing only about 5% of university entrants, the rest coming from general education. Instead, some 40,000 technical school graduates a year entered MTIs, making up 80% of the total MTI intake. A decade earlier, about 80% of the intake into MTIs had come from general schools.

Overall, government policies had the result of greatly enhancing the opportunities for general school students to undertake further studies, while the opportunities for technical school students were limited. University students (with some one million or more enrolments) now outnumber MTI students by almost 10 to 1.

Poor employment outcomes for technical and vocational students, coupled with the higher unit cost of the sector, has led the government to reconsider the policy of streaming. As part of broader reforms in education, the MoE has begun to cut back the technical and vocational stream, beginning with the 350 or so Commercial Schools. During 2002 and 2003, some 200 Commercial Schools were converted to general education, with the rest to be converted in the following year or so. All Technical Secondary Schools and most Vocational Secondary Schools are being redesigned to place greater emphasis on general subjects and to reduce hours spent on technical and vocational subjects.

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<sup>6</sup> *Report of the Education, Employment and Training Sub-Committee* (2000)

<sup>7</sup> *Report of the Education, Employment and Training Sub-Committee* (2000)

It is planned to retain only about 150 vocational schools as the core of a projected expansion of the government's Mubarak-Kohl Initiative (MKI). The MKI is an agreement with the German Government to introduce training based on the German dual training system. The agreement was implemented in the MoE on a trial basis in the mid 1990s and was recently extended to March 2008. For much of its time, MKI operated in only 4 locations but has recently been expanded to 24. However, it remains for the moment relatively small, having graduated some 5,000 participants since its inception.

The MoHE has also begun to reform Middle Technical Institutes by clustering them into 8 regional Technological Colleges. The new Colleges will be expected to reform their curricula and the structure of the qualifications they offer and eventually establish a more clearly defined polytechnic sector.

These reforms should go a long way to re-balancing the system, altering the numbers of students seeking entry to either university or an MTI and, by implication, seeking different destinations in the labor force. However, it is not possible to say how soon change should become apparent. Almost certainly, though, it will not take place quickly.

#### **Other Ministerial Portfolios**

Entry-level vocational training is provided to almost 40,000 trainees a year in 232 training centers managed by six ministries outside the education portfolios. These are the Ministries of Industry and Technological Development, Housing, Manpower and Emigration, Agriculture, Health, and Culture.

The centers are usually described by the term Vocational Training Centers (VTCs)<sup>8</sup>. They provide a wide variety of courses providing many skills. Four of the ministries (Manpower and Emigration, Agriculture, Health, Culture) tend to run shorter courses for semi-skilled occupations, with courses running for a few months, some for only a few weeks. The 15,000 or so trainees who complete these courses each year receive a certificate issued by the relevant ministry.

Two other ministries, Housing (MoH) and Industry and Technological Development (MITD), run longer courses for skilled workers and graduate about 25,000 trainees a year between them. The MoH (74 VTCs) certifies its own courses at technician level. MITD (38 VTCs) runs 3-year training courses and issues technical diplomas accredited by the MoE as equivalent to diplomas issued by Technical Secondary Schools. The MITD courses are also important because they are undertaken on an apprenticeship basis. Trainees do two years in the VTCs and the third year attached to industry (the broader issues concerned with industry attachments are discussed later in the paper).

In addition to these VTCs, the MoE and the Arab Academy of Technology finance 19 centers classified as private VTCs. They graduate about 10,000 trainees a year.

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<sup>8</sup> This terminology can be somewhat misleading since it is also used to describe quite different types of centers discussed later in this section.

### **Post Entry-level Training**

Post entry-level training includes in-service training (up-grading of worker skills) and training for the unemployed and other disadvantaged groups.

Accurate information on in-service training in the private sector is difficult to find. Data prepared within the Social Fund for Development<sup>9</sup>, show, for example, that there are only 46 in-service training centers (also usually referred to as Vocational Training Centers) in the private sector, training less than 50,000 employees a year. It is difficult to accept that this reveals the full extent of in-service training in the private sector but no comprehensive studies have yet looked into this matter more deeply.

The SFD also reports that about 25,000 public sector employees a year receive in-service training in 106 training centers (again termed VTCs but distinct from those providing entry-level training). 68 of them are in state-owned enterprises but this number can be expected to decline with privatization and diminution of activity and finance in state-owned enterprises. The other 38 centers are run by 7 government agencies<sup>10</sup>.

Finally, the SFD has identified another 833 training centers that provide vocational training for various disadvantaged groups, particularly women, the handicapped and unemployed youth. The centers are also described as VTCs but they are often community-based centers designed to meet community development needs. While 179 of the centers are run by three ministries, Local Government, Youth and Awkaf, the majority are run as NGOs, heavily subsidized by government funds.

The centers provide training to help participants to improve their ability to generate income, usually in the informal sector. They handle almost 40,000 participants a year, mostly in short courses. Half of the participants are in what is known as the Productive Families Scheme (PFS), a program administered by the Ministry of Insurance and Social Affairs but implemented through NGOs. Compared to other VTCs, the training in these centers is more ad hoc and less structured. Much of their work is best described as informal training and they are considered in more detail later in the paper under the section on informal training.

### **Administrative Arrangements for Vocational Training**

Ownership and administration of individual training centers is vested entirely in individual ministries. They, and not individual training centers, are responsible for:

- Personnel and financial management, and all record keeping and information management;
- Student administration: student services, fee structures;
- Training issues: training methodologies, student assessment, certification, curriculum development, teacher training;

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<sup>9</sup> Source: Social Fund for Development – Human Resource Development Program

<sup>10</sup> The 7 agencies include six ministries: MITD, Ministry of Petroleum and Energy, Ministry of Transportation and Communication, and the Ministry of Military Production. In addition, the Suez Canal Authority has centers.

- Labor market issues: consultation with employers, student placement services, student follow-up, and tracer studies.

There is therefore a significant gap between the operation of VTCs and their core management centers. Centers have little knowledge of their financial position and are able to say little about their income or their operating expenses. Consequently, they have had no way to judge their own performance or their cost-effectiveness.

In 2000, a major Government paper on TVET, the *Report of the Employment, Education and Training Sub-committee*, considered this issue and recommended that the management of training institutions be devolved to individual institutions, allowing them greater responsibility and accountability for use of their own resources. The report recommended that the procedures for doing this should be developed in consultation with the private sector and with Local Councils for Human Resource Development, which could then be given a substantial role in implementing the plans that had been developed.

The report foresaw measures that would enable the Government to assess the performance of training centers, to highlight weaknesses and eventually to improve operations. It envisioned centers being given greater control over their resources but would also being required to maintain proper accounts of their income and expenses and to be accountable for their performance.

Unlike a number of other recommendations in the report, these proposals are not being actively pursued as a matter of direct policy. There are, for example, no policy initiatives to promote decentralization and autonomy of training institutions. Training institutions continue to have almost no responsibility for making their own decisions on any, let alone major, administrative, financial and technical matters. Staff are employed as public servants within their relevant ministries and have little incentive to bring about change. However, decentralization and autonomy are being taken up at a project level. The EC-financed project of TVET reform will create local partnerships between industry and training centres and place these partnerships under a special administration/legal regime, allowing them, for instance, to retain revenue.

The *Report of the Employment, Education and Training Sub-committee* went further than recommending that responsibility and accountability be devolved to individual institutions. It also recommended that alternative forms of ownership or management should be considered. It advanced four options for vocational training centers in the various ministries:

1. Privatizing them.
2. Leasing them to private enterprise or to industry groups;
3. Managing them under contractual arrangements between industry groups and ministries;
4. Allowing ministries to purchase courses from the centers, which would then be financed solely by the earnings from this.

At the time of the recommendation, the Prime Minister had already expressed interest in these alternatives, including even the first. This implied that the government was willing, at the time, to consider substantial and innovative devolution of responsibility and accountability to individual VTCs.

So far this willingness has not been translated into particular reforms or developments. The relationship between training authorities and public training providers remains unchanged. There are, for example, no service contracts between the various layers of administration and only MITD is considering performance-based measurements. These are being developed through a pilot project, in cooperation with the Ministry of Finance.

A great part of the reason for the lack of action concerning the management of institutions arises from the fact that so many ministries and agencies are involved. Each retains its administrative responsibilities, and the SCHRD is not authorized to direct ministries to follow through on policy initiatives. That prerogative remains strictly with the government as a whole.

## II. FINANCING

Developing more appropriate management structures for TVET institutions depends more on how the sector is financed than how it is institutionally structured.

### 1. SOURCES OF FINANCE

#### Government Financing

Public sector TVET is financed from Budget allocations (recurrent costs through Chapters 1 and 2 of the Budget and capital costs through Chapter 3). The latest data available are for allocations for 1998, shown in the following table.

Budget Allocations to Technical and Vocational Education and Training (1998)

	Budget (000's LE <sup>11</sup> )	Number of institutions	Students (000's)
Technical & Vocational Schools	300,000		2,000
Middle Technical Institutes	82,000	47	112
Vocational Training Centers	125,000	1,222	173
Total	507,000		2,285

Source: Report of the Education, Training and Employment Sub-Committee, August 2000.

The total of LE 507 million was equivalent to about \$150 million in 1998.

The table implies that the unit cost of a full year student in technical and vocational schools is about LE 150 while the unit cost of a full year student in an MTI is a little under LE 750. The unit cost in VTCs also appears to be about LE 700-750. However, the VTCs referred to here cover all the training centers previously discussed, including those such as the Productive Family Scheme that provide only short, informal courses for

<sup>11</sup> At the time of this budget, the exchange rate for the Egyptian Pound to the US Dollar was about 3.4.

people already in the labor market. A more appropriate comparison with the costs of the other two types of institution would be the unit cost *per full year equivalent* trainee. Given that the VTCs in total train only some 30,000 to 40,000 full year equivalent trainees a year, the cost per full year equivalent would be more like LE 3,000.

Budget allocations are based largely on the previous year's allocations and are determined by input measures such as numbers of students and staff rather than by outcomes. Even so, overall budget constraints led to allocations to VTCs being curtailed in the years prior to the current round of reforms. More recently, the Government's growing interest in TVET has given rise to some changes. In 2003, for example, the MITD secured almost a 25% increase in funding for its training centers (LE 93 million compared to LE 75 million the previous year). However, most of the increase was for capital investment, the recurrent budget increasing by only 13%, more or less in line with general cost increases. The problem is that limited recurrent budgets make it difficult for VTCs to employ and retain suitably qualified staff, to purchase consumables and to maintain equipment. For the MITD, and for others who secure similar additional funds, increasing capital investments could merely exacerbate the problem of an already inadequate recurrent budget.

### **Payroll Levies**

The only payroll levy that has so far operated in Egypt is a small program used to finance a fund managed by the Ministry of Manpower and Emigration (MoME). The fund, based only on state-owned enterprises, was established in the early 1980s but has been successively reduced over the years and now collects less than LE 20 million a year.

In April 2003, the People's Assembly amended the Labor Law, which among other things now mandates a Training Finance Fund (TFF) that will be financed by a 1% levy on the net profits of establishments (subject to the provisions of the law) employing more than 10 workers. The levy is expected to yield between LE 300 million and LE 400 million a year. The TFF is also intended to be a mechanism for managing other funds such as ad hoc Government allocations or finance received from international donors and partners.

The passage of the amended Labor Law follows substantial discussion in recent years about the viability of a national training fund. As shown in the previous section, the need for a sustainable means of financing TVET had emerged as a priority out of the SCHRD's *Policy Statement on Skills Development in Egypt*. The Government's *Report of the Employment, Education and Training Sub-Committee* (May 2000) had recommended that options for alternative financing of TVET should be developed. Although the report did not single out the possibility of a training levy, it did present an indicative financing model under which a fund (however it might be financed) could be used as the direct source of funds for training institutions, re-focusing operations on demand-driven criteria rather than the current supply-driven (budget-financed) model.

Subsequent to this, the ILO was invited by the Government to submit a detailed proposal for a national training fund based on international experience, which they did in early 2001. The ILO proposal also stressed the need for any fund to be used to provide finance

on a competitive basis to projects meeting labor market demands. It is worth noting some of the risks made by ILO in its report<sup>12</sup>. ILO concluded its report by noting the importance of establishing training funds properly. Based on its own knowledge and experience of training funds elsewhere, the inherent risks identified by the ILO and included in its report to the government were:

- Lack of active participation by employers;
- Staff appointed to the Fund based on connections rather than competence;
- Lack of focus on priorities with funds spread too widely and thinly;
- Lack of objectivity and professionalism in allocating funds;
- Lack of strict evaluation of results and learning from the results achieved;
- Lack of efficiency, especially through cumbersome administration and needless bureaucracy.

Two new Government projects could give some guidance to the new Training Finance Fund. In the first, the Government, using its own and World Bank finance, has established a pilot Skills Development Project, which has a small fund, somewhat like the indicative model proposed by the *Report of the Employment, Education and Training Sub-Committee*, to experiment with operational methods for a fund. The second, the EC-financed TVET reform project, will establish partnerships between industry and training centers at a local level. These partnerships are intended to be potential clients of the Fund. Both project are administered through the MITD, which will put a premium on ensuring coordination and cooperation through the SCHRD.

It remains to be seen, then, how the relevant sections of the amended Labor Law will be implemented. Consultations among ministries and with industry leaders are taking place and numerous alternatives are likely to be considered. In addition, the SCHRD will need to consider the future of the levy that is still imposed on state-owned enterprises and that is used by MoME. It will also need to consider how funds from international sources should be directed. A number of donors directly finance individual ministries (discussed later in the paper). Some donors also finance the Social Fund for Development, which, in turn, is a source of funds for TVET-related projects through its Human Resource Development Program (HRDP) and its Community Development Program (CDP).

### **Fees for Goods and Services**

Vocational Training Centers may sell training services (contracted training courses, for example), goods (student production, for example) or materials (particularly curricula and curriculum materials). Some ministries and authorities have special arrangements through which a percentage of the net revenue (that is, after expenses such as production costs or staff salaries) from these sales can be used to pay incentives to staff. But the greater part of the net revenue must, by law, revert to the Ministry of Finance (MoF) with no *net* return to the centers themselves.

An analysis by the Social Fund shows how significant this type of revenue could be. For 1998/99:

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<sup>12</sup> *Investing in the Future: The National Training Fund of Egypt*, ILO February 2001

- Public sector VTCs *providing pre-service training* earned about LE 12 million (almost 90% from training services), equivalent to almost 30% of the LE 42 million budget provided to these centers that year. Only 15% of the earnings remained with the centers. Another 5% went to trainees. 80% was absorbed as expenses or reverted to the MoF.
- VTCs *providing in-service training* earned about LE 6 million (almost entirely from training services, although some public enterprises and centers run by the Ministry of Agriculture had significant sale of goods). This was equivalent to about 33% of the LE 18 million budget provided to the centers that year. About 54% of earnings was retained by the centers, 9% by the trainees and 37% was absorbed as expenses or reverted to the MoF.
- VTCs *providing training for disadvantaged groups* earned almost LE 8 million (almost entirely from the sale of goods) equivalent to almost 90% of the LE 9 million budget provided to these centers that year. About 37% was retained by the centers, 3% by trainees, and 60% absorbed as expenses or reverted to the MoF.

Because a substantial proportion of earnings from the sale of training services reverts to the government's general revenue, there are few incentives for an agency to develop a training market by responding to labor market needs. From time to time there have been recommendations to allow VTCs to retain all revenue and, consequently, to encourage even greater earnings but there has so far been no direct policy response. However, the planned introduction of the Training Finance Fund could finally lead to broader discussions on the matter, as recommended by the *Report of the Employment, Education and Training Sub-committee*. The EC-financed project of TVET reform, which will allow training centers that are linked to industry through local partnerships to retain revenue, should also provide guidance on the most appropriate ways to account for revenue.

### **Student Fees and Student Allowances**

The level of student fees varies considerably among agencies and institutions. Secondary education, including technical and vocational education, is free. So, too, are most short courses for people already in the labor force run by centers providing training for the disadvantaged.

Other agencies charge fees even though, by law, the fees revert in their entirety to the MoF. Fees vary from LE 20 for courses in centers affiliated with some non-government organizations to LE 520 in centers affiliated with public companies whose training is accredited by the MoE as equivalent to the Technical Diploma issued by technical secondary schools. MITD, the single biggest provider of pre-employment places, charges LE 100 a year for students to enroll in its apprenticeship courses.

It is also important to note that institutions can support students through monthly students allowances. In 1998, the full range of VTCs allocated a total of LE 9.1 million for this purpose. Given the number of trainees involved, this represented an average in the order

of LE 250 per full-year equivalent trainee. Overall, then, more is paid out in student allowances than is collected in student fees.

### **Finance from Donors and International Partners**

There is little coordination over the design of TVET-related projects financed by donors and international partners despite the significant amounts involved and the fact that the Government is often required to provide co-finance.

Among the important sources of international finance are<sup>13</sup>:

- Grant funds from Europe:
  - The European Union is providing € 33 million to assist the Government's TVET reforms. Assistance will help establish partnerships between government agencies (including training institutions) and enterprises, improve the quality of training and develop a system of national regulations.
  - The EU is providing finance under the Industrial Modernization Program for training top and middle managers in small and medium private enterprises.
  - France had been providing € 2.1 million through technical assistance for training in tourism, mostly for adult jobseekers to be trained as assistant hotel managers, trainers and supervisors. The project was terminated before completion.
  - The French Government provided € 6.5 million to develop entrepreneurship and to develop pre-service VTCs by revising curricula, training trainers and upgrading individual centers. The project has been extended to a second phase with finance provided by the Social fund for Development.
  - The German Government is providing € 30 million to develop the Mubarak-Kohl Initiative.
  
- Grant funds from North America:
  - The US is providing \$USD 78 million for a project to pilot partnerships between secondary schools and enterprise. Part of the project is also to develop skills in the tourism industry through the Federation of Chambers of Tourism.
  - Canada is providing \$C 47.2 million to promote and to develop small and medium sized enterprises, including through training potential entrepreneurs. It is also providing \$C 4.8 million to develop public employment services.
  
- Loan finance from the World Bank
  - A higher education project (\$USD 50 million, including government funds) includes a component to develop and reform MTIs.
  - A skills development project (\$USD 15 million, including government funds) is developing a mechanism for financing training through intermediaries such as employers associations.

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<sup>13</sup> The list was compiled by MITD in July 2003.

In addition to these direct funds, international funds are used indirectly to support TVET projects. Funds come through the Social Fund for Development, which is financed jointly by international partners and the Egyptian Government. The SFD's Human Resource Development Program (HRDP) has allocated around LE 30 million a year in recent times and the education sub-program of its Community Development Program (CDP) has allocated LE 150 million for Phase II of SFD (much of the education sub-program is concerned with TVET objectives).

These indirect allocations can sometimes obscure the source of funds for projects. The Mubarak-Kohl Initiative, for example, is financed directly by the MoE and the German Government. MKI sub-contracts the MITD to provide off-the-job training for trainees through its training centers. MITD is paid for this not by MKI but through a grant from the HRDP. Since this amounts to a sale of training services, any net revenue from this reverts to the MoF.

## **2. USES OF FINANCE**

Budget allocations are made to ministries and public authorities for training new labor market entrants or for upgrading the skills of existing employees, including newly employed staff. Allocations are also provided to public companies under the Ministry of Public Enterprises, and to non-government organizations that provide training to disadvantaged groups under supervision of the Ministry of Insurance and Social Affairs (Productive Families Scheme). The support for non-government organizations, although not total funding, represents a substantial subsidy.

Allocations may be used to:

- Provide land, undertake construction, and purchase equipment.
- Pay salaries and incentives for technical, teaching and administration staff of training centers and of their managing departments in the home ministries.
- Pay student allowances and incentives.
- Prepare and develop training curricula.
- Develop training material and supplies.
- Finance studies and research.

In 1998, the annual running cost of all VTCs was a little over LE 150 million. About 56% of this went on salaries, 13% on subsidies for training, 24% on general expenses and 6% on student allowances<sup>14</sup>. The total number of graduates at the time of the survey was 172,900, or some 30,000 to 40,000 full year equivalent trainees.

The Social Fund's HRDP is used to build capacity in training centers and in enterprise training facilities provided this capacity is used to offer training in the skills required in the labor market. This has involved re-equipping some training centers, curriculum development and providing training for instructors. HRDP also supports training in

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<sup>14</sup> CAPMAS Survey of Vocational Training Centers, 1998

industry by part-financing enterprises to implement customized training for new recruits. The intention is to provide opportunities for the unemployed, particularly young people and unemployed graduates.

The passage of the amended Labor Law means that Egypt should have a national training fund in the not too distant future. Although it is not yet possible to be certain how it might be used, some guidance can be gleaned from the discussions that have taken place so far through the *Report of the Education, Training and Employment Sub-committee* and through the ILO's report *Investing in the Future: The National Training Fund for Egypt*.

The main purposes of the Training Finance Fund will be to ensure a sustainable and adequate system of financing TVET (establishing, developing and upgrading the training centers, as well as setting conditions and rules for tests and certificates to be issued by these centers). The Fund will not cover the needs of the formal education system but will be concerned with entry-level training delivered by VTCs (public or private) and with all aspects of training of people already in the labor market.

The Training Finance Fund would aim to improve the productivity of the private sector workforce by co-financing activities such as:

- Identifying skills needed by members of employers' federations;
- Determining the standards, content, and duration of programs required to attain the skills;
- Selecting, on a competitive basis where appropriate, training providers to deliver training required by employers. Providers would agree to participate in any appropriate qualifications framework, and operate courses approved to meet industry standards;
- Assisting training providers to develop courses that meet industry standards;
- Upgrading skills within enterprises, enabling enterprises either to provide their own training or to purchase it, through competitive bidding, from third parties.

Training providers, public or private or enterprise-based, would be able apply for finance to undertake training of entry-level trainees, to up-grade worker skills and to provide retraining of workers.

Any funds provided directly to pre-employment VTCs would be intended to make them more demand-driven and outcome-oriented than at present. Reforms would not focus simply on increasing the expenditure on TVET but on ensuring that existing expenditures were more effectively spent.

The key to achieving success with the Training Finance Fund is expected to be the use of performance criteria to evaluate the financial needs and worthiness of individual TVET systems. The initiative for developing the criteria will need to come from the Supreme Council, presumably expanding on the preliminary work being undertaken on a pilot basis between the MITD and the Ministry of Finance.

### **III. QUALITY OF TRAINING**

Observers of technical and vocational education and training in Egypt have commented on the poor outcomes of the system, particularly reflected in the relatively high unemployment rate of TVET graduates. While much of the unemployment can be attributed to economic circumstances a major factor has been the system itself. Over the last few years, the government has begun to address the problems but much remains to be done.

#### **1. CURRICULUM REFORM**

The most telling criticism of the system is that curricula are not sufficiently related to labor market needs. The reason for this can really be traced to the supply-driven nature of the system. Finance is allocated to TVET in a way that takes no account of emerging needs or of the performance of institutions. There are no system-wide criteria to assess the performance of systems although, as previously mentioned, MITD is looking to develop its own. The prospective Training Finance Fund should have an impact on how funds are allocated but until guidelines for the Fund have been developed it is too early to know what this impact will be.

In the absence of suitable financial incentives it has proved difficult to implement change. As a result, curricula still tend to be outdated and reviewed too infrequently. Training courses are still largely institution-based and although greater efforts are being made to develop systems that use more industry attachments, far more industry participation than is evident so far will be needed if these systems are to succeed. Developments through the EC-financed TVET Reform Project will also be important. Among other things, the local partnerships that are to be developed between industry and individual training centers are intended to develop alternative ways of providing practical skills training and will have a clear impact on curriculum reform.

Training standards are being developed in three industries, which should result in the skills needed in those industries being more clearly defined. The standards will then need to be translated into appropriate curricula and when this happens one key issue will be defining the pre-requisites that allow students to move from one skill level to another or from one institution to another.

This issue ties in with the reforms taking place in MTIs and in secondary education. Standards and curricula will need to take into account the pre-requisites required for various courses and institutions and conversely, pre-requisites will need to be set by taking into account standards that have been set by the relevant industry-related working parties.

#### **2. QUALIFICATIONS STANDARDS AND ACCREDITATION**

A National Skills Standards (NSS) Project is now underway, designed to develop a new qualifications framework for the TVET sector. The key objectives of the framework are:

- Certification that properly reflects workers' abilities and competencies.
- Portable credits that allow students to proceed from one sector of education or training to another.
- Independent assessment procedures.
- Independent accreditation procedures.

The new framework will cover post-primary school qualifications that are broadly equivalent to Levels 1, 2 and 3 of the International Standard Classification of Education (ISCED). The work is financed by the SFD's Human Resource Development Program. A team of local and international consultants in cooperation with employers is working in three industries (manufacturing, tourism, and building and construction) to prepare standards.

When complete, the new framework will establish not only skill standards but also the procedures for testing and certifying trainees. The framework will be supported by an organization with a mandate to develop procedures for accrediting training providers. This will build up a register of training providers and their specialties. The system will also monitor and evaluate the outcomes of accredited training providers in terms of quality, relevance and efficiency.

Other efforts along the same lines include the work of the MoE's Mubarak-Kohl Initiative, which is planning to assist the private sector to prepare regulations (standards, curricula, assessments etc) for 28 trades covering the same three industries as the NSS as well as a number of commercial occupations. MKI also has plans to open the system to students with higher school qualifications (up to year 12 completion); and to other levels of skills (for example, banking and information technology). This again raises questions about how courses and institutions are to be articulated. To avoid these activities causing confusion among employers, the MKI developments will need to be integrated with the work of the National Skills Standards Project.

A further development arising out of these new standards is taken up by the amended Labor Law, which proposes a system of licensing to support the standards. One license will apply to individual skilled workers, in effect a legislated requirement that a person must be certified as skilled before being able to practice in the relevant field. A modest fee of LE 40 will be charged for issuing a certificate. Certificates will only be issued against the new skill standards. Businesses providing skilled work for customers will be required to use only licensed employees for any tasks that have to be done.

Training providers must also be licensed according to the Law and their training programs must be submitted to the relevant ministry for approval. By implication, any unlicensed training provider will be operating illegally. Consequently, there is a possibility that, far from opening up the private training market, the new Law could serve to make it more difficult for training providers to operate and could subject them to interference from public training providers whose own record is so criticised.

It is not yet clear how much revenue is likely to be raised from these licenses. Nor does the Law indicate whether or not these fees would be used for TVET. In fact, it is not certain who would be responsible for issuing licenses and collecting fees. Although the Law is administered by the Ministry of Manpower and Emigration (whose Minister is also the Chairman of the SCHRD) the Ministry does not currently have any specified role in issuing certificates for skilled workers except, of course, for trainees in its own training centers. Presumably, these matters will have to be clarified by the SCHRD.

### **3. CAPACITY ISSUES**

Even with the development of appropriate standards and curricula, a question will remain about the capacity of the TVET system to deliver good outcomes. TVET institutions themselves regard their capacity as being severely limited in two respects: a lack of suitably trained instructors and a lack of adequate equipment.

The lack of suitably qualified and experienced instructors is probably the over-riding factor limiting the effectiveness of technical and vocational education and training. It results largely from inadequate recurrent funding since it is mainly attributable to the low wages offered. It. Instructors who are graduates of the Technical Secondary Schools usually have little work experience of their own, while instructors who have acquired skills through work experience usually no formal training or preparation as certified trainers. In the long-term, this problem must be considered in the general context of re-defining teaching careers by ensuring that teachers are properly selected and that they subsequently have a viable teaching career.

In the shorter-term, there is a significant difficulty with financing the training of those staff already in the system. There are almost 3,000 trainers in vocational training centers providing entry-level training, together with 800 technicians and about 1,000 managers, supervisors or specialists. There are similar numbers in other vocational training centers. The training of all these staff is beyond the capacity of the system and yet even these numbers are far too small if the system is to expand.

The NSS Project will address this problem to some extent but only in the short-term and only on a small scale. NSS is developing a set of manuals for training the trainer and sets of "Student-Centered Learning Packs". Training of instructors is already underway. 86 VTC instructors have already undergone training as qualified instructors using new skill standards in the manufacturing industry, tourism industry and in building and construction in addition to 62 trainers of trainers. In turn, they have commenced training more instructors. But these are still small numbers.

Finance from international donors and partners is also used to undertake staff training. It is an important feature of projects supported from both Europe and North America. However, these projects do not, by themselves, institutionalise staff training. Like capital investments, investments in staff training are not necessarily sustainable. The problem, again, comes down to finance.

The second issue usually referred to by training centers, the lack of adequate equipment in centers, is more problematic. Unlike staff costs, the cost of equipment is matter for the capital rather than recurrent budgets and it is questionable if this is really a restriction. International donors and partners, for example, have proved willing to invest in capital and have from time to time re-equipped or upgraded training centers although this can result in piecemeal investment with equipment not necessarily being distributed effectively. Because of inadequate recurrent budgets centers find it difficult to maintain adequately the equipment and supplies. They also find it difficult to ensure that equipment is used efficiently and to its full capacity, especially because of the difficulty of making sure instructors are fully trained in its use.

#### IV. PROMOTING PRIVATE SECTOR PARTICIPATION

It is widely accepted in Egypt that too few private enterprises undertake adequate training, mainly because 2 out of 3 of them are in the informal sector, concerned more with the cost than the value of training. The behavior of small business employers is determined mainly by the role of cash and returns to investment are judged primarily in the short-term. The returns to training, however, are realized over a longer timeframe and employers do not consider the investment to be secure. Many rely on recruiting staff that are already trained. Consequently, the post-employment system, at least in the private sector, is considered to be poorly developed and unstructured.

The *Report of the Employment, Education and Training Sub-committee* recommended that the long-term objective for employment and training policies in Egypt should be to place greater reliance on private sector activities as the only feasible means of meeting the future training needs of the economy. The understanding behind this recommendation was the recognition that the public sector, important though it was, could not hope to meet all the projected needs of the economy in coming years.

Two of the developments that have already been discussed have the potential, depending on how they are implemented, to promote private sector training. The proposed Training Finance Fund could do so, assuming that funds would be available on a competitive basis to both public and private training providers. The development of a qualifications framework could also help foster private sector participation in training if regulations for accrediting private providers are developed.

On the other hand, if implemented differently, both developments could restrict private training. For example, the Training Finance Fund could be used solely to support public providers, giving them every opportunity to maintain their current supply driven model through a more secure base of funding. Similarly, accreditation procedures could be used to inhibit all but a few acceptable private providers. Since the amended Labor Law also requires private training providers to be licensed, failure to obtain accreditation as a training provider could result in many current private providers finding themselves operating illegally.

Important steps are also being taken to encourage industry attachments as part of entry-level training. What might be called a traditional apprenticeship system, has long been the major form of industry attachment in Egypt but it has remained an informal system, mostly concerned with developing the skills of young boys through on-the-job craft training in small businesses. No certificates are issued attesting to the training. The Labor Law does contain a section on apprenticeships but it is brief, doing little more than defining the term (an apprentice is simply described as “a person joining service with an employer with the aim of learning a vocation or trade”) and indicating that apprenticeships should be agreed in writing.

A number of Ministries have developed small, more formalized systems that involve industry attachment but there is no comprehensive framework covering these models, everything depending on the arrangements that can be reached with employers by different ministries. By far the most significant of these is the system administered by MITD through its 3-year courses. The system caters for some 40,000 apprentices at any one time. During the third year of the course trainees are allocated to private sector enterprises, which pay them a trainee wage but do not guaranteed subsequent employment.

The Ministry of Manpower and Emigration (MoME), in cooperation with the ILO, has recently implemented a “Continuous Apprenticeship Project” designed to provide employment opportunities for disadvantaged youth (essentially school dropouts). The pilot is operating in three rural governorates but it has a target of less than 1,000 trainees. It is relatively new, having operated only in 2002/03 but early indications have shown the difficulty in finding employers willing to participate in this type of apprenticeship model<sup>15</sup>. In any case, the pilot mixes employers’ business objectives with the government’s social objectives by targeting the scheme to school dropouts. These two objectives often sit together uneasily with employers.

A more longstanding development has been the Mubarak-Kohl Initiative referred to in an earlier section. Under the MKI, the MoE provides classroom instruction, delivering theoretical courses in general and technical subjects. Off-the-job instruction in workshops is contracted out, mainly to the pre-service training centers administered by MITD. On-the-job experience with employers, the key to dual training and apprenticeship systems, is arranged directly by each of the MKI offices. These offices also arrange for the off-the-job training provided through the VTCs. In effect, the MKI is administered directly by MKI centers rather than the MoE.

MKI has expanded its activities to operate in 24 cities in 16 governorates. Its goal is to expand the system to 50,000 trainees. However, it is difficult to see this being achieved easily. MKI also proposes to institutionalize local arrangements through “Associations for Human Resource Development and Social Services”, financed by the private sector. This will need to be coordinated with the work of Local Councils for Human Resource Development if there is not to be confusion among employers at the local level.

The role of the social partners is also important. Industry associations have the potential for considerable strength and are at the forefront of reforms towards a market economy. With respect to TVET reforms, three particular industries have been the subject of discussion and consultation in recent years: manufacturing, building and construction, and tourism and hospitality. The relevant industry associations have expressed their willingness to participate in TVET reforms but the basis for this remains uncertain.

The potential for trade unions to be involved in training reforms is also important. Naturally, they have specific interests related to the needs of their members but, as yet, the scope for cooperation with the unions is undeveloped. They already manage 3

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<sup>15</sup>Joint MoME-ILO Seminar on the Pilot Program, Cairo June 2003

training centers but the outcomes of these centers are not critically assessed anymore than the outcomes of training centers run by other agencies.

Finally, it is necessary to mention the potential for ad hoc funds or even donor funds to support training. At present, the Government has one major ad hoc allocation, the National Employment Program (NEP) administered by a committee chaired by the Minister of Military Production. The program provides LE 500 million over 5 years for training programs for unemployed graduates. The committee considers offers by individual ministries and agencies to train unemployed university graduates and finances the approved number according to the existing cost structure of the relevant training centers. All ministries with VTCs have approached the committee for funding. Three private training providers are participating and the three training centers managed by trade unions are financed by the Ministry of Manpower and Emigration from the budget it is allocated from NEP.

Finance available through the Social Fund for Development has also been mainly directed to public and private providers. The Human Resource Development Program has allocated around LE 30 million a year in recent times. Employers must meet between 5% and 25% of project costs. As a typical example, the SFD financed a training project catering to the need for the tourism sector to train and to employ over 4,000 people in different specialties. Although trainees were required to pay back 60% of the SFD's contribution over a two-year period once they had found employment it appears this has not actually happened. The Social Fund also supports industry restructuring through the Egyptian Labor Adjustment Services. ELAS finances enterprises, organizations, communities and sector groups to help employers and workers adjust to changing workplace needs through training. It can assist workers to find alternative work and has even offered early retirement to some displaced workers.

Two recently initiated projects have emphasized the need to promote private sector participation in training.. The Skills Development Project, financed by the Government and a World Bank loan, is intended to make funds available on a competitive basis to public and private providers responding to the demand for specific training needs from employers. The TVET Reform Project, financed through an EC grant, has at its core the development of local partnerships between industry and VTCs. The finance is to focus on the needs of industry rather than the needs of VTCs.

## **V. CONCLUSIONS AND RECOMMENDATIONS**

The recent decisions made by the Egyptian Government, particularly the establishment of the Supreme Council for Human Resource Development and the creation of a national training fund have positioned the country to implement far-reaching changes to its technical and vocational education and training system. Implementation, though, could be difficult and, as with all policies, there is a risk that the changes will not yield the expected benefits. It is therefore appropriate to conclude this paper by highlighting the risks that confront the Government and to suggest ways they could be mitigated.

### **1. INSTITUTIONAL REFORMS**

In one form or another, there has been a Supreme Council responsible for training issues for over 20 years but its performance over most of that time has been minimal. It had been established as a ministerial body involving all ministers with a direct interest. This made it difficult to constitute meetings and by the time it was re-vitalized as the SCHRD in 2000, it had not met for years and was to all intents and purposes defunct.

The SCHRD was established as a tripartite body with only one minister, other government representatives being only officials. That construction has been in operation for about 3 years and the Government has concluded that further changes are required. The SCHRD is to be re-constituted, again with more representation by up to 8 Ministers. However, it will remain tripartite and it will have an Executive Committee, made up of members at the level of Under-Secretary, employers and trade unions. Even though these changes should avoid the problems of the first Supreme Council, in the end the SCHRD's usefulness will be determined by the extent to which all relevant ministries cooperate in bringing about change.

Developing cooperation and change can be approached in two ways. The first is by mandate. Simply, the Government could elevate the SCHRD to a National Training Authority that would assume greater executive responsibility than it has been given so far. As a National Training Authority it would have two responsibilities: the oversight of training quality and the management of the Training Finance Fund. Being responsible for maintaining the quality of training would mean being responsible for accrediting training providers, certifying training and evaluating the performance of training institutions. This responsibility would only be meaningful if the elevated SCHRD also had control of the Training Finance Fund. Without it, improved standards could not be made to stick.

The development of a National Training Authority would also allow an integrated policy on TVET to be developed. Without this, ad hoc programs are likely to continue, supported by donors who have little choice at the moment but to settle their assistance where each judges it to be appropriate – or to significantly reduce assistance.

The second way to develop cooperation and change would rely on fostering willingness among SCHRD members. That in turn would be affected by:

- The cooperation and influence of employer associations and trade unions; and

- The cooperation and influence of international donors and partners.

With respect to the first of these, most of the institutional changes being proposed or implemented concern government mechanisms, and the most important of these involve tripartism. But the fact that employers and trade unions are members of the SCHRD and will be members of the Board of the Training Finance Fund does not necessarily guarantee they will have much influence over developments, especially if the SCHRD ends up with 8 ministers. The work of the National Skills Standards Project, however, shows how important a workable tripartite approach can be. The requirement now is to develop more sophisticated industry mechanisms for bringing about training, perhaps based on one of the numerous models that can be found elsewhere. This will be especially important if, as foreshadowed by the amended Labor Law, a system of licensing ties together the attainment of training standards (or competencies) and the ability to practice a profession or trade or to establish a business for the same purpose. The risk that these licenses will come to be seen primarily as a source of revenue is too great to ignore.

3 things are required:

- To develop industry training mechanisms through some form of industry-specific training bodies;
- To improve the capacity of major industry and trade union bodies to participate effectively; and
- To ensure a major role – indeed, pre-eminent role – in allocating resources for industry-specified training needs.

Mechanisms to coordinate the activities of donors do exist but they may not be working to give the best result. Two particular examples show how coordination could improve. The first concerns the use of industry attachments in training programs. As we have seen, MITD has the major system. However, the German Government supports another system through MoE and the ILO is experimenting with developing a third system through the MoME. In the long run, Egypt cannot afford to have three models operating in three ministries. An effort by donors to consolidate these developments is overdue.

The second example concerns the operation of training programs at a local level. The government has indicated that it will establish Local Councils for Human Resource Development. Donors, too, often wish to establish programs at a local level. Notable examples at the moment are the planned activities of the European Union in TVET reform and the Mubarak Kohl Initiative, which, as pilot programs, depend on reaching local agreements about industry attachments. Even though these activities are focused at a local level their objective is national reform. If these activities are not coordinated there is a risk that none will be successful, becoming competitive rather than reinforcing.

## **2. FINANCIAL REFORMS**

The new Training Finance Fund could be the precise vehicle for achieving more secure finance for TVET and lasting reform to TEVT. But could also end up as little more than

an additional tax on employers with no real change to the supply-driven mechanism for financing the system. The risk is that instead of the Ministry of Finance allocating funds to individual ministries using the input criteria that it does now, the Board of the Training Finance Fund could do the same thing using the exact same criteria.

A great deal of this would depend on the agency with responsibility for the Fund. The TFF is defined in the amended Labor Law, which indicates that the responsible minister is MoME. However, the chairman of the SCHRD is the Minister of Manpower and Emigration and so there is scope for the TFF to be run as an independent entity. The Board of the TFF is intended to be tripartite so this should add weight to the idea that it should not be seen as the preserve of a single agency. A similar situation already exists with the Skills Development Project, which is ostensibly under the management of MITD but which is administered expressly to be available to all training providers, public or private.

It is also important that there be a completely new basis for allocating funds from the Training Finance Fund. The key to that would be the development of performance criteria that can be used to assess training institutions. As earlier discussions have pointed out, no performance criteria are used to assess the outcomes of public training providers. The only attempt to develop them is taking place through the joint efforts of MITD and MoF. This work would need to be expanded to be useful system-wide. MoF will have an important influence on the TFF, being a member of the TFF Board and, of course, an important advisor to the Government on state finances.