

Committee:	Senior Executive Group		
Date of Meeting:	26 September 2018	Agenda Item:	3
Paper Title:	Egypt		
Action Required:	For information and discussion.		

Executive Summary:	<p>This paper summarises the scoping work undertaken and key issues to date in relation to the Egypt Branch Campus project.</p> <p>A business case outlining the resource requirements that would be needed to take the project to feasibility stage has been prepared.</p> <p>However, at this stage, SEG is asked to review and discuss the overall proposition and scoping work undertaken to date.</p>
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Consultation/ Approval:	N/A at this stage
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E&D Impact Assessment:	This is being considered as part of the feasibility assessment.
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Date for Review:	TBC
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1. Background and purpose of the paper

University of Liverpool was approached by the Egyptian Ambassador in 2017 to consider the establishment of an International Branch Campus (**IBC**) in Egypt. SMT agreed to undertake some preliminary scoping work to assess the opportunity. To date this has included:

- Preliminary market analysis (report commissioned from Parthenon EY);
- Review of the operating environment (including legal and financial aspects);
- Review of the new Act which sets out the regulatory framework for IBCs;
- Scoping visits (SMT) to Egypt to meet with the government and existing providers;
- Informal consultations with UoL colleagues with interests in/knowledge of Egypt;
- Expert advice on the political and operating environment in Egypt
- Participation in the UK-Egypt Round Table and the UUK Mission to Egypt.
- Signing of a Memorandum of Understanding, outlining UoL's commitment to explore options for collaboration with Egypt, including possible development of an IBC.

Following the visit from the Vice Chancellor and Professor Louise Kenny to Egypt as part of the UUK Mission (June 2018), work was also undertaken to review the possibility of a joint venture institution in Egypt (similar to XJTLU). A further visit from SMT is planned at the end of October 2018 to explore this in more detail.

Regular reports on the scoping work have been provided to the International Board and SMT as well as verbal updates to PSLT and Council. This paper summarises the scoping work undertaken and key issues to date.

A business case outlining the resource requirements that would be needed to take the project to feasibility stage has been prepared. However, at this stage, SEG is asked to review and discuss the overall proposition and scoping work undertaken to date.

2. Rationale for engagement: Strategy 2026

Within the context of Strategy 2026, we set out our ambition to place our global activities as central to our distinctive vision for the future, building on our multiple physical and virtual campuses – Liverpool, London, Suzhou, Singapore and Online.

The impact that we made in China through XJTLU is significant. In addition to educating thousands of Chinese students, the campus attracted new intellectual capital to Jiangsu Province, created hundreds of new jobs (both within China and the UK) and continues to play a vital part in the ongoing success of Suzhou Industrial Park. As part of our global strategy, we know that we cannot stand still. We are highly reliant on China and whilst we have invested time in reviewing many other countries/regions (both alone and in partnership with Laureate), opportunities for large scale (i.e. campus type) initiatives, backed by investment and favourable regulation are few and far between.

3. Why Egypt?

Countries with the strongest need for new higher education institutions have a strong youth demographic and acute shortages in capacity (as was the case for China in the early 2000s). The UN forecasts that more than half of global population growth between now and 2050 will come from Africa, as well as India, parts of the Middle East, Indonesia and the Philippines.

Egypt, with its position as a regional power in the Middle East and Muslim World, occupies a strategic position. With a population of almost 90 million, it is the largest country in the Arab world and the third largest in Africa (after Nigeria and Ethiopia).

Egypt has an ambitious higher education reform agenda. This is considered essential for ensuring that there are sufficient places to meet demand. There are currently over two million HE students in Egypt, with the majority in the public sector. To meet forecast demand, an additional 300,000 HE places are needed by 2020 and 980,000 by 2030.

It is clear from World Bank and other reports that expansion can only be achieved through a mix of public and private provision. The recent Brookings report on Egypt also highlights the importance of education on future stability.

Egypt is also an established destination for students in the region, there are already over 70,000 international students (source countries: GCC states, Syria, Libya, North Africa).

4. Political situation and risk

Whilst there are many merits to the opportunity, particularly in relation to the market and capacity building agenda, the political and operating environment are challenging.

This was reflected in a letter to the Guardian following the UUK Mission in June. The letter, with 200 signatories, focused on Egypt's human rights record and the circumstances surrounding the death of a Cambridge PhD student Giulio Regeni.

<https://www.theguardian.com/education/2018/aug/22/uk-colleges-accused-of-ignoring-human-rights-abuse-in-egypt>

Whilst engaging through education is a powerful way of influencing change, opening a branch campus would require close working with the Egyptian Government. The regulations seem to provide a high degree of assurance regarding autonomy, but we need to take specialist advice to really understand the potential risk/ exposure to reputational damage that might be presented through a venture of this kind.

5. Model and support

The invitation from the Egyptian Government is to establish an International Branch Campus (IBC) in Egypt. A new Act for IBCs has been approved by the Egyptian parliament. Prior to this, foreign providers were only permitted to set up under the private universities Act or through Presidential decree (e.g. American University and German University in Cairo).

The IBC Act provides a streamlined process for establishing a campus as well as recognition of the QA processes from the parent university. It is also possible under the new Act to develop a partnership model/ joint venture (as was the case in China with XJTU). This potentially makes the set-up phase easier (the local partner would contribute local knowledge and support) and more grounded in the local context.

Assumptions on the business model and risk

- **Investment:** The Egyptian government has indicated willingness to meet initial investment costs but we are yet to establish requirements for repayment. For XJTU £150m was provided with no repayments in the first 10 years. Whilst we believe the University is in a strong negotiating position it is presently uncertain whether or not we will be able to negotiate a similar arrangement to XJTU.
- **Legal Entity:** A separate legal entity and governance structure would be established for the IBC (including representation from the Egyptian partner if developed on a joint venture basis).
- **Size and fee levels:** It is assumed that at steady state, the campus would accommodate 7000 students with fee levels around £8,000. UoL would take a royalty fee for each student (estimated at £640-£1280 per student per annum, depending on rate applied)

- **Articulation:** A level of 20-25% articulation is assumed to the UoL Liverpool campus (i.e. a 2+2 arrangement as per XJTLU). This is lower than for XJTLU and reflects the Egyptian Government's concerns about higher levels contributing to brain drain.
- **Degrees:** It is envisaged that in the set up phase, the campus would only offer UoL degrees (single award) with potential to consider dual awards (as per XJTLU) thereafter. This is a way of mitigating risk in the early years of set up.
- **Staffing:** it is assumed staff would be recruited globally, with many coming from GCC States (many Egyptians educated in the west work in the GCC). A proportion of staffing would also be recruited within Egypt (care would be needed not to put further strain on the public sector which cannot compete with salaries in the private sector).
- **The academic portfolio** is likely to include Engineering, Computer Science, Architecture, Business and Management, Financial Mathematics with potential for medicine and health related disciplines.

Risks

- It is clear that the financial risk depends on the cover for the running costs along with capital investment in the initial stages of set up against the covenants that the Egyptian Government would require for continued operation of the company.
- The volatility of the Egyptian economy is a further risk. Fees for domestic students must be paid in Egyptian pounds with foreign students able to pay in other currencies. Inflation rates are currently 20%.
- Political volatility and associated reputational risk are high.

6. Benefits envisaged from the project:

Benefits to Egypt

- Reducing some of the pressure on the public sector through increasing HE provision;
- Developing graduates with new skills: future leaders and entrepreneurs of the future;
- Strengthening higher education partnerships (particularly with the public sector) and bringing in new approaches to higher education (including teaching and learning; research capacity building; entrepreneurship and industry engagement);
- Creating new perspectives: changing and enabling graduates to embrace diverse perspectives, generating new knowledge for the benefit of society at large;
- Attracting and retaining academic talent (both national and international), reducing brain drain and directly supporting Egypt's internationalisation agenda.

Benefits to University of Liverpool:

- Reputation – directly contributing to capacity building and stability in the Middle East;
- Student recruitment and financial return;
- Research potential, particularly in relation to UoL's heritage theme and other priority areas highlighted by the Egyptian Government (Energy, Food, Healthcare, Heritage);
- Funding – in addition to the Campus investment, Egypt is also a target country for the UK's Prosperity Fund, GCRF and Newton Funding.

7. Conclusion

Development of a campus in Egypt, with the support of the Egyptian Government, provides a unique opportunity both to make a substantial contribution to the region and to extend our international reach in the Middle East and North Africa delivering the benefits outlined below.

However, this needs to be balanced by the considerable risks that are also inherent in this project. Although the scoping phase of this work has helped us to understand many of the key issues, further feasibility work would be needed to take a fully informed decision regarding the viability of the project.

APPENDIX 1: Feedback from informal consultations

Whilst a limited pool, a summary of the main points arising from the feedback is summarised below:

Education

- Support for the capacity building rationale for the project. It was recognised that Egypt's education system, historically one of the best in the region, had suffered greatly in recent times. Whilst there are concerns about the government, engaging in Egypt through education was generally considered to be a force for good.
- In archaeology, student placements were highlighted as an opportunity – an entry point for UoL and other students from the UK, keen to explore Egypt's cultural history.
- Mobility of students to Egypt (from the UK and US) has reduced following the uprising in 2011. UoL's Study Abroad team raised concerns about safety outside the confines of a campus environment and are investigating further (this will feed into the risk assessment).
- In terms of subject mix, heritage management was highlighted as a potential area that could be developed (tourism management is already very popular across Egyptian universities).
- Financial maths has an articulation agreement with American University in Cairo and is keen to develop this connection.
- Potential opportunities for online, with steady numbers from Egypt and surrounding countries.
- King's College London online programmes are of note in relation to capacity building through online programmes. The projects are funded through the SPHEIR initiative (awards of between £1-£5 million). Whilst funding from this programme has finished, it is expected that the Prosperity Fund may fund similar initiatives.
<https://www.kcl.ac.uk/newsevents/news/newsrecords/2016/10%20October/Go-ahead-givenfor-two-King's-overseas-projects.aspx>

Research

Colleagues noted that the challenges in Egypt are similar to surrounding countries and a campus could support regional engagement (with funds from GCRF, Newton etc.)

Lancaster's Ghana campus was highlighted in this regard: it has recently been awarded a £6.2 million GCRF grant for a project focused on water security with partners in Nigeria.

<http://www.recirculate.global/> Specific themes and challenges highlighted (please note – this is feedback from a small pool):

□ **Heritage:** Egypt is host to some of the world's most important historical sites and monuments and a diverse range of histories, dialects and cultures. These assets are under threat by a range of factors including urbanisation, climate change and population growth. A joint AHRC Egypt initiative was established in 2017, focused on preservation of Egyptian cultural heritage (Professor Lin Foxhall is a member of the panel).

Lin has also brought together an interdisciplinary group of experts at Liverpool from architecture, civic planning, archaeology and archaeological science, chemistry and

engineering (including expertise in civil engineering and sensor technology). Much of the expertise and interests of this group are relevant to Egypt as well as the wider Middle East, North Africa region.

As one of the few UK universities offering Egyptology and home to the Garstang Museum, Liverpool archaeologists have considerable experience of working in Egypt as well as strong contacts within the Ministry of Antiquities and Helwan University (the current and former presidents of Helwan University are both UoL graduates)

Food Systems and One Health:

There are many factors impacting on food security in Egypt – climate change, water scarcity, agriculture practices and poverty. A priority area for GCRF funding, UoL's Centre for Food Systems has highly relevant expertise in this area spanning health and life sciences, environmental sciences, public policy and management.

The Centre, as well as IGH more widely, has substantial experience and projects in Africa.

Professor James Stewart (IGH) has recently won a Newton Grant with Cairo University focused on viral infections in Egyptian poultry – the aim is to develop the partnership in preparation for a larger scale GCRF grant application.

- **Energy:** Egypt has huge energy requirements and developing renewable energy capabilities is a priority. The challenge for Egypt (and applicable to other countries in the region) is how to develop photovoltaic technologies that are applicable for the specific environment (i.e. climate, infrastructure, economy). Whilst Liverpool has capabilities in energy research, potential alignment with Egypt needs further consultation.
- **Other areas:** Two further areas highlighted by UoL researchers are:

(i) Development of new architectural and construction systems, suitable for the weather and environment in Egypt/similar countries.

(ii) Adaption of new technologies for countries with limited resources: medical devices are one example, with significant demand in Egypt and the region. We already have Liverpool researchers working with Indian partners in this area (supported through Newton funds) and this is a growing area for research calls.