

*Draft*

*Medium Term Expenditure Framework*

*Ministry of Education*

*Republic of Yemen*

*Allocation of Resources to achieve Education Outcomes in Yemen*

*2007 to 2011*

*For Presentation to the Joint Annual Review (JAR) May 2007*

Ministry of Education

April 2007

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# 1. Executive Summary

## 1.1. *Introduction MTEF*

The Ministry of Education receives a budget ceiling for basic and secondary education that on average is between 17 to 20% of annual Government budget. The budget for 2007 was about Yemen Riyal 165 billion (approximately US\$850) million to both basic<sup>1</sup> and secondary education. A similar amount is expected to be allocated each year over the next three to five year, and the this Medium Term Expenditure Framework (MTEF) has been prepared by the Ministry of Education to facilitate the management of this resource ceiling over the next three to five years to achieve education results.

From 2007 the MOE will begin medium term resource planning – starting with the period covered in the MTRF, 2007 to 2010. The first year of allocation of the medium term funds available is 2007 and 2008. The 2007 budget for basic education is provided in detail in the 2007 MOE AWP. This includes some aspects of secondary since planning since it includes in the programs Grade 1 to 12.

## 1.2. *Reforms to Results Based Management of Resources*

In 2006 the MOE introduced a new planning and budgeting approach which allocates all resources provided from the Ministry of Finance to outputs and results in education. In 2007 the MOE developed a budget using this approach to allocate basic education part of the ceiling of Yemen Riyal 140.8 billion (US\$723 million). From 2008 this will be applied for the full budget ceiling estimated at Yemen Riyal 165 billion (approx. US\$850) covering both basic and secondary education. The allocation will be based on the results in the basic education results as outlined in BEDS and its interim plan the MTRF, and in secondary through the education strategy.

The MOE introduced a number of policy changes in 2006 to manage a results based approach. This included the following:

- **One sector budget ceiling:** the MOE has adopted the MOF budget ceiling as the basis for achievement of sector results over the medium term.
- **A results based budgeting and planning system:** All funding in the budget ceiling is allocated to sector outcomes in the Basic Education Development Strategy (2003 to 2015) and medium BEDS plan, the Medium Term Results Framework (2006 to 2010)
- **The MOE Annual Work Plan (AWP):** The AWP provides the annual implementation plan and budget based on the MOF budget ceiling. It provides

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<sup>1</sup> The Ministry of Education has combined responsibility for basic education, literacy and early childhood education and secondary education. A single combined budget program item is provided by the Ministry of Education. This has averaged US\$850 million a year.

one consistent foundation for implementation of all the outcomes defined for access, quality and institutional capacity. The AWP coordinates all implementation to achieve outcomes and the basis for alignment all stakeholders to sector results and outcomes (only one official implementation plan)

In 2007 the Medium Term Expenditure Framework (MTEF) is being introduced to facilitate more strategic management of the resources available for education over the medium term. This includes a number of steps proposed by MOE in 2007:

- = institutionalizing the results based budgeting and planning process introduced by MOE in 2006 that supported the line item budget negotiated with MOF for 2007 and that are presented in the 2007 MOE AWP
- = proposal to introduce a results based financial and expenditure management systems between MOF and MOE to enable MOF to effectively manage the budget ceiling in line with sector results
- = introducing medium term expenditure planning using MOF projected resources and MOE strategies through the Medium Term Expenditure Framework document
- = systems for sector accountability to MOF, Parliament and citizens on achievement of results

The measures are outlined in Chapter 2 of this MTEF. The proposals are all within the current statues and financial policies of MOF and the strategies being developed by MOE.

### **1.3. Overview of the content of the medium term expenditure framework**

#### **1.3.1. Five year estimates of resources available to education**

**Table Five Year Projection: DRAFT TO BE FILLED USING MOF PROJECTIONS**

	Year 2007	Year 2008	Year 2009	Year 2010	Total
Total Education	Yr165 billion US\$850m	Yr165 billion US\$850m	Yr165 billion US\$850m	Yr165 billion US\$850m	Yr 660 billion US\$3,4 billion
Basic					
Secondary					

Each year the MOE will develop the Annual Work Plan and budget using the actual budget ceiling. This budget ceiling includes an estimated Development Partner funding of about 4% using national average which in the education sector could be as high as 10%. The proposals of predicting Development Partner funding and institutionalizing total alignment to sector results is included in Chapter 2 of this MTEF document.

### **1.3.2. Results based resource management**

Using the MTRF developed in 2006 the MOE allocated the 2007 budget fully to results as indicated in the MOE 2007 AWP. Annex 1 shows the summary allocation. Annex 2 shows the proposed 2008 allocation.

Chapter 1 of is an extension of the Medium Term Results Framework (MTRF) results and shows the outputs and results expected between 2007 and 2010. The share of the budget ceiling between access 30%, quality 68%and institutional development 2% established in 2007 is expected to remain nearly the same over the first three years of 2007, . There is however changes within the 8 programs and these are indicated in Chapter 1. The implementation is expected to be through the national systems that are being set up to implement each of the 8 programs and these are outlined in Chapter 1.

### **1.3.3. Strengthening of medium term projections**

The projections applied in this first MTEF are based on the current incremental annual increases that MOF applies. The MOF is expected to strengthen the sector allocation as it reforms the national budget management system. MOE will track and continue ongoing negotiations and joint approach with MOF and adopt as MOF adopts a national MTEF and strengthens sustainable development funding based on the GDP and macro economic targets. MOE will expect to benefit also as more robust systems for allocation to sectors are adopted.

Development Partner funding is now fully integrated into the budget ceiling. The sector ceiling will therefore remain the same irrespective of actual realized funding at the sector level. The alignment of Development Partners to the AWP will determine the results irrespective of actual development as a percentage share. The predictable financing by development partners will influence the national budget, while the education sector will now to be subject to these movements as the MOF takes on the responsibility of adopting a sustainable financing the sector budget.

## **1.4. Structure of the MTEF**

- Chapter 1: Projected resources and the MTRF based allocation of the projected resources over time
- Chapter 2: Proposed management reforms to achieve results based management

## 2. Chapter 1: Resource Allocation to Achieve Results

### 2.1. Introduction and Budget Projection

The allocations to education are based on the education share of approximately 20% of the national budget in Yemen that education has received over the past period. Change each year is based on an incremental increase made by MOF based on projected GDP growth. Using this approach the expected to average allocation over the next five yearfs is about Yemen Riyal (Yr) 165 billion to about Yr 175billion (US\$850 to US\$950million) each year over the next five years. This is based on the MOE estimates included in the national five year plan.

#### TO BE FINALIZED USING MOF/MOPIC PROJECTIONS

	Year 2007	Year 2008	Year 2009	Year 2010	Total
Total Education	Yr165 billion US\$850m	Yr165 billion US\$850m	Yr165 billion US\$850m	Yr165 billion US\$850m	Yr 660 billion US\$3,4 billion
Basic	723	723	723	723	
Secondary	127	127	127	127	

The predication of education funding will be subject to changes as the MOF tracks the national GDP. It will also be influenced by introduction of sustainable development financing through the MOF national MTEF. It will also be influenced by changes to sector allocation using the five year plan. The MOE will work closely with the MOF through the joint committees established in 2006 to track the implications as the MOF reforms take effect.

All funding to education is included under the MOF budget ceiling. Sources of funding include other Ministries and Government agencies such as SFD, PWP, Ministries of Local Authority, Civil Service among others, and Development Partner. With full alignment all the funding is within the sector ceiling and its being coordinated through the AWP.

### 2.2. Results Based Allocation of Budget Ceiling

The MTRF is the basis for allocation of funds over the medium term up to 2010. Using 2007 AWP as the first year of the following tables indicate the results expected in access, quality and institutional development up to 2010.

The following tables provide the updated MTRF and the outputs expected to be achieved each year from 2007 to 2010. The last table indicates the financial allocations proposed the period 2007 to 2009 to provide the outputs and results.

## 2.2.1. Access Outputs and Results 2007 to 2010

Programs	Outputs Year 1: AWP 2007	Outputs Year 2: AWP 2008	Outputs Year 3: 2009	Outputs Year 4: 2010
Access outputs and processes	<p><b>Program 1:</b> Fee elimination from September 2007 – Grade 1 to 6 boys and girls. Establish criteria for incentive, target is about 5.5 enrolled in schools up from about 4.4</p> <p><b>Program 2:</b> Infrastructure with 7500 new classes and rehabilitation of existing classes, cost per classroom about based on project building costs, multiple systems applied for construction coordinated in site selection by MOE more in line with previous year, establish national system for construction and maintenance, select priority sites for 2008 after September 2007 enrolment pattern</p> <p><b>Program 3:</b> Establish criteria and guidelines for schools to manage operating budgets, establish and issue new financial management and school planning guidelines and guideline for father mother councils and community roles in schools,</p>	<p><b>Program 1:</b> Fees eliminated Grade 1-8 boys and girls) to cover basic fully; incentives adjusted to the enrolment in September 08 quarter with per capita allocation for all pupils</p> <p><b>Program 2:</b> Infrastructure targets 7500 and sites allocated based on enrolment pattern from September 2007 and 2008, higher numbers construction through national and community based construction systems to lower costs and increase number of classroom constructed with more roles for schools and districts, improved maintenance with costs managed by schools</p> <p><b>Program 3:</b> National criteria and guidelines for allocation and management of schools operating costs; schools guidelines for management of construction; learning materials storage and utilization guidelines; teachers linked to schools supervision; and community.</p>	<p><b>Program 1:</b> Incentives adjusted to cover higher increased enrolment numbers and retention of 6million pupils</p> <p><b>Program 2:</b> infrastructure construction targets at 7500, construction and maintenance mainly managed through schools, management of constructions</p> <p><b>Program 3:</b> increased funds through schools as per capita allocation per pupil to schools in line with increased enrolment and retention numbers, targeting incentives, school operations, community participation improvement of teachers linked to schools, learning material utilization</p>	<p>Program 1: institutionalized incentives based on per capita allocation; guidelines adjusted with three years experience</p> <p>Program 2: infrastructure targets reviewed based on response and stocks of classrooms and maintenance costs</p> <p>Program 3: school capacity to manage the increased responsibilities and ensure access, quality targets</p>
Progress towards access outcomes	September 2007 about 5.5 enrolment up from 4.3 million 2006 – estimated at +90%; very high drop out due to low investments during the year, but improved retention from incentives and investments keeps it +80% by end of year	September 2008 about 6 million pupils in schools, + 90% enrolment with more stable retention and improved targeting of incentives through schools and more responsive allocation of infrastructure , teaches, learning materials and other school level operations and supporting materials	September 2009 about 6 million pupils in schools, more stable retention, first year with +90% retention, improved targeting of incentives now just per capital allocation to schools, with increased targeting	September 2010 about 6.5 million pupils in schools, +90% to 95% enrolment and retention
Budget	Yr 43 billion (US\$200 million)			

## 2.2.2. Quality Targets Outputs and Results 2007 to 2010

Quality	Outputs Year 1: AWP 2007	Outputs Year 2: AWP 2008	Outputs Year 3: AWP 2009	Outputs Year 4: AWP 2010
Quality outputs and processes	<p><b>Program 4:</b> Set pupil based learning objectives Grade 1 to 12 (including syllabus specifications), Identify adjustments needed to curriculum, teaching, teacher competencies, learning materials, testing, examination and quality control to attain objectives to achieve pupil learning objectives, propose guidelines for school level testing of pupil learning objectives, guidelines for inspectorate, guideline for quality control of examination</p> <p><b>Program 5:</b> Link teachers to schools, set teacher competency based on learning objectives, review teacher training to achieve teacher competency in line with pupil learning objectives, propose new policies for recruitment to support teacher link to schools, propose management of teachers</p> <p><b>Program 6:</b> All learning materials reviewed to support pupil learning objectives, new textbook content guidelines, and guidelines for design of text books to combine textbooks for each grade and separate text books from work books to text books are used longer, prioritize books to be combined for 2007/8, propose new guidelines for design, production, distribution and school level maintenance of text books.</p>	<p><b>Program 4:</b> Application and testing and adjustment of pupil based learning standards Grade 1 – 12 tested in the September 2007 to June 2008 school year; 2008 as the initial year of school based testing of pupil learning objectives for selected subjects using guidelines developed from 2007 with supervision systems at school, district, Governorate level; application of international testing standards such as TIMS</p> <p><b>Program 5:</b> MOE application of guidelines for teacher distribution based on teachers linked to schools and responding to enrolment patterns, 2008/9 annual statistics link enrolment, teacher distribution by subject by Grade and targets set to fully align them; 2007/8 initiate use of guidelines testing teacher competencies; adjustment of teacher training based on pupil learning achievement; test teacher training plans linked to achievement shown in pupil tests; linking teacher training needs and subject level performances and inspectorate guidelines and reports;</p> <p><b>Program 6:</b> Text books and teachers guides redesigned to meet learning objectives, textbooks issued in Sept 2008 are combined per subject and also separate textbooks from work books, and new guidelines are applied</p>	<p><b>Program 4:</b> Application of pupil based learning standards Grade 1 to 12; testing of pupils at school level expanded to include more subjects based on 2008 results; use testing results to assess if further adjustments needed in curriculum, teacher competency, learning materials, testing, quality control in order to achieve pupil learning; application of international testing standards to inform national standards</p> <p><b>Program 5:</b> MOE continued review of teacher distribution linked to schools and enrolment numbers; teacher competency linked to teacher certification and pupil performance based on national testing; teacher training linked to subject performance and inspectorate guidelines and reports</p> <p><b>Program 6:</b> All text books and teachers guides issued in Sept 2009 meet the design, production and distribution and school level storage guidelines, textbook budget adjusted to</p>	<p><b>Program 4:</b> Application of pupil learning objectives Grade 1 to 12; testing results at school level guides review of quality aspects; international comparison on pupil performance inform national quality standards and adjustments in teachers, learning materials, testing, quality control</p> <p><b>Program 5:</b> Teacher competency linked to teacher training linked to subject level performance targets informed by testing at school level</p> <p><b>Program 6:</b> learning materials and teachers guides in line reviewed based on subject level performance and cost of text books lowered through improved school level management of learning</p>



		for production, distribution and school level management of textbook from 2008.	replacement of textbooks using new design and school level management guidelines,	materials
Progress towards quality outcomes	Learning objective set foundation for quality reform Initial lowering of quality with initial high enrolment in September 2007 Investments initiated in all quality areas and guidelines for quality improvement	Application of pupil focused system for reform continued from 2007: Low quality in high enrolment areas but improved with link of teachers to schools in 2008, reform in teacher training and access to text book and access to school level operating costs from Sept 2007/08. School level testing initiated and starts subject level performance planning	Expanded range of pupil level performance testing and ranking provides extent of quality reform and initiates ranking of schools, district, governorate across the grades and initiates subject level performance targets; initial national ranking indicates areas meeting teacher competencies rank higher	Subject level performance targets used to rank schools, districts and to compare with international level and to inform reforms in teaches, learning materials, quality control, testing
Budget	Yr 96 billion (US\$490 million)			

### 2.2.3. Institutional Development Outputs and Results 2007 to 2010

	Year 1 2007 AWP	Year 2 2008	Year 3 2009	Year 4 2010
Institutional development outputs and process	<p><b>Program 7:</b> Sector management system implemented; JAR based on basic education, but introduces secondary; inter ministerial coordination initiates reforms in financial and decentralized planning; medium term planning initiated based on MOF ceiling and MTRF; sector EMIS designed; AWP 2008 results based approach; Development Partners alignment to AWP 2007</p> <p><b>Program 8:</b> Propose MOE structure, develop national systems for implementation of all the MTRF programs – incentives distribution, infrastructure development, school operating costs, teacher management and training, learning materials, etc</p>	<p><b>Program 7:</b> AWP and Medium term planning based on MOF budget ceiling; JAR based on basic and secondary; EMIS systems operational and tracking results; results based budgeting, planning, implementation and financial management systems in place at central and decentralized levels; operational inter ministerial coordination with MOF and MOLA to support results; Development Partner alignment to MOF ceiling in AWP 2008 and medium term projections</p> <p><b>Program 8:</b> MOE new structure operational, systems for implementation initiated in 2007 operational and basis for capacity building of MOE new structure continued from 2007 - incentives distribution, infrastructure development, school operating costs, teacher management, learning materials as they are developed</p>	<p><b>Program 7:</b> AWP and Medium term planning based on MOF budget; JAR based on basic and secondary; institutionalizing results based budgeting, planning, implementation coordination, guidelines for improved coordination across all ministries and decentralized levels; Development Partner improved alignment to MOF ceiling and AWP and sector results</p> <p><b>Program 8:</b> MOE new structure under implementation; national systems used as the only basis for all MTRF programs; capacity building of MOE and partners based on national systems; review of national systems informs capacity building plans</p>	<p><b>Program 7:</b> AWP and medium term planning; results based systems at central and decentralized levels; improved coordination through AWP; development partner alignment to MOF ceiling and AWP and sector results</p> <p>Program 8: MOE structure based on results and reviewed as results evolve; systems institutionalized and their reform informs capacity building of MOE and partners</p>
Progress towards institutional outcomes	<ul style="list-style-type: none"> <li>- Government led annual work plan for 2007-02-28</li> <li>- first output/outcome focused year plan</li> <li>- first year under one resource ceiling</li> <li>- first year alignment</li> <li>- introduction of annual sector</li> </ul>	<ul style="list-style-type: none"> <li>- first year of medium term sector funding plan based on outcomes</li> <li>- first year of sector review of BEDS annual work plan</li> </ul>	<ul style="list-style-type: none"> <li>- second year of medium term funding plan negotiated</li> <li>- alignment at sector outcomes level and not at program level</li> <li>- output based sector review</li> <li>- first year of sector review of progress towards medium term outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>Government managed medium term financing towards outcomes</li> <li>Government led outcome based annual and medium term planning and budgeting</li> <li>Sector reviewed based on progress towards outcomes</li> </ul>

	budget cycle			
Budget	Yr 1.7 billion (US\$9m)			

#### 2.2.4. Actual Budget Allocation 2007 and Indicative Allocation 2008 and 2009

	2007	2008	2009
Budget ceiling	<b>US\$723 (basic)</b>	<b>US\$850 (basic and secondary)</b>	<b>US\$850 (basic and secondary)</b>
Program 1	US\$60m – incentive system set and allocated	US\$120 (6 million pupils at average US\$20 national)	US\$130 (6 to 6.5 million pupils)
Program 2	US\$151 – national system for construction introduced	US\$150 (7500 classes+ with lower costs and community level management)	US\$150 (schools’ built with school roles)
Program 3	US\$8.9 – national system for managing operating costs to schools	US\$60 (operating budgets and plans average US\$10 per pupil per year issued Sept 2008)	US\$65 (budget and plans with access/quality)
<b>Sub total</b>	<b>US\$220</b>	<b>US\$330</b>	<b>US\$345</b>
Program 4	US\$15m set learning objectives, set reforms, and testing system	US\$15 – finalize reforms, introduce school based testing, national supervision	US\$30 – expand national testing, subject targets supervision
Program 5	US\$427 introduce link to school and teacher competencies	US\$437 – continue link teachers to schools, introduce competency based training	US\$437 – competency and subject based targets
Program 6	US\$49 system of earning materials development, combine text books	US\$60 – text books revised, combined and issued Sept 2008	US\$30m – text book replacement/ new titles
<b>Sub total</b>	<b>US\$493</b>	<b>US\$502</b>	<b>US\$497</b>
Program 7	US\$2 sector systems, collaboration	US\$2 – sector systems, collaboration, EMIS	US\$2 sector system
Program 8	US\$7 MOE restructuring, capacity building based on national systems	US\$7 – new MOE structure, capacity building based on national systems	US\$7 Capacity building based on national systems

### **2.3. Change in Financial Allocation Over time**

The allocation of the budget between the outcome areas is estimated to remain at about the 2007 levels 30% for access, about 68 for quality and about 2% for institutional capacity. This is expected to change over the three years, but to remain relatively the same. Although the share is expected to remain more or less the same for the three outcome areas, the programs within each of the areas will experience some changes.

For planning purposes the allocation of the budget is expected to remain within the outcome areas, and annual planning will then determine the shifts within the programs as the outputs change.

#### **Access – 30% of budget**

- Program 1: Incentives will increase with the increase in enrolment and retention, and it is expected to stabilize at about 6 to 7 million pupils by year 2009/2010. This will influence the budget since incentives are expected to be based on actual pupils in school.
- Program 2: The infrastructure demand is expected to increase with increase in enrolment from September 2007. The budget is planned to remain the same but to build more schools with lower costs expected from national systems with mix of community level contracting and improved school level management of sites if adopted across the country.
- Program 3: The operating costs for schools are expected to increase with increase in pupils but to standardize.

Based on international experience the per capita costs for infrastructure could be about US\$15 to US\$20 per pupil per year while cost of incentives and operating costs could be same making a total of about US\$40. With an estimated 6 million pupils this would be US\$180 to about US\$240 million which is about the same budget level projected. Therefore there are major changes in the cost allocation between the programs but about the same overall budget. An addition US\$40 for secondary school operating costs would be included.

#### **Quality – 68% of budget**

- Program 4: The plan indicates that the reforms based on pupil learning objectives will be completed by 2008. The cost of this program will then be determined by the cost of the systems established for quality control of the various aspects of quality (teachers, learning materials, testing and examination, testing across districts and examination) and the costs for implementing and supervising a subject level testing systems. The costs will

only be determined from 2008 after the reforms are done, but its expected to remain with the same level

- Program 5: Education has a large number of teachers but who are not utilized effectively. In 2007 MOE will introduce link of teachers to schools, teacher competency linked to pupil learning objectives and streamlining between teachers and administrative staff. These two are expected to result in key reforms which could leave the payroll with many changes. The budget implication on the payroll will be clear in 2008. However teacher training is expected to increase to achieve competencies. The overall budget for the program is expected to remain about the same in 2007 and 2008, but after the reform this will need review as it could change depending on the impact of the reforms as we improve teachers link to learning objectives and distribution in line with school, subject and enrolment.
- Program 6: The cost of learning material is expected to remain high in 2007 and 2008 as the new materials are designed and production is made, but the budget for learning materials is expected to reduce for 2009 as it moves to replacement only and introduction of a limited set of new titles – new editions. This should reduce the budget significantly from 2009. This could be reallocated to support the other two programs.

Since the key budget line is teachers there relative share of the quality will remain the same but with key changes expected within the program budgets.

#### **Institutional – 1.5% to 2% of budget**

- Program 7: The cost for sector management and coordination of education partners is expected to remain stable through out the period at about the same level of the budget
- Program 8: The cost restructuring in 2007 and 2007 and the actual cost of the restructuring in 2008 are expected to slightly increase this budget line and capacity development of the new systems as they are introduced will keep the costs high with expected stabilization in 2009.

While program 7 is expected to remain about the same for sector management, the cost of program 8 could significantly change after the MOE restructuring and capacity building phase. In general MOE is not expected to require more staff but potential restructuring of the payroll will only be apparent at end of 2007. There are no significant changes in budget but restructuring costs will increase in first 3 years..

The implications in resource allocation are that though we expect the ratio to remain more or less the same with access taking about.

#### **2.4. Implementation and its impact on resource utilization**

The achievement of 2007 outputs is the foundation for the five year plan. Each year the progress will determine the starting point for the next financial year. For example if the

2007 does not complete the expected outputs and results then these will be moved to the next year, further delaying the overall plan and under utilizing the budget for 2007 and underachieving the results. This for example would result if the systems under access are not developed on time and the fees and incentives and infrastructure are not utilised.

Given this impact of implementation the focus will be on effective implementation each year to achieve the results and to provide the foundation for the subsequent year. Any delays will result in delay of achieving the MTRF targets by 2010 as outlined. For example, without the key reforms and implementation systems proposed in 2007 and 2008 then the assumptions of this medium term plan will change, including the budget required.

Given the importance of effective implementation the MOE has introduced the Annual Work Plan which will be monitored through quarterly reporting and appropriate decisions taken by MOE management to propose strategies to Task Forces to maintain effective implementation. Ongoing reporting and the annual JAR will also focus on effective implementation.

To coordinate implementation the MOE is proposing the development of new national systems.

New proposed systems being developed in 2007 and 2008 to manage education implementation:

1. Administration of incentives to all eligible pupils (MOE, MOF, MOLA)
2. National system for coordinating infrastructure development and construction, in line with enrolment and access strategy for all (MOE, PWP, MOLA, SFD, MOPIC)
3. School level planning, operating costs and community participation (MOE, MOF, MOLA)
4. Setting national standards and ongoing testing of pupil achievement through schools and national and international testing and examination (MOE, MOLA, COME)
5. Teacher management linked to schools and teacher competencies linked to pupil learning objectives (MOE, MOCS, MOF, MOLA)
6. Quality control of learning materials linked to pupil learning objectives with systems for learning materials design, development, production, distribution and transportation, school level storage (MOE, MOLA, MOF, Textbook agencies, schools)
7. System for sector level management and coordination of stakeholders (MOE, MOF, MOPIC, MOLA)
8. Results based sector planning, budgeting, implementation coordination, EMIS (MOE, MOF, MOLA)
9. MOE structure (MOE, MOCS)
10. Capacity building based on national systems outlined above (MOE, MOLA)

The development of the systems and their effective implementation will determine the pace of education development over the medium term. These are national systems that all partners are expected to align to in order to systematize service delivery and solve coordination constraints across the country.

## **2.5. *Response to Resource changes***

The programs are all interlinked and therefore a reduction in overall funding will require a review of the level of results that can be achieved and reallocation will be made across all the programs. The program outputs will be adjusted in line with the scale of the financial shortfall. The focus will be on continuously reviewing the cost structure to promote more cost effective outputs.

### **3. Chapter 3: Reforms to implement results focus**

#### **3.1. *introduction and Proposed Reforms***

The Ministry of Education from 2006 began a series of reforms to institutionalize an education sector development process based on the achievement of sector results. The Ministry of Education Annual Work Plan for 2007 presented the first annual budget and plan that allocated all the resources to achieve outputs and results. The Annual Work Plan was itself the result of a number of reforms which included utilizing the MOF budget ceiling as the basis for the plan, and applying output based budgeting and planning using the outcomes and 8 national programs introduced through the MTRF as the basis of developing the 2007 Annual Work Plan.

The proposal is to institutionalizing the planning, budgeting and implementation coordination process that led to the Annual Work Plan, and to further strengthen it in 2007 and in the future by introducing results based financial management and national implementation systems that will further strengthen the results based approach.

The reforms are to strengthen the commitment made by the Ministry of Education to coordinate the utilization of all the funds provided under the education budget ceiling to achieve education results. To support this process the Ministry of Education proposes the following to continue the process, many of them already ongoing under the 2007 AWP:

1. Results based planning and budgeting: In consultation with MOF develop results based planning, budgeting and using the system introduced in 2006 for the 2007 Annual Work Plan. The Annual Work Plan is the single sector plan, allocating all resources available to education to achieve education results.
2. Results based financial system: In consultation with MOF develop financial management and accountability systems linked to the delivery of outputs and results. The financial systems to be introduced in 2007 will link all resources spent by different Ministries, Government agencies and Development Partners to specific outputs and education results.
3. National systems to coordinate implementation: In consultation with MOF and Ministry of Local Authority and other mandated Ministries establish national systems to coordinate implementation of education results. Currently delivery is through many local and international systems and this will be standardized and streamlined as systems are developed. (see list of systems proposed in Chapter 1)



4. Alignment of resources to results: In consultation with MOF the MOE will utilize the sector budget ceiling similar to 2007 develop one single Annual Work Plan detailing sector outputs and results based on the MTRF. The AWP will then be used similar to 2007 to coordinate all Ministries, agencies and Development Partners to fully align and coordinate all their resources to education results. All funding provided will support the AWP which is based on the sector results.
  
5. Medium term financial planning: In consultation with MOF and MOPIC the MOE will refine the projected targets for funding education and allocation to education through the discussion of the national five year plan. MOE will work with Development Partners funding education to get better prediction of the percentage they will fund over the medium term and to set up system to identify the funding available year on time to inform the annual budget ceiling by May to July and confirmation before the start of the financial year.

### **3.2. Overview of Proposed reform**

The reforms are based on the development and strengthening of national systems that will strengthen planning, budgeting, financial management, implementation coordination and reporting of the resources allocated to education.

#### **3.2.1. Results based planning and budgeting**

A result based planning and budgeting process was initiated by MOE in 2006. This was used to allocate the 2007 budget ceiling and it was used as the basis for the line item budget MOE presented to MOF in 2006 June. The MOE proposes to institutionalize this planning and budgeting process as the basis for preparing the MOE budget, and as the explanatory budget for the line item budget presented to the MOF. This was the process successfully following in 2007 where the output based budget was converted into the line item budget using the MOF guidelines.

The proposal is that MOF and MOE agree on the results based output and program budget as the basis for MOE development of its annual budget, and to officially use the program based budget as the explanatory budget for the line item budget. The MOE will apply the MOF guidelines in budget preparation. The implications are that changes in budget allocation between different years will be explained by the changes in outputs (see Chapter 1 of this MTEF document).

The main benefits are:

1. MOF will be able to understand the exact outputs and results the MOE intends to achieve each year which it is not possible to understand with just the line item budget
2. The MOF and MOE will be able to explain major changes in the line items by using the output and program based budget to understand differences between years. This will enable more strategic management of the line item budget.
3. MOF and MOE can pilot through this process the benefits of results based budgeting before its adopted at the national level

In the future once the MOF develops the results based budgeting process at the national level then MOE will present the output and program based budget as the official one. In the meantime the MOE will continue to send the line item budget with the output based budget as the explanatory budget showing what MOE will achieve with the proposals.

The joint MOE and MOF team reviewing financial systems will review the process applied last year by MOE and provide guideline before the 2008 budget is prepared.

### **3.2.2. Results based financial system:**

A major constraint to implementation of the results based approach is that the current systems do not enable MOF and MOE to determine and control how the funds released to MOE are used. The MOE and MOF have recognized this constraint and they formed a joint working committee in 2006 which continues to address these issues. This is expected to be resolved in 2007 with the introduction of a financial management which tracks the expenditures according to results and that will enable MOF to supervise the expenditures and for MOE to fully account to MOF on all the resources allocated. The focus is on providing administrative instructions from MOF which provide the appropriate level of documentation and approvals to ensure that MOE manages its resources within this level.

With the MOE depending from 2006 on the MOF budget ceiling as the basis for its planning and budgeting it is critical that MOF and MOE agree on how to streamline the utilization of MOF resources. The budget approved in 2007 by MOF is therefore not yet fully accessible by either MOE or partner Ministries and agencies until these systems are in place. It is also not being disbursed in line with the Annual Work Plan.

The proposal is for MOF and MOE to agree on a results based financial management system. This will be achieved by utilizing the Annual Work Plan which is based on results and budgets as the basis for financial management. The AWP indicates the implementation schedule and the budgets for each output enabling for cash flow planning and disbursement planning. It would also enable documentation of expenditure in line with outputs, and for ongoing reports on the delivery of both outputs and results, enabling for strategic negotiations.

The immediate benefits of adopting the AWP will be:

1. MOF and MOE can make cash flow planning in line with implementation schedule
2. Regular reporting, monthly and quarterly on the progress of expenditure and outputs
3. Documentation of expenditure in line with outputs
4. Review of public expenditure effectiveness and efficiency more systematically since funds are linked to outputs with clear cost relations with output

This reform does not require any legal changes. The administrative instructions would use the AWP and detailed operational level budgets as attached documents for disbursement, expenditure reporting and documentation, audits, etc.

### **3.2.3. National systems to coordinate implementation:**

National systems are being introduced by MOE from 2007 in consultation with the partner Ministries and agencies to facilitate delivery of education services. The systems will be used by all the partners in order to have consistent implementation across the country. At present different are used by Ministries, Government agencies and Development Partners to deliver education services. The main systems being proposed in line with the results and programs introduced by MOE are systems to allocate pupil incentives, to manage school construction, to allocate and manage operating costs to schools and to manage quality control, teachers and learning materials. (See Chapter 1 Table x)

All the systems have implications on financial management since each of the systems is allocation funds. The MOE in consultation with the MOF and the Ministry of Local Authorities will develop most of these systems to ensure they comply with national systems and facilitate the MOF to have financial controls and accountability systems in place. The focus of systems will be to facilitate MOF, MOE and partner Ministries to effectively manage the resources.

The benefits of the use of national systems are:

- will be approved by MOF as systems for managing national funds
- will be informed by ongoing changes in national systems over time
- will standardize systems and build the capacity of national systems

This legal and legislative implication will be reviewed as each system is developed. In 2007 the focus is on systems to be in place by September for issuing incentives and school operating costs. These require MOF and MOLA set up of adequate controls.

### **3.2.4. Alignment of resources to results:**

In 2006 MOE begun to utilize the MOF budget ceiling as the comprehensive framework for managing sector resources. MOE receives about 20% of GDP. But not all this funding is provided directly to education, but it goes to different agencies who have mandate It is seen as including all potential funding from Government and external funding sources. In addition MOE developed an Annual Work Plan that allocates all available resources in the budget ceiling sector results.

Because the MOF budget ceiling is comprehensive and estimates all potential sources then any funding provided to sector is already included and has therefore already been allocated through the Annual Work Plan. With the finalization of the first AWP for the 2007 financial year the MOE has requested all Ministries, Government Agencies, Development Partners and NGO supporting education to work only through the AWP and to allocate resources through the AWP. The alignment of all resources is therefore being achieved through adoption of a comprehensive budget sector ceiling and the AWP.

The proposal is to institutionalize the use of a sector budget ceiling negotiated with MOF as the basis for education planning, and the use of the Annual Work Plan as the basis for allocation of this sector ceiling to achievement of all education results. The alignment needs only to follow AWP which was initiated in 2007, and this has already aligned funding to sector results and MOE will continue to improve these systems with partners for alignment and to ensure more and more inclusive planning and budget at the sector level.

The benefits of adopting this comprehensive resource ceiling and Annual Work Plan are:

- The sector budget ceiling already includes MOF and MOPIC assessment of total resources available for development in the country, including external funding, and therefore over the sector ceiling is the sustainable funding level in line with national development targets and within national macroeconomic targets.
- The use of the AWP to allocate the budget ceiling to the outputs and results immediately consolidates all funding resources of the sector ceiling, including external funding, to the sector results, irrespective of the financing method used, whether project or budget support.
- By aligning external agencies to AWP this immediately aligns them to sector ceiling and national budget like if they were providing budget support, while agencies can continue to apply their own systems to administer the funds they allocate to the AWP and sector results.

The national alignment is expected to be driven by national policies many of which are in place, For external funding the alignment is governed by contracts signed locally and international alignment protocols. At the practical level MOE is working with each agency to identify the implications of fully alignment. The MOE will continue to work with agencies to work with MOPIC and MOF to improve this process.

### **3.2.5. Medium term financial planning:**

With the MTEF the MOE is proposing more strategic allocation of resources. The MTEF includes the MTRF as the foundation for resource allocation, and the projected sector budget ceiling as the indicative financial resources available to the sector. The budget ceiling and results are combined in the MTEF to provide management with the framework for deciding on medium term projection. In principle each year the MTEF will use the current year as the base year and project using MOF and MOPIC the best estimates for the following 3 years at a minimum and give years.

This gives MOF and MOE the tools for management of resources over time and to anticipate potential challenges, including new systems needed to manage upcoming spending areas and potential shortfalls. It is also the basis for determining the predictability of funding.

The MTEF combines in Chapter 1 the updated Medium Term Results Framework (MTRF) and the projected resources up to 2010. It provides an assessment of if the resources will be adequate over time or will exceed the current projection. The outputs and the programs will be worked out in more detail over time and in this first MTEF are outlined in sufficient detail to enable decisions on budget implication.

The proposal is present the MTEF each year as the basis for updating medium term financial projections in line with MOF and MOPIC estimates, and to use it to track and update if the resources are in line with the expected medium term results. And this should facilitate the MOE and Development Partner to develop annual and medium term projections and to also agree on how Development Partner funding fits into the annual budget cycle. A separate document is anticipated with Development Partners which provides the funding targets, and each year with estimates in time to inform the AWP and to confirm funding before the start of the Yemen financial year.

The benefits of the proposals are:

- To provide a three to five year view of progress towards results and to match this with the resources anticipated for the sector
- To provide a framework for anticipating either financial shortfalls
- To provide a framework for assessing the implication of delays in implementation and the impact they have on both budgeting and achievement of results
- To provide further alignment of Development Partner funding to the sector AWP financing plans before the start of the financial year.

There are not legislative implications. The MTEF will over time provide the basis for medium term planning and to inform annual implementation and the budgeting and planning.

### **3.3. Conclusions**

This Chapter has outlined the main policy development areas being initiated in 2006, being strengthened in 2007 and which are expected to be institutionalized and improved some starting with budgeting, planning and financial management in 2008.

For each area the MOE will propose a system to make the reform. For financial management, budgeting and planning MOE and MOF have established a working committee. the different systems being proposed to more effectively manage delivery of systems are already part of the AWP and will be developed in close collaboration with MOF and other Ministries as outlined in Chapter 1.

## Annex 1: Summary of 2007 Program Based Annual Work Plan

<b>BEDS Budget Allocation Summary Table 2007</b>				
	Yemen Riyals	US Dollars	Percent	Target Results
Access	43,043,614,667	220,839,049	30.54%	2007 increase in enrollment from 77% to 90%; reduction in gender gap to 11 points; reduce illiteracy from 45 to 40%.
Quality	96,171,097,204	493,185,113	68.21%	Set up learning competency by Grade 1-12; use learning competency to build a strategy for reform teacher management, learning materials, pupil testing and examination; quality control through inspectorate, learning material reviews, teacher training.
Institutional structure	1,763,308,172	9,042,605	1.25%	Set up management system to coordinate all partners to implement MTRF/BEDS jointly; and, restructure MOE to support the results
<b>Total</b>	<b>140,978,020,043</b>	<b>723,066,769</b>	<b>100%</b>	

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<b>Component</b>	<b>Program</b>	<b>Budget US\$</b>	<b>Proposed outputs</b>
<b>Access</b>	Program 1: Household Incentives Programs	60,625,453	<ul style="list-style-type: none"> <li>- School fees elimination boys, girls 1-6</li> <li>- Incentives to 2.5 million students (school kits, subsidy, health, transport, school feeding, transport)</li> <li>- Literacy campaign,</li> <li>- Community participation</li> <li>- Student activities.</li> </ul>
	Program 2: Infrastructure and school facilities development programs	151,774,144	<ul style="list-style-type: none"> <li>- New classes 7511, rehabilitation 1,277, other rooms 1419, walls 1134, toilets 2268</li> <li>- Equipment and desks,</li> <li>- Maintenance and rehabilitation budget</li> </ul>
	Program 3: School level management and community participation program:	8,439,452	<ul style="list-style-type: none"> <li>- Training on school administration,</li> <li>- School operating budget</li> <li>- School planning and budgets</li> <li>- Community participation (Father mothers councils, religious leaders, community leaders)</li> </ul>

Institutional Programs

Program 7: Sector management  
framework program: 2,492,344

Effective coordination of all BEDS partners to support BEDS programs - operating costs and training for Steering committee, task forces, council of deputies, program teams, and JAR

Program 8: Sector organization and  
skills development program: 6,550,261

Effective function based restructuring and training of MOE to support programs to achieve BEDS results

## **Annex 2: Overview of proposed financial reforms**

### **Introduction**

The development of the national system is going to be the focus of the Medium Term Expenditure Framework (MTEF) starting from 2007. Both the MOE and MOF have stated in several forums, and through different mechanisms, the need to move to an output based budget and financial management systems.

The MOF in 2006 approved a number of reforms for piloting through the MOE budgeting and planning system. These have included the introduction of one sector ceiling as the basis for the sector budgeting and an output and outcome based program based budgeting and the Annual Work Plan and budget. These reforms have enabled a major transformation and the link of the resources available to Basic Education Development Strategy (BEDS) to outputs. However the systems have not yet been institutionalized.

The reforms proposed in this paper to introduce an output and outcome based financial management system to support the output based budgeting and planning system introduced in 2006

### **The current financial system and its challenges**

At present the MOF does not have sufficient confidence that the MOE will apply resources allocated to achieve clearly identifiable education outputs. The MOF does not have sufficient oversight over MOE to verify how MOE applies the resources. MOE is in turn faced with unpredictable and uncertain disbursement of funds approved by MOF. The MOE can not negotiate on an output based expenditure reporting system with MOF even though it now has clearly defined outputs, and both MOF and MOE do not yet have sufficient financial management control systems that can support an output based budget and expenditure system.

This proposal is to assist the Government of Yemen to develop a system to strengthen the MOE and MOF budgeting and expenditure systems with sufficient controls to support and output based budgeting and implementation process. This could then be used to support future development of the national system.

### **MOF views of MOE systems**

Past experience has led MOF to expect MOE to a) allocate resources to start up more projects that it can actually complete, and therefore tends to commit MOF to make payments in later periods for projects it left unfinished b) MOF has stated that MOE has spent resources in ways that MOF has deemed inefficient or inappropriate, including on expenditures for outputs that MOF does not have proof they exist, and which it does not actually believe exist, or not in the form stated MOF has expressed doubts that MOE

would actually be able to apply resources as stated in its budget proposals, and has also expressed doubts that MOE has the capacity to do spend the resources it has requested.

### **MOE views on MOF systems**

Funding once approved is not expected to be disbursed at the anticipated levels and is prone to changes without any explanations. Because of some of these issues, the budgets from MOE are seen as both unpredictable and unreliable and the MOE departments are unable to plan or implement aspects funded by the MOF. MOE has tended to over state its financial requirements in its budget requests in order to remain within its funding expectations

Given the above problems, and other similar constraints, the current systems cannot facilitate the MOF and MOE to effectively manage resources available to education.

### **Progress made in 2006/2007**

MOF and MOE held several meeting in 2006 where the lack of confidence between the two ministries was identified as problem, and some of the reasons given above were identified. A number of studies and consultancies have been initiated. The confidence has however yet to be established and the MTEF will propose the following system to be negotiated to move this process forward.

The overall output based financial management system should provides some if not all of the following objectives:

- MOF and MOE negotiate clearly defined outputs and outcomes to be achieved from the education budget ceiling, and
- MOF has sufficient oversight and control over expenditures and reporting system to ensure MOE spends and achieve the approved outputs
- MOE has access to predictable disbursement of its budget from MOF and internally applies expenditure controls and documentation to account to MOF
- MOF and MOE jointly have sufficient systems with adequate documentation that covers each key step and which is rule based and systematized – i) budget ceiling allocation to outputs, ii) disbursement management, iii) expenditure control and documentation, iv) reporting on expenditure and outputs v) audits and independent verification by audit authority, Parliament, citizens
- Link between expenditure, outputs, outcomes and education outcomes as per approved planned/M&E system with MOPIC

The assumption is that the current systems that already exist are a step towards these objectives outlined above. The proposals are based on the understanding that the MOF will not require to change the law but to issue administrative guidelines which accommodate the Annual Work Plan as part of the document each of the steps outlined above.

1. MOF and MOE Negotiate Budget Ceiling Based on Outputs/Outcomes
  - MOF provides MOE with sector ceiling in line with education outcomes
  - MOE allocates approved ceiling to achieve its outcomes/outputs (2007 MOE program based budget used as the model)
  - Medium term ceiling linked to outputs (MTEF linked to five year plan/national MTEF)
2. Funds request system
  - Fund requests from MOE to MOF that link funds requested to approved outputs in the MOE AWP (use of AWP as supporting document)
  - Each request applies the output and program approach and combines both recurrent and development funds as needed to achieve an output (based on approved output budgets)
3. Disbursement system
  - Development of an agreed disbursement plan between MoE and MoF based on implementation plan and Cash Flow developed based on a detailed AWP
  - Disbursement management system agreed between MoF and MoE to track and resolve disbursement problems, delays, changes in MoF resource flows and in MoE expenditure patterns.
  - Sufficient budget control system to ensure all disbursement within approved budgets and linked to outputs
4. Payment and expenditure documentation and control systems
  - Link of payment system to documentation of outputs, disbursement approval, and achievement of outputs;
  - Sufficient expenditure documentation to satisfy audit requirements
  - Expenditure management systems – procurement, approval, bidding, etc
  - Sufficient authorization system for all expenditure to outputs and approved operational budget, linked to AWP (as modified)
  - Appropriately spelt out penalties for deviation for any expenditure outside the approved expenditure areas
  - Expenditure controls to ensure all payments to authorized line item and outputs as approved
5. Financial Report System
  - MOE program and output based expenditure reporting system, to MOF
  - Disbursement, expenditure and progress of implementation status reports with appropriate management response to provide implementation oversight

- Public expenditure review system: to review MOE budget, output, item costs based and efficiency assessment

#### 6. Audit system

- Auditable records that link expenditure to outputs
- Management letters that specify actions to improve controls, oversight and link to outputs
- Sufficiently rules for accountability to the audit and Parliamentary oversight functions

#### Policy Context

The system outlined above will be developed and agreed between MOF and MOE. It will introduce an output based financial management system by applying the AWP as the supporting document in each stage described above.

Each year the MOF and MOE will agree on the standards to be achieved in the implementation of the financial system, the expenditure control systems and the expected reporting requirements. These will in turn be presented as the basis for accounting for funds that use the national system

## Annex 3: Proposed MOE Annual Planning and Budget Cycle

The following budget cycle is proposed based on the experience in 2006 in the preparation of the Ministry of Education 2007 budget and the Annual Work Plan.

Month	Activity	Responsible	Product
May/June	Budget ceiling agreed with MOF Technical Office	Technical Office	Agreed sector budget ceiling
May	Select Budget Committee (MOE sectors, MOF, MOPIC, MOLA)	Technical Office/ Budget committee	
May	Program Based Budgeting Guidelines issued to Task Forces and sectors to agree on key expected outputs for the following financial year for each 8 MTRF program	Technical Office/ Budget committee	Output for each of the 8 program areas and results - with proposed budget ceiling for each program and proposed share of allocation to costs issued to Task Forces and sectors to guide budgeting
May/June	Program based budget for the 8 MTRF programs	Technical office/ Budget committee/ Sectors	Output based budget indicating allocation of budget ceiling and anticipated results by sectors and Task Forces, approved by Council of Deputies
June	MOE converts Program Based Budget into MOF Line Item Budget	Technical Office/ Budget committee	Line Item Budget based on Program Based budget, within MOF budgeting guidelines
June	Present Line Item Budget to MOF with Program Based Budget results and outputs as supporting documents	Technical Office/ Budget committee	Approved Line Item budget
August	Annual Work Plan (AWP) committee – detailed AWP based on approved budget	Technical office/ AWP Committee	AWP guidelines, based on approved line item and program based budgets
October	Annual Work Plan draft approved by	Technical	Implementation

	Council of Deputies	office/ AWP Committee	schedule for each program by quarter
November/ December	Annual Work Plan converted into operating budgets, monthly cash flow and disbursement schedule agreed with MOF	Technical office/ AWP Committee	Operational level budgets with monthly projection for delivery of outputs



## **Annex 4: Development Partner Alignment Proposals**

With alignment introduced in 2006 to the AWP, all partner's funding is expected to be in line with the sector strategies and sector results by working through the Annual Work Plan. Agencies are no longer expected to have parallel plans and activities to the Annual Work Plan. Activities outside of the AWP will be outside of MOE and partners agreed strategies for achieving results.

The following are the proposed enhancements to the alignment to the AWP.

### **Planning and Budgeting**

All partners in education will be expected to participate in joint planning to achieve results through the Task Forces. This will ensure that alignment is to aspects agreed with partners as the sector budgets and plans are prepared during the year. The budgeting and planning for education results will be coordinated by the Planning, Policy and M&E Task Force chaired by the Technical Office. The proposed Budgeting and Planning Committee will be sub committees of the Task Force. The other Task Forces will be coordinated through guidelines and requests for input into the budget or annual work plan based on the planning and budget cycle. The representatives of education partners in the Task Forces will provide input in line with the rest of the Task Force at each stage of the budget cycle on the output and results to be achieved in their respective outcome areas – access, quality and institutional development. See Annex 2 for cycle.

### **External Financing**

With the adoption of the MOF budget ceiling in 2006 all funding is already included under the ceiling and is fully allocated through the budgeting and planning process. All funding is therefore included and aligned to the sector ceiling and the AWP.

The proposal is that each year the projected external funding for the medium term will be presented by the external partners to the JAR starting from the 2008 JAR. This will also provide the funding expected to fund the AWP in the following financial year. The availability of the funding will be then confirmed in July to determine its share of the annual approved line item budget. It will then be negotiated with each agency how it will be allocated in November and December as part of the approved AWP for the year.

Partners will be expected to continue their preferred financial administrative systems as is the case today. Projects will however only finance the AWP within the outputs and results agreed at sector level.

