



BTC

**BELGIAN
DEVELOPMENT AGENCY**

TECHNICAL NOTE

JOINT FINANCING ARRANGEMENT (JFA)

OCCUPIED PALESTINIAN TERRITORY

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BASIC DATA OF THE BELGIAN CONTRIBUTION

Title of the program	Joint Financing Arrangement - JFA			
Earmarking	Education			
Country	Occupied Palestinian Territory			
Financial data	Belgian contribution		Other JFA donors' contributions	
	2013 – 2014	2015 – 2017	2010 – 2014	2014 – 2019
	€3M	€9M	Norway: €10.7M Finland: €7.5M Ireland: €7.5M Germany: €19M	Norway: €17 M Finland: € 18M Ireland: €18M Germany: €46M
	Total all JFA donors for: 2010 – 2014: €47.7M 2014-2019: €111.6 M			
DAC – Code /Sector	11000 (education) 3016980 (ODA -budget support)			
NI – Code	3016980 (intervention) 3016981(expertise)			
NAV – Code	PZA1503511			

Calendar / Instalments in Euro

Instalments	2015	2016	2017	Total
	€3M	€3M	€3M	€9M

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LIST OF ACRONYMS

ASR	Annual Sector Review
AWPB	Annual Work Plan and Budget
BS/DFS	Budget Support / Direct Financial Support
CMO	Implementation Agreement (Convention de Mise en Oeuvre)
EDSP	Education Development Strategic Plan
EIU	Economist Intelligence Unit
EMIS	Education Management Information System
ESWG	Education Sector Working Group
EU	European Union
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
IDA	International Development Association
IRAI	IDA Resource Allocation Index
JFA	Joint Financing Arrangement
JFP(s)	Joint Financing Partner(s)
KfW	Kreditanstalt für Wiederaufbau (German development bank)
LACS	Local Aid Coordination Secretariat
LGU	Local Government Units
M&E	Monitoring and Evaluation
MOEHE	Ministry of Education and Higher Education
MOF	Ministry of Finance
MOPAD	Ministry of Planning and Administrative Development
MTEF	Medium Term Expenditure Framework
NER	Net Enrolment Rate
NIS	New Israeli Shekel
PA	Palestinian Authority
PCBS	Palestinian Central Bureau of Statistics
PER	Public Expenditure Review
PFM	Public Finance Management
PP	Partnership Principles (for the Palestinian Education Sector)
ROF	Results-Oriented Framework
SAACB	State Audit and Administrative Control Bureau
SA	Specific Agreement
SWAp	Sector Wide Approach
TES	Teacher Education Strategy
TTG	Technical Thematic Group
TVET	Technical, Vocational Education and Training (<i>TVSD now more commonly used</i>)
TVSD	Technical and Vocational Skills Development
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UNRWA	United Nations Relief and Works Agency

EXECUTIVE SUMMARY

The JFA

The Joint Financing Arrangement (JFA) was signed on the 11th of November 2010 by Norway, Ireland, Finland, Germany (KfW), the so-called 'Joint Financing Partners' (JFP), and the Palestinian Authority (PA) with the aim to financially and technically support the implementation and the management of the Education Development Strategic Plan, the EDSP II 2008-2012, subsequently extended until end of 2013.

Belgium officially joined this basket fund in July 2013. One year later, following the official endorsement in April 2014 of the new EDSP III for the period 2014-2019, the JFPs renewed their commitment to jointly support the education sector by signing an updated JFA agreement on the 20th of October 2014.

The JFA is considered by the Palestinian Ministry of Education and Higher Education (MOEHE) as a powerful tool to support the education sector. On the one hand, it provides a solid technical platform to dialogue on key education issues and to receive continuous valuable policy support. On the other hand, it provides a predictable and reliable source of financing in a context significantly affected by political and economic vulnerability. Moreover, by bringing together different development partners, it facilitates coordination and harmonisation between them.

Under the leadership of the MOEHE and with the political and technical support of the JFPs, the JFA has fuelled so far remarkable institutional change. Key steps forward in terms of effective service-delivery management are now being associated to ambitious reforming actions in the field of curriculum, schools harmonisation and decentralisation.

Political commitment to successfully achieve the EDSP III goals is high. However, the limited availability of appropriate financial resources might jeopardise the execution of the plan. Under the economic constraints imposed by the occupation, the PA might not be able to secure enough funding in the future and to fill the current financing gap. In such context, it is crucial for the development partners to ensure continuous and predictable financial support.

The Belgian Contribution to the JFA

The contribution of Belgium to the JFA, and more broadly, to the education sector in Palestine is formally foreseen by the ICP 2012-2015, which has been agreed upon between Belgium and the PA during the Joint Commission held in November 2011. Education is one of the two priority sectors of the Belgian Development Cooperation with the PA (the other being Local Governance). In order to effectively support the MOEHE to achieve its education development goals, Belgium adopted a systemic approach through a portfolio of interventions that sustain the implementation of the education plan at different levels. Diversification in terms of policy support has been associated to a mix of aid delivery methods, namely projects and basket funding, a step that represents a major breakthrough with the past cooperation programmes.

This technical note concerns a financial contribution of €9 M, which is part of a total financial envelope of € 12M allocated to the JFA in the ICP 2012-2015. The first € 3M have been disbursed in two instalments of € 1.5 M respectively in 2013 and 2014. This second contribution is intended to support the implementation of the EDSP III in the period 2015-2017. It will be disbursed in three annual instalments of €3M upon achievement of the conditions foreseen in the Specific Agreement, and in coordination with the other JFPs. In addition to the financial contribution, Belgium will provide technical expertise to support the policy dialogue. An education expert and a PFM expert will work in close collaboration to support the Consulate-General to effectively carry out its policy dialogue and perform in the role of co-chair of the Education Sector Working Group (ESWG), to contribute to the work of the JFPs towards MOEHE, and more generally, to support MOEHE in the achievement of the EDSP

goals.

The Focus of the Policy Dialogue

By resting on a comprehensive portfolio approach on the field, and by aligning to the strategic orientations provided by the Belgian Minister of Development Cooperation, the Belgian policy dialogue will focus on a number of key areas such as: quality of education, technical and vocational skills development (TVSD), access in the most suffering areas such as East Jerusalem and Area C, and efficiency of education.

Quality of education is a core topic for the Belgian Development Cooperation. Special focus will be given to basic education, secondary education and TVET, without necessarily excluding support to early childhood, adult and non-formal education. Dialogue in these areas will be fostered by continuous cross-fertilisation between the different Belgian interventions. The 'lift effect' will allow the experts working on the JFA to exchange information on TVET matters with the ECIB technical advisor, and on school infrastructure and needs with the School Construction technical advisor. This regular exchange is critical to allow the JFA to be nourished with 'inside' information. On the other side, it is important for the projects to get through the JFA a broader picture on MOEHE's work and, thus, being able to better contextualise, and maximize, the projects' activities and opportunities. The JFA will also play an important role in ensuring the sustainability of the Belgian funded E-learning project, which is now approaching its end.

Increasing attention will be given to Area C and Jerusalem Est. Without neglecting the reality of the West Bank, development partners are more and keener to really focus efforts where it is most needed. The policy dialogue on this topic through the JFA will benefit from the experience attained by Belgium through the school construction project, which has valuable tools and extensive information on the status and the needs of schools in Jerusalem Est.

Thanks to its innovative attitude and strong commitment, the MOEHE has become a role model for the other ministries in the field of PFM reforms. In this regards, the JFA has proved to be an excellent tool to pilot specific PFM tools. The contribution of a PFM adviser to the policy dialogue will allow strengthening the linkage between the MOEHE and the MOF.

Despite an established structure for dialogue and open discussions, the SWAp has not being able yet to meet its expectations. Lack of coordination, problematic alignment, real policy dialogue limited to larger donors and JFPs are some of the factors that have contributed so far to its underperformance. In order to tackle these shortcomings, on the momentum provided by the new sector plan and the new ESWG co-chair, development partners, MOEHE and MOPAD agreed late 2014 to move forward on the reform of the SWAp framework. As co-chair of the Education Sector Working Group, Belgium will play an important role in supporting this reform. This task implies a serious commitment for the Belgian Development Cooperation in the next few years. It will be important for Belgium to mobilise financial resources on time and in a predictable way. In addition an Education Expert and a Public Finance Management expert will ensure comprehensive technical support to effectively contribute to the policy dialogue and to strengthen MOEHE's technical capacity.

1 Country Context

This chapter provides an overview of three major spheres: the political and macroeconomic context, the education sector, as well as the public financial management, including the sector budget and expenditures.

1.1 General Context

Political Stability

As reiterated by the Economist Intelligence Unit (EIU 2015), the reconciliation deal between Hamas and Fatah, which nominally brought to an end the administrative division between the Gaza Strip and the West Bank leading to the formation of a 'Consensus Government' in June 2014, is under severe pressure. Although political elections would help the PA to restore its domestic legitimacy, they are not a top priority in their current agenda.

With the prospects of a peace settlement with Israel vanishing, the PA will most likely continue to focus on gaining support at international level, including via the International Criminal Court (ICC) and the UN Security Council¹.

The failure of the PA to hold political elections (which were supposed to take place within six months from the establishment of Consensus Government) is one of the main reasons behind the drop in the PA's score and ranking in the Democracy Index², according to which Palestine has been categorised as a 'hybrid regime', with a ranking of 106 out of 167 countries. It is worth mentioning, however, that the PA's decline can probably be considered as part of a larger trend that has reflected in a deterioration in many parts of the world, especially in Latin America, the Middle East, North Africa and Sub-Saharan Africa.

According to the EU, there is a lack of progress of the national consensus government (NCG) in its intra-Palestinian reconciliation process and its technical reintegration of civil administration and legal/institutional set-up. Both sides initially declared that they were ready to engage in the process of reconciliation and join forces. However, very limited progress in practice has been achieved so far, in particular in relation to the hand-over of the Crossing Points control and to the issue of payment of 'post-2007' Gaza staff and their integration into the civil service. The war on Gaza has further stretched PA's capacities to prioritize, implement and/or monitor reforms. The PA/NCG issued in May 2014 its Palestine National Development Plan (PNDP) 2014-2016. Following the dramatic situation of Gaza, it issued in October 2014 its National Early Recovery and Reconstruction Plan for Gaza 2014-2017. It is still unclear how the PA/NCG will manage priorities between both documents, as well as the respective M&E set-up.

Macroeconomic Stability

Economic Growth

The Palestinian economy has been struggling for years, with Gaza and the West Bank each undergoing periodic cycles of collapse and recovery, mostly driven by either Israeli restrictions of movement and invasions or variations in aid flows. Nonetheless, for the first time in over a decade the Palestinian economy is experiencing negative growth. Economic activity contracted in 2014 following the war in Gaza in the summer and mounting political tensions in the West Bank and East Jerusalem.

¹ It is worth reminding that the PA applied for its membership of the ICC after the rejection of UN Security Council resolution to set a three-year deadline to end the Israeli occupation of the Palestinian Territory.

² The Democracy Index is provided by the EIU. It is based on five categories: electoral process and pluralism; civil liberties; the functioning of government; political participation; and political culture. Based on their scores on a range of indicators within these categories, each country is then categorised as one of four types of regime: "full democracies"; "flawed democracies"; "hybrid regimes"; and "authoritarian regimes".

According to the Palestinian Central Bureau of Statistics (PCBS), the Palestinian economy shrank by 2.5% during 2014. The Gross Domestic Product (GDP) declined by about 15% in Gaza, but rose by 4.5% in the West Bank. The GDP per capita dropped more than 5% between 2013 and 2014. The unemployment rate in Palestine increased from 24% in 2013 to 27% during 2014 – reaching an estimated 41% in Gaza and 19% in the West Bank.

There is widespread consensus among all development partners and international financial institutions that Israeli restrictions on the movement of people and goods represent the main barrier for the Palestinian economic and social development. Without their removal it will not be possible for the Palestinian economy to flourish.

Inflation

According to the IMF (2014), inflation remains rather subdued. After an increase at the end of 2013, driven mainly by food prices in Israel, inflation fell to 2.8% by April 2014. After a period of deflation until the end of 2013, prices in Gaza are on the rise again.

Overall, inflation is under control and in line with the low rates in Israel, which are supported by the strong shekel.

Fiscal Position

The Palestinian fiscal performance is significantly affected by the clearance revenue, the customs duty and value-added tax on imports that is collected by the Israeli authorities on behalf of the PA, which represents about 70% of the entire Palestinian revenue. In response to the PA's membership of the ICC, at the beginning of 2015 Israel decided to freeze the transfer of clearance revenue (which, according to the EU, has just been released at the end of April 2015). This action further jeopardised the already weak fiscal position of the PA. Despite a sharp increase of approximately 20% in clearance revenue in 2014, the PA closed the year with a fiscal deficit of 1.3 BN NIS, around 2.5% GDP, almost the double compared to 2013. Factors contributing to this deficit surge were the 10% fall in the contribution of foreign aid to fiscal revenue, largely due to a 70% decline in US support from 2013, and a higher than expected increase in expenditures. The fiscal deficit has translated into considerable payment arrears. The current situation could be further stressed by the ongoing Sokolov case, a US Court-trial against the PA/PLO for terrorism charges. If the current 'guilty-verdict' is confirmed, the PA/PLO would be asked to pay approximately USD 1 billion for damages and retroactive interests. The verdict could also negatively affect future US financial support to the PA.

Public Debt

According to calculations by the EU delegation, the total budget deficit (not taking into account the war in Gaza) mounts up to an estimated USD 1.59 billion in 2014. With donors having disbursed USD 1.23 billion, including USD 200 million for development, the financing gap stood at USD 358 million (again not taking into account the effect of the Gaza war). The total external and internal PA debt reached USD 2.34 billion in December 2014. With the suspension of clearance revenues it continued to grow with an additional NIS 808 million on the stock of debt to domestic banks, which at the end of Q1 2015 brought the total figure to NIS 5.2 billion. Moreover, the PA in Q1 2015 accumulated an additional NIS 1.8 billion in arrears to the private sector and wage arrears and it continues to accumulate arrears to the pension fund. Given the ongoing restrictions on movement and access, support to the national budget of the Palestinian Authority has been the main driver of growth. This current financing model is far from sustainable and the current level of foreign aid is insufficient to maintain the status quo, without even taking into account the foreseen expansion of governmental responsibilities in Gaza following the formation of the National Consensus Government (NCG) earlier in 2014, and the huge needs following the last conflict.

The Banking Sector

By acting as a systematic lender of last resort to counteract the damages of the recurrent fiscal shocks, the banking sector plays a crucial role in ensuring the regular functioning of the PA's public administration. Despite these challenging circumstances, as reiterated by the IMF (2014) the banking sector remains healthy. According to the last stress tests, banks have shown to be highly resilient to operational risks. However, continuous exposure to the PA and its employees as well as constraints on cash management, could hurt financial intermediation and banks' profitability, jeopardising their risk profiles.

Poverty

According to the EU, there are increasing concerns about the prevalence and severity of poverty, unemployment and social exclusion in the West Bank and Gaza: 25% of Palestinians live in poverty and nearly 13% in deep poverty (21% in Gaza according to 2011 figures). These figures have increased as a result of the latest conflict in Gaza, which resulted, besides deaths, in the injury, displacement, loss of livelihoods, employment, homes and assets of thousands of households.

1.2 Sectoral and Institutional Context

1.2.1 Sector Policy

Education policies and planning have made tremendous progress over the past 20 years. The Education Development Strategic Plan covering 2014-2019 was officially launched in 2014 and is the third national education plan – each plan building on the successes (and failures) of previous plans. Policies in education are guided by international commitments such as the Education for All goals and the Millennium Development Goals, based on the Convention of the Rights of the Child.

Education in the Palestinian National Development Plan (PNDP)

The Palestinian National Development Plan (PNDP) for 2014-2016 is the overarching framework for all government sectors. Education is a priority sector in the PNDP which states that: *‘a concerted effort will be made to improve quality of education as a pivotal strategic component to build an educated, productive society’*. The section on education is to a large extent aligned with the Education Development Strategy Plan (EDSP III). It captures the restructuring plan of the education sector and includes the main priority policies. The PNDP also focuses on the quality of education in general, and TVET in particular, providing adaptation to society and labour market needs.

The Education Development Strategy Plan 2014-2019 (EDSP III)

The Education Development Strategic Plan (EDSP III) spans a six-year period and portrays what Palestinian education should look like in the year 2020.

The genesis of the EDSP III

The third education sector plan (2014-2019) was developed in 2013 and 2014 through a consultative process under the leadership of the MOEHE. The Ministry made solid efforts in developing this plan through broad consultations within the Ministry, with districts offices, schools, as well as with other relevant ministries, development partners, UN, civil society and teacher unions. Both the first and final draft of the plan were shared with development partners who prepared a joint appraisal of the plan.

Prior to the elaboration of the plan, several studies were conducted including a school level survey as well as an external evaluation of the previous EDSP, Public Expenditure Review, Curriculum Review and a School Infrastructure Analysis. In addition, the MOEHE conducted internal reviews and analysis of education data generated from the EMIS system.

Moreover, an evaluation of the achievements of EDSP II was conducted resulting in the following lessons learnt:

- To achieve deep reforms, a high level of synergy and a fully integrated approach between Curriculum Reform, Teacher Education, Supervision System, and Assessment is needed.
- If the curriculum is not reformed and the role of supervisors changed in line with such a reform and new modern teaching pedagogies, little change is possible.
- Departments are not horizontally integrated, causing conflicts and duplication of activities.
- Management reform is a precondition for enabling deep structural education reforms
- The practice has mainly been to provide inputs to education rather than manage for results.
- Source: Evaluation of EDSP II, 2013

Vision, goals and programmes of the EDSP III

The specific vision of the plan is:

“A results-based and student-centred education system that provides 21st century relevant education services at all levels with high quality and full equity considering individual needs and being at the heart of the political, economic, and social development in and for Palestine.”

This vision is further detailed in three sector goals:

- (1) Ensuring safe, inclusive, and equitable access to education at all levels of the system
- (2) Developing a student-based teaching and learning pedagogy and environment
- (3) Enhance accountable and results-based leadership, governance and management.

These sector goals mean an actual transformation from:

- (a) a largely memorisation and test driven education model to a student-centered dynamic pedagogy, and
- (b) transforming from a largely input- and supply-driven function to a system-wide and result-based management structure and operations.

The sector goals are translated and transposed into six programmes, of which one of each sub-sector (pre-school, basic, secondary, TVET, non-formal) and one on the sector management and administration, which clearly reflects the MOEHE’s shift toward a ‘Direct Service-Delivery Program Structure’, a major reform by itself. These six programmes, described in the Policy and Results Framework, are the heart of the EDSP.

This new programme structure, which is supported by an M&E system, is meant to enhance implementation management and accountability, stimulate and enable system-wide reforms, and improve educational service delivery to the Palestinian public.

For each of the six programmes, objectives have been set on access, infrastructure, teacher’s qualifications, special needs students, curriculum reform and educational technology.

The main reforms of the EDSP III compared to EDSP I and EDSP II

The education strategy outlines 3 ambitious reforms targeting the very foundations of the education system referred to as the ‘High-Priority Reform Tracks’, namely

- (i) Curriculum Reform,
- (ii) School Level Restructuring,
- (iii) Management Reform.

These reforms are deemed foundational for a well-functioning education system and conditional for all other reforms and interventions.

Any reform intervention must closely integrate with all main ‘quality’ pillars: assessment, supervision, curriculum, and teacher education- of the education system. The need for such a systemic mind-set constitutes one major lesson learnt from EDSP 2 in order to tackle the high social complexity of often-conflicting relationships and expectations embedded in education.

(i) Curriculum Reform

Given the analysis of learning outcomes of students and weak performance of students in certain areas and testing, a comprehensive deep curriculum reform is considered as one of the most important reforms for the Palestinian education system. A curriculum has a direct impact on the

behaviour and competencies of teachers, structure and content of exams, the supervision system, and learning approach. Reforming a curriculum is therefore a complex exercise, with effects on the whole educational system and all stakeholders and actors. Thus, if the curriculum is not reformed to be in line with 21st century skills - including critical thinking, research skills, and other life skills - other key components of the education system-teacher training, supervision, assessment and evaluation- will be 'blocked' due to the interdependence and interconnectedness of these major components with the curriculum.

In other words, curriculum is at the heart of the education system and a deep and serious reform has the potential to act as the catalyst and leverage point for other 'quality of education' reforms, including in Supervision and Student Assessment.

With regards to the latter, reforming the *tawjihee* (Certificate of General Secondary Education Examination) is also a high priority, and directly linked with the curriculum reform.

The ministry will adopt a sequential curriculum reform approach starting with the lowest grades of Grade 1 and 2 in 2014, which will then be tested in the following scholastic year, while Grade 3 and 4 are being reformed and so on. Every year two grades will be reformed with the goal that by the end of the six-year strategy a completely reformed curriculum will be in place that is at the heart of the shift from the memorisation and exam-driven model to student-centred dynamic pedagogies.

(ii) School Level Restructuring (see also 2.2.3)

Palestine has a very 'uneven' and fragmented school system with 81 different school types in terms of levels.

Table 1: School levels in Palestine

First group/level of schools	Number of schools	Percentage
(4-1)	137	8.35%
(9-1)	74	4.51%
(10-1)	122	7.44%
(9-5)	16	0.97%
(10-5)	14	0.85%
(12-5)	85	5.18%
(12-10)	72	4.39%
(12-11)	40	2.44%
Second group/level of schools	Number of schools	Percentage
1-2, 1-3, 4,7, and other		65.83%

Source: EDSP III

During the period of the third strategic plan, the ministry will implement a comprehensive reform of harmonising the school levels for lower basic (Grade 1-4), upper basic (5-10), as well as secondary levels (11-12).

The expected benefits of restructuring the schools levels include:

- Harmonisation of school levels across the country will be in line with new program structure in terms of planning, budgeting, project allocation and monitoring. Significant cost reductions for educational interventions and use of educational technology are anticipated in the long term.
- Potential to apply results-based management at the corresponding school level and school management level.

- Every school will be linked to a specific program in accordance with the service-delivery structure.
- Teacher deployment: Class teacher for 1-4, while subject teachers for higher grades.

The financial consequences of this reform have not been budgeted. It could induce additional recurrent costs (staffing) and development costs (infrastructure), depending on the implementation strategy of the reform.

How this restructuring should be articulated with the UNRWA system (only till year 9) to allow graduates from UNRWA – schools to enrol in MOEHE secondary education, is unclear.

(iii) Management Reform (see 2.2.3.1)

In order to avoid duplication, more information on this topic is provided in the section 2.2.3.1 here below.

Appraisal of the EDSP III

The overall conclusion (of development partners) is that the EDSP III fulfils the purpose as a strategic plan. It provides the stakeholders with the 'big picture' of the state and direction of the Palestinian education system. It also provides a comprehensive and detailed overview of challenges, development needs and strategic goals, as well as action lines to reach these goals. The plan represents a sound basis for improving the education sector for the coming six years.

It should be acknowledged that the EDSP III has been developed by the MOEHE, and not by external consultants. The ownership of the plan is therefore likely to be strong. Moreover, it is acknowledged that the plan has been developed with strong local level participation from schools, directorates and parents providing it with sufficient 'field credibility'.

During the dialogue on the ESDP III, development partners pointed at some of the plan's shortcomings, including the results framework, but their view was that these can be tackled during the implementation phase through careful planning and effective change management. In this respect, the following areas were flagged:

- Improvement of the quality of education
- Vocational education
- East-Jerusalem and Area C
- Gender mainstreaming
- M&E system and results framework
- Management reform
- Financial Management

Another shortcoming is that the education sector coherence is historically fragmented because of the different education systems that are currently in place in the oPT. Besides the government system, whereby the MOEHE oversees the public schools in the West Bank (and to a certain extent in Gaza), other systems co-exist, with rather limited or no influence and control of the MOEHE.

- In the City of Jerusalem the education is composed of three provision systems: Palestinian schools supervised by the Islamic Waqf (NGO) and administered by the Palestinian MOEHE, public schools supervised by the Israeli Ministry of Education, and private providers.

- The UNRWA education system is in charge of students with a refugee status, accounting for about 8% in West Bank, and nearly 50% in Gaza
- Private education (in private schools) is supervised and funded by charities, religious groups, private enterprises and individuals. This is a fast growing education provider in the oPT, accounting for about 12% of the total number of students.

Although some of these historical issues cannot be addressed by a sector strategy, the EDSP III has rather modest ambitions when it comes to education in East-Jerusalem, linkages and coordination with the UNRWA system and the role the MOEHE can or should play regarding private education.

Regarding TVET or TVSD, the EDSP III is only covering the formal education part of the TVET system, without linking it with the MoL and private providers of TVET. Employment and TVET are governed by two different national strategies, the National TVET Strategy and the National Employment Strategy, both approved in 2010.

Furthermore, the financial projections presented in the PNDP do not seem to be in line with the financial figures presented in the EDSP III Fiscal framework. This applies both to recurrent (operational) and capital (development) expenditures. Similarly, questions arise on the consistency between PNDP and EDSP indicators (not always the same indicators are used in both policy documents). This is in part explained by the fact that the new M&E framework of EDSP III introduced new indicators (focussing more on quality of education) and that this happened after the PNDP development process was concluded. The development of the new PNDP in 2016 will be an occasion to align the monitoring and results frameworks of both policy documents.

1.2.2 Sector Performance

In less than two decades of operation, the education sector in Palestine has made remarkable progress in improving access to education. Learning outcomes based on standardised test scores (TIMMS) have improved over the years, and in comparison to other countries in the region the system performs as well as most countries and better than some. Teachers and students have coped with major obstacles to teaching and learning – especially the presence of the occupation forces – and have shown great resilience in keeping to their tasks.

However, the education system is confronted with some persistent challenges such as the slow improvement in quality and related low learning outcomes, as well as the apparent inequity between and within schools in terms of resources and achievement.

During the Annual Sector Review in September 2014, education sector performance in 2012/2013 was presented and discussed (based on the M&E Results Report for the Education Sector for 2013). Below, the key achievements and challenges in performance are summarized.

Access indicators

In 2012/13, the total number of primary and secondary students in Palestine further increased – albeit slightly – compared to 2011/12 (from 1,129,538 to 1,138,965 students).

In 2012/13, most of the access indicators for primary education have improved. The Net Enrolment Rate (NER)³ for primary education further increased in 2012/13 to 93.8% compared to 2011/12 (93.4%). The survival rate⁴ for students reaching the end of primary (grade 10) improved to 84.7% in

³ The Net Enrollment Rate is the ratio of children of official school age who are enrolled in school to the population of the corresponding official school age. The purpose of the indicator is to show the extent of coverage in a given level of education of children and youths belonging to the official age group corresponding to the given level of education. For more, see UNESCO, 2009.

⁴ The survival rate provides the percentage of a cohort of pupils (or students) enrolled in the first grade of a given level or cycle of education in a

2012/13, up from 84% the year before.

The number of students in secondary decreased over the past three years to 146,495 students in 2012/2013 (down from 149,325 in 2011/12), resulting also in a lower Net Enrolment Rate (NER) of 64.7% in 2012/13 down from 66.7% in 2011/12.

Table 2: Student distribution per educational stage, (2008/09 – 2012/13)

Year	First grade		Primary Education		Secondary Education		Total number	
	No	Change in %	No	Change in %	No	Change in %	No	Change in %
2008/2009	100,268	2.02%	963,991	0.60%	145,135	3.50%	1,109,126	1.00%
2009/2010	102,953	2.68%	961,654	-0.20%	152,148	4.60%	1,113,802	0.40%
2010/2011	108,471	5.36%	967,300	0.60%	149,691	-1.60%	1,116,991	0.30%
2011/2012	109,935	1.35%	980,213	1.30%	149,325	-0.20%	1,129,538	1.10%
2012/2013	110,067	0.14%	992,470	1.40%	146,495	-1.00%	1,138,965	1.10%

Source: Education Development Strategic Plan (EDSP) 2014-2019 – MOEHE

In general, access of girls to primary and secondary education in Palestine is better than boys. Especially, the relatively high dropout rate of boys at the higher grades of secondary level is striking.

Over the period 2010/11 – 2012/13, the annual increase of new pupils entering the Palestinian education system (0.9%) is lower than the annual increase in public classrooms (1.7%); and this increase – in turn – is well below the growth of the public teaching corps (3.7%). Consequently, the pupils per classroom ratio and the pupils per teacher ratio have decreased over the past few years, and it is now of an acceptable level in most areas (average of about 28 students per classroom and of 22 students per teacher for the public system). Certainly, some persistent access challenges remain, especially in Gaza and East Jerusalem.

On the other hand, the number of students enrolling in the private education system is growing steadily, and in public schools decreasing slightly over the past few years. Given the huge investments in infrastructure and teaching staff, this has clearly led to an improved pupil/teacher ratio and student/classroom ratio. However, in the public system, the drop-out rate in public schools increased as well, which could mean that the public system is hosting an increased share of 'vulnerable' children and that children with a better socio-economic background tend to go to private schools.

The number of students enrolled in public Vocational Secondary Schools (VSS) under the Ministry of Education is very low, reaching only 2,390 students in 2013/14⁵. This represents only 1.86% of the total cohort for secondary education. At this level, gender imbalances are alarming in Vocational Secondary Schools, with the share of girls representing on 16% of the total (only 384 female students in 2013/14).

However, these figures underestimate enrolment in TVET as the Ministry of Education decided in 2011 to exclude commercial schools from the TVET sector. When commercial schools are included, the share of TVET enrolment increases to 6% at secondary school level.

given school year who are expected to reach successive grades. The purpose of this indicator is to measure the retention capacity and internal efficiency of an education system. It illustrates the situation regarding retention of pupils (or students) from grade to grade in schools, and conversely the magnitude of dropout by grade. For more, see UNESCO, 2009.

⁵ PA- Ministry of Education and Higher Education, Annual Implementation Progress Report 2014, April 2015

Moreover, these figures do not include either TVET students enrolled in non-formal education in VTCs (under Ministry of Labour), or students enrolled in technical and community colleges.

- Under the Ministry of Labour, TVET is provided by Vocational Training Centers (VTC) from where 3,957 were enrolled in 2013.
- Technical education provided by Community and University Colleges. In 2011, the community colleges served around 11,200 students, representing 5.2% of higher education students, while the university colleges served around 16,000 students, or 7.2% of higher education students.

Quality of education

Indicators on learning achievements have generally improved over the years but are still below standards and stated policy targets for both primary and secondary level. Student achievement in Palestine is measured annually through Unified Standard Achievement Tests. Results for student achievement in 2013 show that progress has been made in Grade 8 in mathematics (from 39% of students reaching defined levels of competence in 2012 to 41% in 2013) and Grade 9 in science (from 35% proficiency in 2012 to 43% in 2013). However, learning achievements on Mathematics for Grade 4 remain unchanged (46%) and those for Grade 7 in Arabic decreased (from 60% proficiency in 2012 to 57% in 2013). Also in learning achievements, there is a gender disparity at all grade levels in favour of girls – with boys scoring systematically lower on all learning subjects than girls.

In most tests, students do well in lower order skills (memorization) but less on problem solving and other higher order skills. As a general observation, it can be said that Palestine has made some progress on the quality of its education system although mostly in low-level skills and less beyond the memorization level. This points to the quality of teaching, the kind of teaching and learning activities in the classroom and the role that the current curriculum plays on the overall structure and implementation of learning.

Table 3: Learning Achievement Averages for grades 4 – 7 – 8 – 9

Achievement Average of grade 4 and 8 in Math, grade 7 in Arabic Language and Grade 9 in Science in unified Tests, in 2013 compared with 2012, 2011, 2010, baseline 2009 and target values 2014.							
11 Subject-Grade		Baseline 2009	Value of year 2010	Value of year 2011	Value of year 2012	Value of year 2013	Targets 2014
Math- 4 th Grade	M	44.3	45.4	39	44	44	62.5
	F	48.5	50.5	43	48.1	49	67
	Average	46.3	47.9	41	46	46	65
Arabic—7 th Grade	M	44.2	39.2	45	52.1	56	62.5
	F	56.2	55.7	61	67.7	58	62.5
	Average	49.3	47.2	53	60	57	62.5
Math- 8 th Grade	M	28.2	34.8	25	34.3	36	53.0
	F	38.2	43.7	34	43.5	45	53.0
	Average	34	39.1	29	39	41	53.0
Science- 9 th Grade	M	42.4	28.7	28	27.2	36	55.0
	F	54	40.3	42	41.9	48	55.0
	Average	47.8	34.6	35	35	43	55.0

Source: M&E Results for 2013, April 2014 (MOEHE)

The quality and relevance of TVET programs delivered is very low due to low involvement of the private sector, limited autonomy of training providers and a systemic lack of qualified human resources and funding.

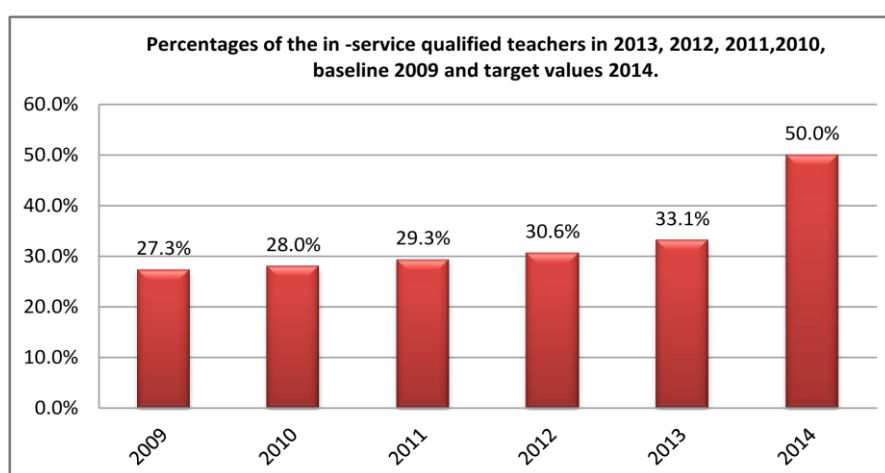
Teachers & qualifications

The student/teacher ratio in the West Bank and Gaza for the public sector decreased from 23.1 students per teaching position in 2008/2009 to 21.6 in 2012/2013.

The percentage of qualified teachers increased from 30.6% in 2011/12 to 33.1% in 2012/13. Notwithstanding a consistent improvement in teacher qualifications in Palestine over the past 5 years, still 2/3rd of the teachers are unqualified (i.e. not in accordance with the criteria set out in the Teacher Education Strategy – TES). This directly affects the quality of teaching and learning because in order to deliver effective teaching, teachers need to have a sound content knowledge and pedagogical skills.

It is worth noting here that the planned reform of the curriculum and the assessment system will impact on the teacher profile and require additional re-training and re-tooling of teachers on the new curriculum.

Table 4: Teacher qualification in accordance with Teacher Education Strategy (%)



Source: M&E Results for 2013, April 2014 (MOEHE)

1.2.3 Sector institutional setting and capacity

As reported by BTC (2015), the current Palestinian general education system⁶ is organised as follows⁶:

- **Pre-school education**, for children aged 4-6 years. Pre-school services are provided by local and international institutions, with the local private sector playing a growing role in the provision of these services. MOEHE only indirectly oversees this type of education but, as part of the EDSP3, aims at establishing pre-school education in public schools.
- **Basic education (primary)** covers grades 1-10 and is compulsory. It is divided into two levels, the lower basic stage (preparatory) of grades 1-4 and upper basic stage (empowerment) including grades 5-10.
- **Secondary Education** consists of academic and vocational education for grades 11-12. Vocational education in Vocational Secondary Schools includes four streams: commerce, agriculture, industry and tourism. Academic education includes the science and humanities streams.

⁶ Higher Education is not included here.

- **Non-formal Education** is provided in two education programs: parallel education program provided to dropouts who had completed 5-6 years of basic education, and literacy program and adult education, provided for those over the age of 15 who are not proficient in reading and writing.

As anticipated in the previous sections, the current education strategic plan envisages one specific reform on 'restructuring of schools', also referred to as 'school level harmonisation'. As a matter of fact, the reality of basic and secondary education in Palestine is considerably complex and with high degree of variety and inconsistency as there are currently up to 81 different school types in terms of levels offered. The harmonisation reform aims at gathering all the existing school types under three grades 1-4, 5-9, and 10-12 in terms of physical separation and school management and education process.

In regard to the provision of educational services, the main service providers in Palestine are:

- **Government schools** (67%): MOEHE oversees the majority of schools in the West Bank and Gaza, except for the City of Jerusalem, which is still under Israeli occupation with full civil and security control. In East Jerusalem, the school landscape is in continuous evolution. According to a recent survey carried out by the Belgian funded project 'School Construction', about 52% of schools in EJ are under Israeli control (referred to as 'Municipality schools'); 31% are private schools, 12% are Waqf schools, and the remaining 5% are Sakhneen and UNRWA schools.
- **United Nations Relief and Works Agency – UNRWA** (24%) is responsible for schools for Palestinian refugees. Apart from Palestine, it also operates in Lebanon, Jordan, and Syria.
- **Private Sector schools** (9%) are supervised and funded by charities, religious groups, private enterprises and individuals.

Fragmentation of the TVET system

In the area of Technical, Vocational Education and Training (TVET) training provision and management is particularly fragmented and there is a lack of coordination between stakeholders, preventing a coherent national response to the employment and productivity challenges. Three different types of TVET providers operate in parallel, under different regulatory arrangements and leading to different qualifications:

- Vocational training in **Vocational Training Centres** (VTC) under the Ministry of Labour (MoL), Directorate of Vocational Training;
- Vocational education at secondary level in **Vocational Secondary Schools** (VSS) under the Ministry of Education and Higher Education (MoEHE), Directorate of Vocational Education, provided in vocational and industrial secondary schools.
- Post-secondary technical education under the tertiary education wing in the MoEHE provided in **Technical Colleges and Community Colleges**.

This fragmentation leads to a significant lack of effectiveness and efficiency in the vocational education & training and the labour market & employment sub-systems, increased transaction costs for the Government sector in their relations to social partners as well as to donors and a waste of precious resources. A common governance structure, i.e. a single authority for Skills Development such as the proposed NAVET, is crucial in order to avoid fragmentation of resources and to ensure coherence in strategy implementation. It would simplify reform implementation at the various levels of TVET and would grant the labour sector a role of shared leadership within the TVET system.

Education under occupation

Building and operating an education system under military occupation and without full political,

territorial, and physical freedom is a major challenge. Even though in most schools the Palestinian government exercises civil control, many schools in Area C, Jerusalem, and South Hebron are exposed to continuous attacks by Israeli settlers and soldiers. Since the ministry does not have direct control in these areas to protect Palestinian students the international community has been playing an increasingly essential role to enable construction, maintenance, and access to education.

1.2.3.1 Ministry Organizational Structure and Management Reform

After the Curriculum Reform (see 2.2.1.1) and the School Harmonisation Reform (see 2.2.3), the third reforming track foreseen by the EDSP III is the Management and Decentralisation Reform. It is worth noting that the terminology has slightly changed since the launch of the education strategy in March 2014 as since then the MOEHE has fine-tuned some of the concepts and refined the scope of the reform to 'Ministry Organizational Structure and Management Reform'. By setting aside the decentralisation part, the MOEHE has narrowed down the scope of the reform to what can be achieved within its mandate. Decentralisation is a major priority for the PA and it is stated as such in the NDP 2014-2016, which creates a rather strong linkage between the education and the good governance and institution building sectors by aiming at making LGUs and government district offices more capable of a better, more effective and more equitable public service delivery, which should eventually translate into more high-quality education. This means that it will eventually shape the MOEHE but as part of a broader process rather than as a MOEHE led initiative.

By moving towards a performance results-based management with a programme based budgeting, the MOEHE is undertaking a radical change in the current ministry's structure, which is currently made of 26 Directorate-Generals (DG. The administrative structure of the Ministry includes 22 fields' directorates (districts offices) of education, including 16 in the West Bank and 6 in Gaza.

A first draft presenting different organizational models has been already developed and submitted to the policy Committee for debate. Although work is still in progress, based on the information provided by MOEHE's staff, the current proposal aims at reorganising the MOEHE around the 6 main programmes identified in the EDSP 2014-2019, namely pre-school, primary, secondary, TVET, non-formal education, and administration, with every programme being held accountable for the achievement of its outcome. A number of supporting departments will provide key services, such as in the area of supervision, teacher education, and assessment.

1.3 PFM context and Sector Budget

1.3.1 PFM Context

The Palestinian National Development Plan (PNDP) 2014-2016 sets out the strategic framework for the PA's public sector by putting forward the values of integrity, good performance and responsiveness through the cost-effective delivery of high quality public services to citizens.

As reiterated by several development partners (in particular by DFID and the EU, who are highly involved in this field), the past few years have seen a real 'momentum' for the PA to embark on several key PFM reforming tracks. In this regard, it is worth recalling that progress made since 2007, when the PA started building basic PFM institutions and systems almost from scratches and under challenging conditions, is particularly impressive⁷. This is further confirmed by the PEFA exercise conducted in 2013, where 21 out of the 22 indicators related to the performance of the PA were either rated higher than or equal to the indicators measured in 2007.

After this first successful phase, the PA has now entered the consolidation phase, during which previous achievements in the area of PFM need to be strengthened and sustained. This means for the PA putting again PFM high on the agenda (after a period of relatively weak engagement) and starting to work on a comprehensive PFM strategy that would provide an overarching framework for the different current and future reforms. New stimulus is expected to stem from the current discussion the MOF is having with the World Bank on the trust fund related under performance.

An assessment of the key issues for each of the six PEFA areas related to the performance of the PA is presented here below based on the information provided by the PEFA 2013⁸, the IMF report 2014, the EU report 2015, the MOF and MOEHE's work on the subject, and the interviews carried out with the EU and DFID.

PFM Assessment

Budget Credibility

Budget credibility presents a rather mixed picture. While the deviation of actual expenditures and revenues from original budgeted amounts has remained within acceptable limits, the PEFA indicator measuring arrears continued to score badly. The substantial increase in payment arrears reflects a trend of actual expenditures steadily exceeding actual resources, which is mostly due to volatility in the availability of resources, for which the PA is highly dependent on Israel and the external donors. As pointed out earlier on under section 2.1, this critical fiscal imbalance represents a core weakness for the PA's economy and PFM and poses a major threat to the overall sustainability of the PA. The fiscal constraints in the first quarter of 2015 (as reported under section 2.1) have forced the PA to execute an emergency budget in the form of a 'cash management plan' and not a regular budget.

Comprehensiveness and transparency of the budget

Overall, transparency of, and public accessibility to, budget information have improved. This is also the case for budget classification, which is based on adequate standards for budget formulation and execution, although further improvements are needed to ensure better consistency with the international 'Classification of the Functions of Government' (COFOG).

⁷ Annex 6 provides an overview on the PFM legal framework in the PA.

⁸ Annex 6.B provides a summary of the PEFA 2013 and 2007 assessment

Policy-based budgeting

There is general consensus on the need to strengthen policy-based and multiyear budgeting. This PFM function is largely affected by key structural problems. As a matter of fact, the PA can rely on merely three main sources of funds: the clearance revenue, the donors, and the borrowing from the banking sector. This fragile situation translates into a rather limited capacity in terms of financial predictability, which, in turn, largely hampers a proper annual as well multi-annual budgeting. Despite these limitations, the 2014 budget was based for the first time on a medium-term fiscal framework developed in-house. Moreover, in 2015 the MOF has issued the new guidelines on the multi annual budget preparation and the program-based budgeting. The MOEHE is the first (and only) line ministry that has really started to institutionalize the program-based approach in planning, budgeting, and management. In this sense, the MOEHE is deemed as a real champion in piloting the different PFM reforms and a role model for the other line ministries.

Predictability and control in budget execution

Regarding tax administration, as part of a general effort to improve revenue, in early 2014 the government developed a comprehensive strategy to reform tax policy and tax administration. The strategy aims to expand the tax base and increase the number of taxpayers; to increase compliance by registered taxpayers; to review existing tax exemptions, including those provided in the Investment Encouragement Law; and to improve trade and fiscal relations with the Israeli side through specialized primary working committees and subcommittees tasked with resolving outstanding issues and improving collection through clearance.

Regarding procurement, the reform is still ongoing. A new law was enacted in 2011 which foresees the establishment of a High Council of Procurement as an independent entity to monitor the regulatory framework of procurement. Implementing regulations have been issued in 2013 in order for this new entity to be fully operational. Once the reform is fully implemented, procurement will be brought in line with international good practices. At the time of the PEFA assessment, not all provisions of the new procurement legal and regulatory framework were implemented. The new procurement law is expected to be ready for use in 2016. Once operational, the development partners will most likely have an 'observation' period that will allow them to check the implementation of the new system and conduct an assessment of the new system. According to the results, development partners (including Belgium) might decide in the future to gradually switch to the new national procurement system. Nevertheless, it is worth noting that, based on the experience on other countries, this process might still take a substantial number of years before becoming fully operational.

Concerning the predictability of budget execution, it can be stated that despite good progress in implementing the IFMIS and pooling resources through a Treasury Single Account (TSA) system, much needs still to be done. Again, the increased uncertainty of external direct budget support and high volatility of clearance revenues significantly affect the capacity of the PA to effectively execute the budget as the recurrent deterioration of the fiscal situation systematically forces the PA to execute the budget under a cash rationing system rather than under orderly cash planning modalities. This, in turn, gives rise to regular disruption in the payment of salaries and operating expenses. Despite these major limitations, the MOF is actively working on commitment control and cash management with the technical assistance of the EU and DFID.

Recording of debt and consolidation of cash balances, the PEFA shows a mixed, but overall positive

evolution. Debt recording has improved significantly since the relocation of the Debt Department Office to the West Bank. Comprehensive domestic and foreign debt records are maintained, including arrears on debt payments.

Remarkable progress has been achieved in the field of internal control and audit systems. Internal control on payroll and nonwage expenditures has improved due to efforts of capacity building and networking development among line ministries. Lack of control on commitments remains an issue. Internal audits have developed in coverage and scope, in particular with the establishment of a Central Harmonization Unit in line with good international practices.

Accounting, recording, and reporting

The PEFA highlighted the considerable steps forward made in terms of the quality of the in-year financial reports and the coverage of the consolidated financial statements. On the other hand, it stressed the need to improve financial reporting and the accounting policy, in particular for the presentation of arrears. In its annual report 2014, the IMF reiterated the need to continue the work undertaken on this area. In regard to the MOEHE, it can be stated that the quality of the financial reporting has steadily increased overtime thanks also to the continuous technical support provided by KfW⁹. More work needs to be done on the ability to go beyond the figures and being able to critically read and interpret the financial reporting.

External scrutiny and audit

The regulatory framework for PFM is still somewhat outdated and incomplete. According to the IMF, the upgrading work should culminate in the preparation and adoption of a new organic budget law.

External audits have considerably improved compared to the previous PEFA 2007. The scope and coverage of external audits is comprehensive (annual audit of the consolidated 51 budget entities constituting the PA budget), and the nature of audits, including some aspects of performance audits, is in line with audit standards. Financial statements are audited within a period of 11 months, which includes time spent by the MOF amending the presentation of the statements to bring them in line with IPSAS. There is evidence of follow-up on the main recommendations of the SAACB. Such improved external audits are a real strength which should lead to increased confidence in the scrutiny of budget execution and in the financial statements of the PA. In its last assessment, the EU (2015) has reiterated that SAACB's capacity is high compared with many other Supreme Audit Institutions in the region. However, two main observations need to be raised. Concerning the capacity, at the moment it refers mainly to the ability to manage the audit exercise rather than to carry out the audit by itself. In regards to the independency of the institution, SAACB draws its budget from the PA regular budget and, thus, remains still financially subordinated to MOF for budget execution. This dependency could undermine the autonomy and integrity of the overall external audit function. This risk has been recently flagged out with the sudden replacement of the SAACB head, which has raised some concerns over the independency of the institution. Development partners, in particular Budget Support (BS) and Direct Financial Support (DFS) providers, will closely monitor the situation and will continue to support the SAACB in finalising the update of the current legal framework.

Thanks to the efforts carried out through the JFA, the MOEHE has proved once again its leading role in championing PFM actions as it has been the first, and the only one so far, to undertake a full external independent audit. A specific section on this subject is provided here below.

⁹ KfW support consists of verification of tendering procedures and reporting and is provided by their office based in Ramallah and their headquarters in Frankfurt am Main.

It is worth mentioning that the next PEFA exercise will take place in 2016.

1.3.1.1 MOEHE Audit

As anticipated in the previous section, the MOEHE is the first and only ministry of the Palestinian Authority thus far to have undertaken a comprehensive audit conducted by an external international audit firm. As such, it sets out the example for other ministries and it increases the credibility of the MOEHE towards its commitment to pursue a better PFM and to improve its openness and transparency. This positive performance can be ascribed to a large extent to MOEHE leadership's strong commitment as well as to the direct and indirect effects of the JFA political and technical dialogue, and operational support.

Also for the State Audit and Administrative Control Bureau (SAACB) this was the first time to be confronted with a large and important audit exercise, which has allowed them to gain valuable experience on the process.

The first audit exercise was conducted in 2013/2014 for the fiscal year 2011 and 2012. The external auditors formulated a qualified opinion for both the fiscal years 2011 and 2012, and this opinion was confirmed by the SAACB. The basis for a qualified audit related mainly to a 'limitation of scope' of the audit exercises as one or more areas of the financial statements could not be audited. Notwithstanding, the auditors confirmed that the financial statements that were audited were conform to the international GAAP (Generally Accepted Accounting Principles). It is worth stressing that the audits looked at the whole education sector, and not only at JFA funded activities. Moreover, most of the qualifications were related to activities outside the JFA. On April 2014, the MOEHE and the MOF provided a sound management response to the audit findings for both 2011 and 2012, which was agreed and validated by the JFPs as well. The management response formulated concrete actions to address and solve the critical issues spelled out in the audit (response actions). Some of these actions have also been included in the Annual Work Plan and Budget of MOEHE for both 2014 and 2015 (e.g. the major management reform of the ministry)¹⁰.

The second audit process for the fiscal year 2013 started in August 2014. Based on the lessons learnt from the previous audits, JFPs have been more involved in the follow-up of the exercise. The audit plan was shared by the audit firm with the MOEHE and with the JFPs, which provided their comments by email. JFPs and the MOEHE agreed on having in the audit report a specific (separate) opinion on the financial performance and the quality of the financial statements of the JFA. The audit report has been shared with the JFPs in March 2015. The auditors have formulated a qualified opinion based on five main observations, which are reported in the box here below. As spelled out in the opinion report and reiterated by the SAACB, these qualified opinions are of procedural and coordinative nature and do not affect the execution of the JFA. Moreover, it is encouraging to see that most of the qualifications actually apply to the MOF and not to the MOEHE.

Box 1: MOEHE, Audit Opinion on Fiscal Year 2013 (*not applying to the JFA*)

Basis for Qualified Opinion:

1. No translation was made for banks balances in foreign currencies as of December 31, 2013 to the functional currency according to the prevailing rates at that date, as required by the International Public Sector Accounting Standards (Note 4, B).

¹⁰ According to the Belgian legal requirements, disbursement can be done upon release of a 'positive audit', which means either a 'clean audit' or an "audit with a qualified opinion" accompanied by a sound management response agreed with the development partners.

2. We did not receive justification for the excess of NIS (2,246,002) of expenditures paid directly from MOF – (based on information received from MOF) over the amounts recorded as actually paid in MOEHE books (Note 9).
3. We did not receive bank confirmations for bank accounts managed by MOF on behalf of MOEHE as of December 31, 2013 existing in books with the amount of NIS (2,702,014 Debit Balances) and NIS (4,046,410 Credit Balances).
4. We did not receive bank reconciliations for some of the accounts managed by MOF on behalf of MOEHE which amount to NIS (2,702,014 Debit Balances) and NIS (4,046,410 Credit Balances).
5. MOEHE uses separate accounting books other than MOF unified Accounting System – Books to record bank account of educational districts, revenues e.g. student parents' contributions and some grants.

Source: MOEHE Audit Report 2013

As noted by the JFPs at the time of the EDSP III appraisal, MOEHE should give more attention to the internal audit function. As a matter of fact, internal audit is misplaced in the organizational structure of the ministry (currently under the financial department, which undermines the autonomy and integrity of the unit) and its function is related to internal controller rather than audit.

Even though there isn't any negative observation for the JFA and, thus, any evident risk for the JFA execution, the JFPs continue to have a solid dialogue on the weaknesses highlighted by the audit reports by stressing the need to improve key PFM functions. In order to identify the best way to tackle the issues identified by the auditors, a discussion is currently taking place on the management response and the measures to be taken by the MOEHE and the MOF. The specific audit dialogue on the findings 2013 is expected to be concluded by end of June 2015.

It is important to stress that as foreseen by the JFA agreement, JFPs have the possibility to carry out technical audits on specific issues.

1.3.2 Sector Budget & Expenditures

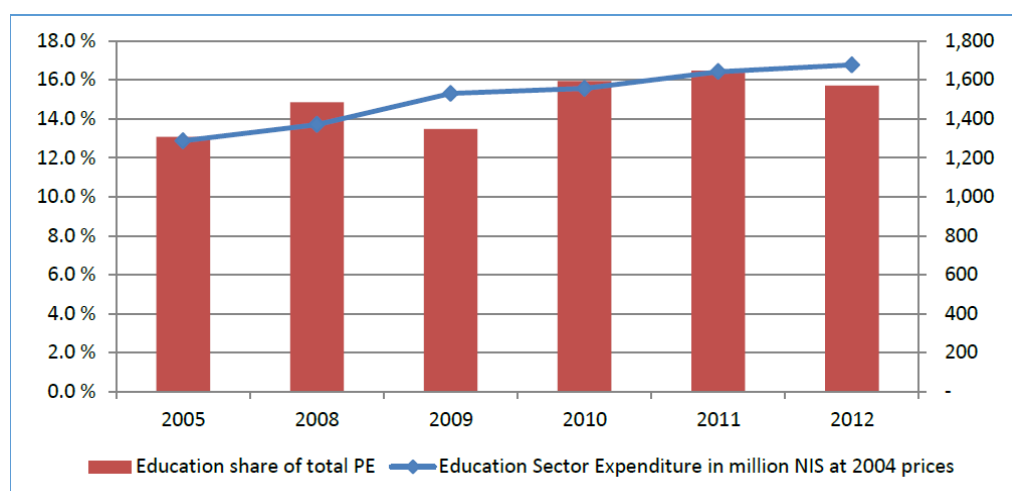
Education Sector Expenditure

In 2013, MOEHE with support of the Joint Financing Partners (JFP) commissioned a Public Expenditure Review (PER) for the education sector in Palestine covering the period 2005 – 2012. Below the main findings of the PER are summarised.

Spending on education in Palestine represents approximately 4.9% of the Gross Domestic Product (GDP), which is in line with other Lower Middle Income countries and the regional average.

Spending on education has increased in real terms but also in relative terms with a significantly higher share of public expenditure. In 2012, education accounted for 15.7% of public expenditure as compared to 13.1% in 2005.

Figure 1: Government expenditure on education as % of total public expenditure



Source: *Public Expenditure Review of Education in Palestine, September 2013 (MOEHE)*

The composition of Government expenditure for education in total has changed over the years.

- Wages and salaries absorbed 79.8% of total expenditures in 2012, declining from a level of 87.1% in 2005.
- Non-wage expenditures increased as share of total education expenditures from 12.9% in 2005 to 20.2% in 2012. The level of non-wage expenditure was in 2012 more than double the level in 2005 of which transfers to tertiary institutions, various school level operational expenditures, as well as investments in new schools and classrooms have accounted for the major share of this change.

In terms of sub-sector allocations, data show that in 2012 an estimated 81% was spent on primary and secondary education, 13% on higher education and 6% on management and administration. Expenditure on service delivery functions, namely primary/secondary schools as well as tertiary education institutions, have recorded a positive trend, which has been associated to a gradual increase in the resources allocated to “frontline service providers” compared to management and administration at higher levels of the education system.

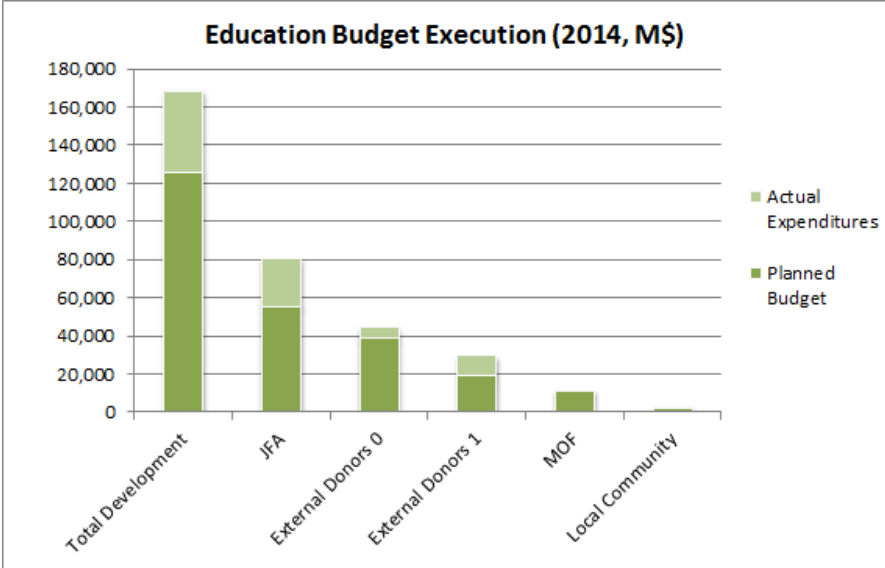
Education Budget Annual Execution (2014)

As reported by MOEHE (2015), in 2014 the annual execution rate of the education budget was 88.43%, of which 99.88% related to operational expenditures, and 34.11% to the development budget. In regards to the development budget allocated to the different programs, the execution in expenditure terms reached a threshold of 49.71% for Pre-school, 35.76% for Basic Education Program, 24.25% for Secondary Education Program, 14.61% for Non-formal Education, 36.83% for Vocational Education Program, and 37.84% for the Management Program.

In terms of financial sources, the figure here below depicts the total execution for each of the five main categories. The JFA has achieved in 2014 an execution rate of approximately 46% (25.220 versus 55.282 million dollars). Although there is still room for improvement, overall the JFPs and the MOEHE agree on the encouraging past performance. Compared to 2013, JFA expenditures rate has increased of almost 50%, which shows the positive trend in terms of absorption capacity. As over the years the rather low execution has been a core issue for the JFA and, more generally for the whole education budget, it can be stated that the MOEHE has seriously tackled the challenge. The shift towards the

service-delivery program structure should trigger further improvements in the overall absorption and execution capacity. However, the changes that the new management reform will bring about in the organisation might generate some delays in the short-term given the time needed to adapt to the new operational model.

Figure 2: Education Budget Execution



Source: BTC own elaboration based on MOEHE Implementation Progress Report 2014
 * 'External Donor 0' refers to those development partners using the national procedures, while 'External Donors 1' refer to those using their own procedures.

EDSP III Cost & Financing

As explained earlier on under section 2.1, the PA financial position suffers of a high vulnerability to external sources, as it is extremely dependent on Israeli clearance revenue, external donors, and local borrowing. Changes in one of these financial resources affect immediately the capacity of the PA to operate. This, of course, applies to all PA's Ministries, especially the MOEHE, which is by nature characterised by a considerable share of public employees. This means that, gaps in the financial resources availability translate into the inability of the MOEHE to pay salaries and other operational expenditures. In these circumstances, the MOEHE faces indeed quite a number of challenges in carrying out a credible and sound long term financial planning. As a means to mitigate for this uncertainty, the MOEHE applies a program based budgeting largely relying on the development budget as the core financial source of all activates other than salaries and operational costs (such as electricity, water, etc...).

The development budget is discussed on an annual basis with the different development partners and it is operationalised in the 'Annual Work Plan and Budget', a comprehensive analytical plan bringing together programs, objectives, activities, and the different financial sources, namely: JFA, MOF, Local Donor, External Donors on-budget, and External Donors off-budget. JFPs provide a specific non-objection on the financing of the annual activities agreed in the AWPB.

In regards to the financial planning of the whole EDSP III, as reported in the table here below, the total amount needed for the period 2014-2019 is estimated at approx. 4.2 billion €

Table 5: EDSP III Financial Coverage

EDSP III	€, 000
Recurrent Expenditures	3,566,508.60
Development Expenditures	727,725.20
Consulting Expenditures	3,840.00
Total	4,298,073.80

Source: BTC own elaboration based on KFW figures

According to the calculations of KFW, there is a significant financial gap for the implementation of the EDSP III, which is estimated at approximately 228 M €. Despite the strong political commitment towards the education sector, securing an appropriate budget is rather challenging in a fragile context as the one in which the PA operates. As previously explained, these estimates merely refer to the development budget, which comprises all activities related to the EDSP ('quality' related activities as well) except for the salaries and the main operational costs. This gap represents approx. 31% of the total development budget needed for the whole period.

The table here below provides a breakdown by EDSP program and financial source.

These preliminary estimates show how crucial it is for the MOEHE to receive continuous financial support from external donors to be able to implement the sector plan. This especially pertains essential programs such as the Basic Education Program and the Secondary Education Program, for which more than 30% of the total financial resources have yet to be secured.

Table 6: EDSP III Financial Coverage, 000€

EDSP III Program	Financial Sources				Costs	Gap
	JFA	MOF	Other Donors	Total		
Pre-School	2,017.60	1,372.50	4,796.00	8,186.10	11,913.30	-3,727.20
Basic	84,375.00	57,397.00	200,566.30	342,338.30	498,206.90	-155,868.60
Secondary	22,737.90	15,467.70	54,049.70	92,255.30	134,259.60	-42,004.30
VET	5,396.20	3,670.80	12,827.00	21,894.00	31,862.30	-9,968.30
Non Formal	181.20	123.30	430.80	735.30	1,070.10	-334.80
Management & Administration	8,537.80	5,807.90	20,295.10	34,640.80	50,413.00	-15,772.20
Total	123,245.70	83,839.20	292,964.90	500,049.80	727,725.20	-227,675.40

Source: BTC own elaboration based on KFW figures

2 External Support to the Sector

The external support to the Palestinian education sector is framed to a large extent within the EDSP boundaries. Thanks to the joint commitment of the MOEHE and the development partners, the education strategy has become through the years a solid and credible policy framework guiding the support of the different local and international donors that have gradually shifted towards a sector wide approach (SWAp). This has resulted into an external support that is largely relevant to the objectives of the education strategy. Moreover, these efforts have allowed the MOEHE to produce a rather comprehensive analytical work plan and budget, namely the AWPB (as reported in the previous section), that encompasses almost all the financial contributions provided by the different donors to the sector.

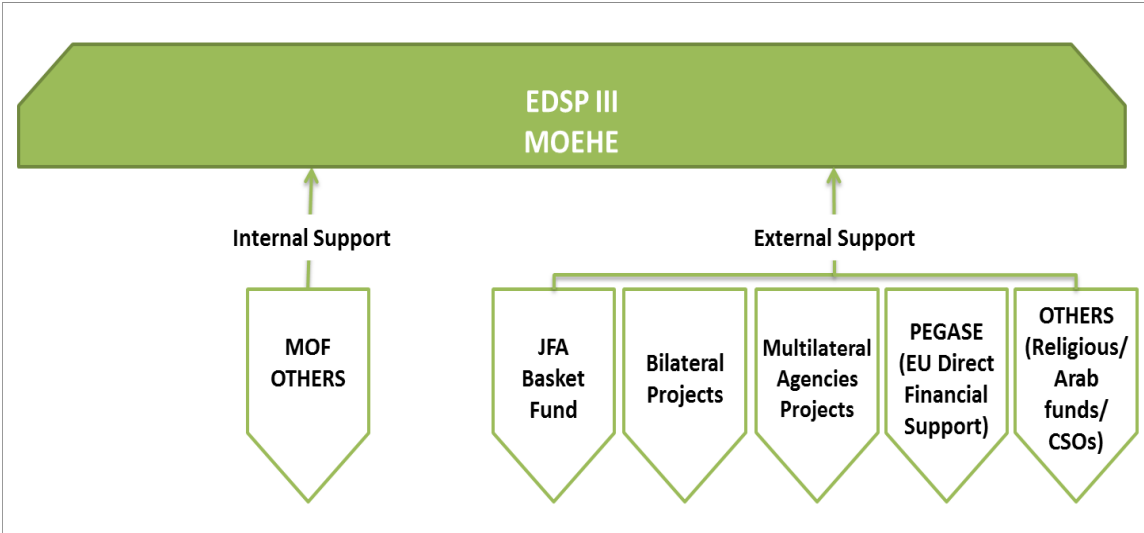
As described in more detail in the next two sub-sections, external support is provided by:

- EU & Member States: EU Representation, Belgium, Ireland, Germany, Finland, France, UK (British Council);
- Other Key Donors: Norway, USA, Japan, World Bank;
- UN Family: UNESCO, UNICEF, UNRWA

In addition to these development partners with different degrees of involvement in the SWAp, there are also a number of funds and other initiatives that sustain the sector without systematically being part of the official SWAp official instances. According to the available information (audit reports, meeting notes, MOEHE AWPB), it is possible to mention some of them such as the Al-Aqsa fund, the Arab Bank for Development, the Arab Bank for development in Africa, the Saudi Fund, the Micro funds, the School Canteens Fund.

In regards to the external support delivery modality, the figure here below provides a simplified graphic overview of the mix of modalities adopted by the development partners.

Figure 3: Support to the Education Sector



Source: BTC own elaboration

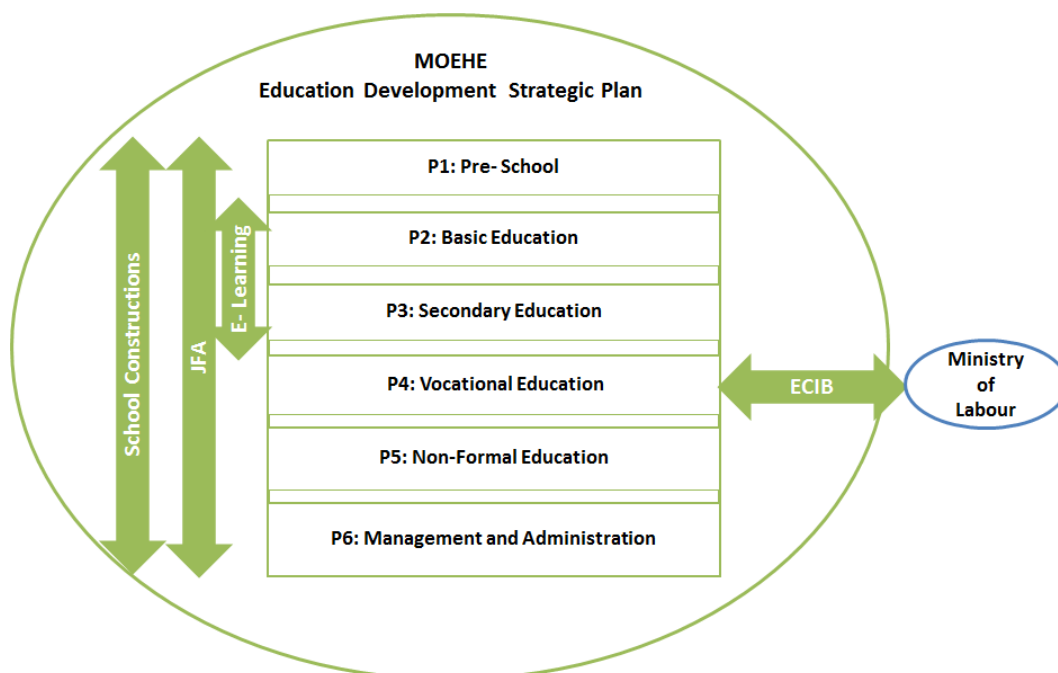
The following two sections provide more information on the external support (delivery modality and scope) by distinguishing between Belgium and the other main (external) development partners.

2.1 Belgian Support to the Sector

The current Belgian support to the education sector in Palestine is legally framed within the ICP 2012-2015, which has been agreed upon between Belgium and the PA during the Joint Commission held in November 2011.

Education is one of the two priority sectors of the Belgian Development Cooperation with the PA (the other being Local Governance). In order to effectively support the MOEHE to achieve its education development goals, Belgium adopted a systemic approach through a portfolio of interventions that sustain the implementation of the education plan at different levels. Diversification in terms of policy support has been associated to a mix of aid delivery methods, namely projects and basket funding, a step that represents a major breakthrough with the past cooperation programmes.

Figure 4: Belgian Support to the Education Sector



Source: BTC own elaboration

The current education portfolio is composed by the following interventions:

- School Construction, whose goal is to increase access to education in the Palestinian Territory through two main components: i) by building child and environment friendly school facilities, including furniture and equipment, ii) by strengthening the capacities at the level of MOEHE, directorates, and beneficiary schools in terms of planning, design, operation and maintenance. This projects has entered since 2013 its fourth phase (16.5 M€, 2013-2020).
- Enhancing Capacity and Institutional Building (ECIB), which aims at enhancing the Palestinian capacities in view of institutional development through two main components: i) Capacity building of staff members of Ministry of Education, Ministry of Labour and Social Private Organisations involved in the implementation of apprenticeship in collaboration with their respective (training) institutions/division, ii) Enhancement of the access to training and coaching of economically and socially disadvantaged learners to Palestinian Higher Education Institutions at the Under-graduate level, to Secondary Technical Schools, Vocational Training Centres and to apprenticeship and internships (5m€, 2013-2016).
- E-learning curriculum in Palestinian Primary and Secondary Education (E-learning). The goal

of this project is to enhance the learning process of students acquiring 21st Century skills by applying e-learning curricula, modules and practice, and by allowing the students to become autonomous and active learners (4m€, 2009-2015).

- Joint Financing Arrangement (JFA): a basket fund supported by Belgium, KfW, Ireland, Finland and Norway. Its main objective is to support the MOEHE to implement the EDSP. Belgium officially joined this pooled fund in 2013 with a first contribution of 3 M€. As this report concerns the formulation of the remaining 9 M€ committed under the ICP 2012-2015, chapter four is entirely dedicated to the JFA (3 M€, 2013-2014; 9M€ 2015-2017).

In addition to these core interventions, the education portfolio can mobilise further support to the sector through the 'Study, Consultancy and Expertise fund', which is intended to finance studies, preparation of tenders, consultancies, technical assistance (up to 12 months), strategic analysis, seminars, workshops, and trainings in the priority sectors of the Palestinian-Belgian Cooperation.

2.2 Other donors' support to the Sector

This section provides an overview of the support provided by the main donors active in the education sector and more specifically through the SWAp¹¹.

EU Donors

- | | |
|-----------------|--|
| Germany
KfW: | <ul style="list-style-type: none"> • Direct bilateral support to the sector through: <ul style="list-style-type: none"> – JFA for approximately 6 M€ for the period 2013-2015, 10 M€ for 2016-2017, and 17 M€ for 2017-2019; – School Construction and Employment Generation, for a total of 38 M€, of which 5.5 M€ still to be disbursed. – a TVET intervention in the framework of a special initiative of the German government for the MENA region, for a total of 10 M€, of which 5M€ still to be disbursed (under formulation). – KfW intends to include all new contributions to the sector into the JFA. • Focus on JFA Financial Management and School Infrastructure. |
| Germany
GIZ: | <ul style="list-style-type: none"> • Project support to Promote Vocational Training and the Labour Market (budget of 15 M€ for 2011-2015). The project is implemented with both the Ministry of Labour (MoL) and the Ministry of Education and Higher Education (MOEHE) |
| Ireland: | <ul style="list-style-type: none"> • Direct bilateral support to the sector only through the JFA for approximately 3 M€ a year (conditional on absorption capacity. In case of low execution, funds to be channelled to PEGASE-see below); • Indirect support through UNRWA and OCHA; • Focus on access for vulnerable students and Curriculum Reform; in general, attention to Quality of Education. |
| Finland: | <ul style="list-style-type: none"> • Direct bilateral support to the sector only through the JFA for approximately 3 M€ a year (conditional on absorption capacity. In case of low execution, funds to be channelled to PEGASE-see below). Finland is |

¹¹ As such, it is not intended to be exhaustive.

- currently exploring the needs for another bilateral project in the near future, potentially in the field of Teacher Education or Institutional Strengthening;
- Focus on Inclusive education, Curriculum Reform.
- France:
- Support to Higher Education
- UK - British Council:
- Support to English Language teaching (incl. Mobile Apps) and twinning between Palestinian and British education institutions
- European Union:
- The EU and its member states support the education sector through the 'PEGASE Direct Financial Support', a mechanism that provides financial assistance to the Palestinian Authority (PA) to cover its recurrent costs such as civil employee salaries (including those under the responsibility of the MOEHE) and pensions, social expenditure, private sector arrears and essential public services¹². The overarching goal of this programme is to maintain the viability of the two-state solution by avoiding the fiscal collapse of the PA and sustaining basic living conditions of the whole Palestinian population.
 - The EU is not involved in the education SWAp as such but is nevertheless facilitating the creation of a 'results-oriented framework-ROF' aiming to formalise a more structured, coherent, results-oriented policy dialogue, and with stronger monitoring and evaluation of PA's achievements in 6 key areas such as PFM and including the education sector.

Other Key Donors

- Norway
- Direct bilateral support to the sector through:
 - JFA, for approximatively 3.M € a year (conditional on absorption capacity. In case of low execution, funds to be channelled to project mentioned here below)
 - Enhancing Education in East Jerusalem, a project supporting the renovation of a building as well as the directorate's supervisors. It works in close collaboration with the Belgian project 'School Constructions'.
 - Indirect support through Norwegian NGOs such as Save the Children and Humanitarian Support to Gaza
 - Focus on Gender and East Jerusalem; in general, attention to the issues related to Inclusive Education, Technology, Girls education, Quality of Education.
 - The Leadership and Teacher Development project supports the implementation of the teacher education strategy (implemented by AmidEast). The focus of the project is on improving teacher skills (for basic education) through providing support to (i) pre-service teacher training institutions, (ii) in-service training to under-qualified teachers (upgrading), and to (iii) improve school leadership and management.
- USAID
- Japan JICA
- Support to Curriculum Development for Grade 1-4 for Mathematics.

¹² According to the EU (2015), the total EU assistance through PEGASE to the social sector was estimated to be around €1.6 billion over the period 2008-2013. Much of this support is in the form of salaries paid by the EU, via the PA, into the individual accounts of health and education workers based on an approved list of beneficiaries; this is not budget support (in the sense that it is not untargeted) but rather targeted on the relevant staff and thus on the education and health sectors. The European Court of Auditors Report on DFS to the PA (Special Report Number 14) estimates that about 44% of PEGASE DFS funding for salaries went to the education sector, and 15% to the health sector.

- TVET support
 - Teacher Education Improvement project (2011-2015) supporting pre-service teacher training (through the education faculties of universities) and in-service training through MOEHE (NIET). The focus is on grade 1-4 teachers. The WB project also supports teacher accreditation. A new phase for this project is under formulation and will start in 2016.
- World Bank:
- Education to Work project, focussing on higher education institutions by supporting partnerships between universities and the private sector.
 - WB supports analytical work on the education sector (SABER for TVET, study on factors contributing to learning outcomes and student performance in Palestine.

UN

- Provision of advisory services (UNESCO is also the ESGW technical advisor).
- UNESCO:
- Work on inclusive education and child friendly learning methods, disabilities partnerships, libraries and vulnerable students.
 - Focus on inclusive education, special needs, higher education, human rights in education
 - Projects in the field of teacher training.
 - Provision of interactive teaching and learning material.
 - Implementation of recreational activities that encourage stress relief and play.
- UNICEF:
- Support in the field of information management systems, training, and supplies;
 - Provision of intensive remedial opportunities for adolescents at risk of dropping out of school.
 - Focus on early childhood development
 - UNRWA provides (together with MOEHE) education for Palestinian refugees.
- UNRWA:
- Ongoing projects in the field of: human rights in education, knowledge and skills, VET, teacher training, leadership training for head teachers and principals of UNRWA schools.

As explained later on under section 4.4.3 (Donor coordination and Policy Dialogue Arrangement) there are a number of stakeholders, such as the Arab Funds and the Islamic Development Bank, that support to a different extent the education sector in Palestine without necessarily being involved in the SWAp structures. There are also several large national and international NGOs and CSOs, such as Save the Children and Norwegian Refugee Council, that are active in this field. However, there is not yet a clear comprehensive picture of who and how is supporting the sector. The information gathered under this section is actually the first attempt done so far to reconstruct the external support framework in the education sector in Palestine. This will serve as a basis for further work on the subject.

3 Belgian Support to the Joint Financing Arrangement (JFA)

3.1 The Programme

The Joint Financing Arrangement (JFA) was signed on the 11th of November 2010 by Norway, Ireland, Finland, Germany (KfW), the so-called 'Joint Financing Partners' (JFP), and the Palestinian Authority (PA) with the aim to financially and technically support the implementation and the management of the EDSP II (2008-2012), which was later on extended until 2013. Belgium officially joined this basket fund in July 2013. One year later, in July 2014, following the official endorsement of the new EDSP III (2014-2019) in April 2014, the JFPs renewed their commitment to jointly support the education sector by signing an updated JFA agreement on the 20th of October 2014.

The JFA is deemed by the PA as a key driver to shift towards a results-based management and to pilot some of the PA's reforms, as an important way to facilitate as much as possible harmonization among donors' support to the sector (without necessarily transforming it into the only delivery modality), and as a valuable technical contribution to the policy work (through the provision of short-term and long-term expertise as well as the regular exchange with resident technical and political staff). The figure here below provides the sector policy framework to which the JFA is strictly anchored.

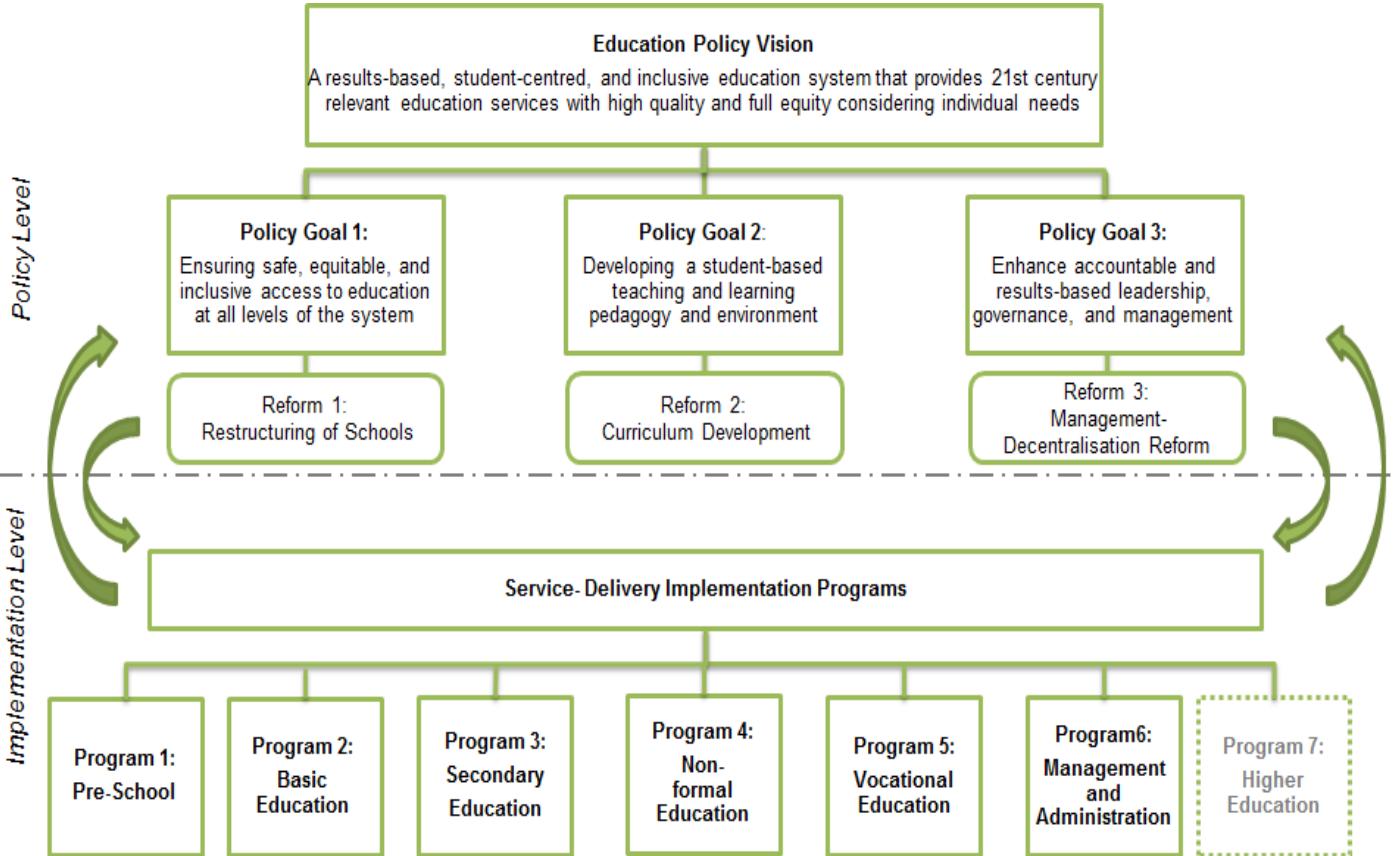


Figure 5: EDSP III Policy Framework

Source: BTC elaboration based on EDSP III

3.2 Belgian Contribution to the Programme

For the period 2015-2017, Belgium will contribute to the JFA through:

- (1) A **grant of 9 million Euro** as part of the total amount of 12 million Euro as foreseen in the ICP 2012-2015 to be channelled through the national system in three instalments of 3 million Euro.
- (2) An **Education Expert and a PFM expert** will ensure comprehensive technical support to effectively contribute to the policy dialogue and to strengthen MOEHE's technical capacity. Both experts will work in close collaboration with the Consulate-General.

Education expert

The education expert will:

- Monitor the performance of the JFA and the education sector in collaboration with the JFPs and the other education development partners;
- Contribute to the objectives and reforms of the education sector plan by providing technical expertise on education issues to the Belgian Cooperation and the policy dialogue.
- Support donor coordination in education towards an active partnership approach to program follow-up and policy dialogue with the Palestinian Authorities, and in particular support the Belgian Consulate to carry out the role of ESWG co-chair;
- Ensure coordination and cross-fertilisation within the Belgian education portfolio.

It is worth noting that this expertise was already foreseen by the previous TN and, thus, included in the CMO. This expertise is currently being provided by BTC. Several development partners, the JFPs and the Ministry's staff (including the Deputy-Minister) have expressed on several occasions the valuable work being provided by Belgium through this expert.

In terms of specific result areas for the period 2015-2017, the education expert will focus on:

- The dialogue on policies and implementation related to (i) the quality of education (including teacher education and curriculum reform) and (ii) reform of the TVET system in Palestine;
- Support the JFP group through in-depth analysis of technical specifications of selected tenders funded by JFA (technical ex-ante no-objection). This includes value for money analysis of large procurements;
- Support improvements of the education M&E system and capacity development of M&E staff at MOEHE.
- Improve the quality of the education SWAp (donor coordination and dialogue).

(see detailed ToRs are provided in Annex 3)

PFM expert

The PFM Expert will:

- Ensure the link between the PFM system at national level and at sector and JFA level in collaboration with the JFPs and the other education development partners;
- Contribute to the education sector objectives from the PFM standpoint through technical and policy dialogue;
- Analyse budget planning and execution, financial reporting, as well as internal and external control systems in the education sector and JFA implementation, with a focus on efficiency, effectiveness and affordability.

- Prepare and participate in the audit dialogue of JFA and the education sector. This
- Ensure the liaison between the JFP group, ESWG and the Macroeconomic and Fiscal Working Group;
- Contribute to the work related to the financing and the management of the JFA and the education sector.

Based on the experience of the past two years through the involvement in the JFA and, more broadly in the education sector, the Belgian Consulate expressed the need to be supported in the field of PFM. The work carried out on the field throughout the formulation process has allowed the team to technically assess this request. Given the championing role of the MOEHE vis à vis the other ministries on the PFM reforming actions, the leverage being created by the JFA as a tool to piloting innovative PFM tools, and the implication of Belgium in the fiscal, macroeconomic and PFM policy fora, it is deemed that the technical support of a PFM expertise would significantly benefit the work being done by Belgium and the support being provided to the MOEHE by KfW. It is worth noting that while KfW focuses merely on the financial management of the basket fund, the expert to be provided by Belgium would work more at sector level, trying to upscale the results of the JFA and to link them up to the work of the other ministries in the field of PFM (especially the MOF and the MOPAD).

In terms of specific result areas for the period 2015-2017, and considering the need for improved PFM follow-up at sector level, the PFM expert will focus on:

- The dialogue on the new Palestinian procurement law;
- Support capacity development of key financial and planning staff at MOEHE.
- Strengthen the linkages between MOEHE and the Ministry of Finance, and inform and improve the sectoral and national PFM system with lessons learned from JFA.
- Shorten the turnaround time of the audit dialogue (from JFP side) and improve follow-up of management responses.
- Assist where needed KfW in providing No-Objections for large tenders, in order to increase the responsiveness of JFPs.
- The PFM expert will explore the options to strengthen the internal audit function of MoEHE.

(see detailed ToRs in Annex 3)

(3) **Headquarters Missions.** Technical follow-up from BTC HQ/ EST (thematic and sectorial expertise department) will be ensured through participation to the Education Annual Sector Review and through regular backstopping missions.

(4) Additional financial support for **studies and consultancies** through:

- A consultancy budget of 75,000€ for the period 2015-2017 directly linked to the JFA (as foreseen in the JFA Implementation Agreement's financial plan provided under annex 2) will be at the disposal of the experts subject to prior agreement of the Consulate-General to provide ad-hoc assistance, specific studies, targeted audits and workshops;
- The Belgo-Palestinian 'Study, Consultancy and Expertise fund' in support of the priority sectors of the Belgian-Palestinian Bilateral Cooperation, among which the education sector, can also be mobilised upon request of MOEHE and approval of MOPAD and the Consulate-General (for more information, see section 3.1).

3.3 Focus of the Policy Dialogue

The Belgian Development Cooperation has been supporting the Palestinian education sector for more than one decade. Its contribution to the sector is widely recognized and highly appreciated by stakeholders at different levels. As a result, Belgium has been appointed as co-chair of the ESWG, an important role that will increase its visibility, its commitment to the sector, and its leverage to support long-term sustainable changes. Within the broader strategic support to the PA, contributing to the education sector in such fragile circumstances has the ambition to strengthen the education system in an ever evolving setting, and to empower their administrators, their teachers and their students.

In such a context, it is essential for the different actors contributing to the Belgian policy dialogue (both political and technical) to join efforts and to work towards the same direction. By resting on a comprehensive portfolio approach on the field, and by aligning to the strategic orientations provided by the Belgian Minister of Development Cooperation, the Belgian policy dialogue will focus on a number of key areas¹³:

- **Quality of Education**, with a particular focus on teaching and learning methods, innovation and teacher education in general. The attention of the policy dialogue and support interventions should move towards quality aspects of education, rather than only expanding the system in terms of numbers. This shift to quality of education is at the core of the current education sector plan (EDSP III).
- **Technical and Vocational Skills Development (TVSD) or TVET** is in full expansion and requires intense and high-level policy dialogue, monitoring as well as technical and financial support for a number of years. Major reforms of the institutional landscape for skills development are urgently needed to expand the TVSD system and to make it more relevant and responsive to the labour market. Belgium is already today, together with Germany, very active in this dialogue and ongoing efforts have good potential for real results and change.
- **Improving equitable access in the most suffering areas**: East Jerusalem¹⁴ and Area C, where the situation is dramatically worse than in West Bank. Particular attention should also be given to Gaza, which, however, calls for specific comprehensive efforts.
- Belgium should keep PFM related issues in education high on the radar. This policy issue related directly to the **efficiency of the education system (internal and external)** and includes: addressing the finance gap in education, better alignment between budgets and policy objectives, sound allocation among programs, and strengthened PFM in line with the expectations of a performance-based management.
- A key tool to inform the policy dialogue on the performance of the education sector and the progress being achieved in the three main education reforms is the MOEHE's **Monitoring & Evaluation system**. The JFPs and the other development partners will closely monitor the indicators set out in the EDSP III performance assessment framework (referred to as 'program policy framework'. In agreement with the other JFPs, particular attention could be given to a limited number of indicators¹⁵, for instance related to curriculum reform, teacher education, school access in area C and Jerusalem, and management reform. Given the critical role to be played by the M&E system, it is deemed crucial to support MOEHE's M&E department to build its technical capacity.

¹³ This does not mean that Belgium will neglect all the other education areas and issues. 'By focusing on a number of areas' means rather prioritising those areas and being able to effectively contribute.

¹⁴ For more on the subject, see the work done by the Belgian supported project 'School construction' on the situation of schools in East Jerusalem (February 2015)

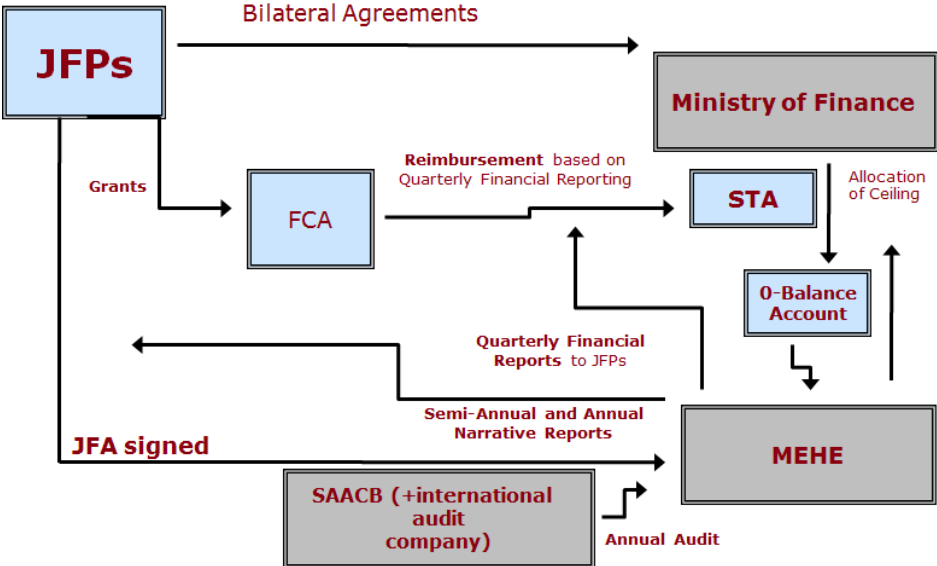
¹⁵ The dialogue on the indicators is not intended to result in a disbursement mechanism based on the achievement of certain targets.

3.4 Implementation

3.4.1 Financial Management: institutional and implementation arrangements

The JFA entails the involvement of several stakeholders with different levels of responsibility. The figure here below provides a graphic illustration of the main process, key actors, inputs and outputs.

Figure 6: JFA process¹⁶



Source: MOEHE 2012

- Flow of funds: the JFA is fully aligned to the PA financial regulations and procedures for budget execution. The JFPs transfer their contributions to a Foreign Currency Account (FCA) in the name of the MOF – that acts as ‘pivot account’ for the basket fund. MOF withdraws money from the FCA account and transfers it to its Single Treasury Account (STA) based on an approved reimbursement based mechanism with four quarterly payments. MOF may transfer an amount from the FCA to the STA equivalent to the actual expenditure in the preceding quarter for the amount agreed in the AWPB. The actual expenditure will be determined on the basis of the Financial Monitoring Reports, which rest on the financial statements produced by the national financial information system, the ‘Bisan system’. In case of disagreement with the expenditure report, the JFPs can communicate objection in writing within 10 days after receipts of the FMRs. In case of such objection, MOF cannot make withdrawals from the FCA equivalent to the objecting JFP’s share of the actual expenditure for the previous quarter until the matter is clarified between the Signatories, which will make their best endeavours to resolve any such issues as quickly as possible.

- JFA Financial Reporting & Monitoring: The JFA reporting requirements are aligned to the national reporting system. This means that JFA reports are the same regular reports produced by the MOEHE and the MOF for their internal monitoring purposes. The JFA requires that the MOEHE (and MOF) share their regular reports with the JFPs rather than imposing specific additional reports. This implies that the PA and JFPs monitoring of the EDSP is based on the same information, both in terms of formats and content.

The actual Expenditure is based on the Financial Monitoring Reports (FMR), which are to be

¹⁶ Belgium will sign a specific agreement with MOPAD, unlike the other 4 JFP

submitted quarterly by the MOEHE to the JFPs. The FMRs include:

- An updated cash-flow statement showing actual expenditure for the previous quarter and cash-flow requirements for the remaining months of the fiscal year
- A report validated by the MOF showing quarter and annual transfers to and from the FCA with a copy of the bank statement for the account from the bank holding the FCA
- A consolidated financial report showing expenditures by budget heads/item code as well as by EDSP activity comparing actual and budgeted figures.

In addition to these monitoring reports on which the instalments' payment are based, the MOEHE provide other key reports for the whole EDSP:

- Two semi-annual output progress reports at the end of March (for Yn-1) and August (for the first semester of Yn) on MOEHE expenditure related to EDSP activities and outputs
 - A Procurement report by the end of March and August
 - A M&E (PAF) report on education performance by the end of March;
 - An annual audit report by the end of June (for more details, see § 2.3.1.1 and here below).
- JFA Procurement: for the time being the KfW “Guidelines for the Procurement of Supply and Works Contracts under Financial Cooperation with Developing Countries” and the “Guidelines for the Assignment of Consultants in Financial Cooperation with Developing Countries” govern all procurement processes funded under the JFA. As anticipated in § 2.3.1, a new unified procurement national law is currently being finalized and it should be operational in 2016. The final aim of such law is to have one procurement system applied by all donors. Until that time, national procurement procedures are not used. At the moment, the MOEHE submits to the JFPs an annual procurement plan. The JFA stipulates that there is “a requirement for pre-audit of each procurement process above an estimated value equivalent to USD 20,000. No-objection advices are foreseen in specific cases. More specifically, financing of the supplies and works are conditional on KfW's no-objection to the recommendations contained in the pre-audit evaluation¹⁷. Moreover, all awards of tenders with a value of over USD 100,000 shall bindingly require a written “No-Objection” by the JFP responsible¹⁸ for the assessment of the Tender Evaluation Reports (for more details, see Guidelines KfW included in the JFA legal agreement).
- Audit: the JFA foresees that an annual audit has to be presented to the JFPs within 6 months after the closure of the fiscal year (MoU of JFA2, section 10, §60). Given the current limited capacity of the SAACB, the audit is carried out by an international external audit firm under the management of the SAACB. Based on the experience of the first audit exercise for the fiscal years 2011 and 2012, the JFPs and the MOEHE have agreed to request the auditors to include in the Audit Report a specific opinion on the JFA funds. As reported under § 2.3.1.1, the audit report 2013 has been released in March 2015. The discussions on the management response and the actions to be taken to address the weaknesses identified by the auditors are expected to be concluded by June 2015. It is worth noting that no specific qualification has been issued on the JFA.

¹⁷ In order to streamline and operationalize the pre-audit requirement in KfW's Guide-lines and as outlined above, MOE will apply the provisions in paragraphs 48 and 49 of the JFA as follows: “The requirement for pre-audit of a procurement process above an estimated value equivalent to USD 20,000 is relinquished if and when the procurement process is based on: a) A set of standardized tender documents and contracts for supplies, goods and services (incl. consulting services), which are to be exclusively used for all procurement processes throughout the transitional period mentioned under para-graph 47 of the JFA. b) Standard Tender Documents which have been reviewed and given a “No-Objection” by the JFPs.

¹⁷ KfW is currently covering this role. The mandate is specified in the ToRs agreed by all JFPs. It stays in place for a maximum of two years.

¹⁸ KfW is currently covering this role. The mandate is specified in the ToRs agreed by all JFPs. It stays in place for a maximum of two years.

- JFA Review & Evaluation: in addition to the EDSP mid-term review and the final evaluation foreseen by the MOEHE, the JFPs may commission additional external technical reviews.
- Recurrent Expenditures & Disbursement Linked Indicators (DLIs): since 2013, JFPs and MOEHE are exploring the feasibility of a DLI system to apply to the existing basket fund arrangement. The purpose is to establish an additional funding channel to the current disbursement mechanism of the JFA to cover for eligible recurrent expenditures. Since November 2014, Belgium was tasked by JFPs to conduct negotiations with MOEHE on the introduction of a DLI system. Today the outcome is not yet sure as opinions on the need and feasibility vary (also among the JFPs). It is likely that further discussions and work will be carried out on this subject in the future.

3.4.2 Monitoring & Evaluation

The M&E department was established in 2007, under the responsibility of Directorate-General of Planning of MOEHE. It has three divisions: M&E, Evaluation and Data Entry. Being part of the DG Planning, its vocation is more than just monitoring but also feeding into the planning and budgeting cycles. Since its creation, the M&E department has published annual M&E reports both for the central ministry covering the whole education system as well as for each district with a strong focus on school, teacher, and student performance.

With the new Education Sector Plan (EDSP III) entering into force in 2014, there was a need to review the education M&E system in order to transform it into a Results-Based M&E System.

Results-Based Monitoring and Evaluation framework for the Education sector (2014-2019)¹⁹

The new M&E system was developed in the course of 2014²⁰ and is closely aligned with the new planning logic of the new sector plan in terms of Program Goals and Objectives. Linking the M&E system directly to the service-delivery programs will allow institutionalizing the result based management approach (RBM), which the ministry has begun to gradually adopt in all its operations and management.

The main objectives of the new M&E system are:

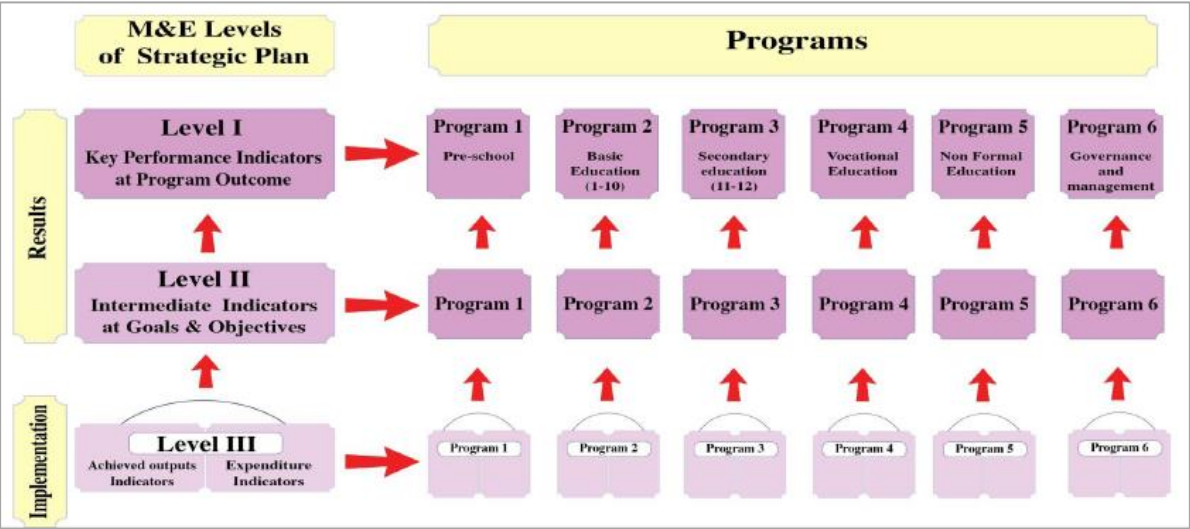
- Strengthening results-based management and accountability across the education system
- Assessing suitability of adopted policies through verifying the correlation between implementation and results (objectives, goals, and program outcomes) and providing reasons in case of deficiencies
- Tracking the achievement level of program outputs, objectives and goals
- Using the annual M&E evidence as reference points during the annual planning cycle and for policy making and management

The M&E system has been reorganized to track the program outcome, goal and objective level as well as output implementation and expenditure level for each program as indicated in the figure below.

¹⁹ Sources: (a) Education Sector Development Plan 2014-2019, (b) M&E Results Report for Education for 2013, MoEHE – April 2014

²⁰ As a priority activity under program 6 'management and administration' of the new EDSP.

Figure 7: Result-Based Monitoring and Evaluation System of the EDSP III



Source: EDSP III – 2014-2019 (MOEHE – 2014)

M&E indicators are classified into three levels according to the result chain, the first level includes Key Performance Indicators (KPI's) at each program linked to the program purpose (i.e.: outcome), and the second level presents indicators at program goals and objectives, while the third level handles the output and expenditure indicators. The program-level outputs, objectives and goals can be fully controlled, while the levels of outcome can only be influenced. Impact goes beyond each program and refers to the system-wide performance that is subject to external factors as well.

At this moment the M&E Department is compiling the M&E report on education performance in 2014, which will constitute the baseline for the new EDSP (M&E report expected by June 2015). The new programme structure and its M&E setup of the EDSP III may lead to some extent to a rupture in the M&E methodology and data gathering used under EDSP II. This could mean that for certain programmes and objectives and goals within these programmes, baseline data need to be developed or that the evolution of certain aspects of the education sector will be hard to interpret between progress markers (.indicators) or KPI in EDSP II and those of EDSP III.

M&E Framework at EU Level

Late 2014, the EU developed in consultation with its member states and the Palestinian Authority a Results-Oriented Framework (ROF) as part of their direct support to Palestine (PEGASE). The ROF constitutes the new policy and results framework for the EU's high-level policy dialogue with the PA. At the end of March 2015 the ROF was finalised for all sectors and endorsed by the EU and the PA. A nine-month pilot phase in 2015 (01/04-31/12/2015) will allow for adjustments following preliminary lessons learnt.

Education has been retained as one of the social sectors to monitor, together with health and social protection. The following three main priorities and indicators have been identified to feed into the policy dialogue:

Table 7: Results-Oriented Framework EU – Priorities and indicators for education

Priority 1: Curriculum Reform			
	<i>Indicator</i>	<i>Target by 31/12/2015</i>	<i>Source of Validation</i>
Indicator 4.1	An overarching framework of the curriculum reform for grades 1-12 is adopted	Milestones: 1. An analysis of the existing curriculum is performed 2. An overarching framework of the curriculum reform for grades 1-12 is developed (philosophy, guiding principles, objectives, costed and phased)	MOEHE reports
Priority 2: Management Reform			
Indicator 4.2	A new organisational model for the education sector that integrates service-delivery structure and program-based approach is adopted	Milestones: 1. A new organisational model is developed 2. The model is adopted by the Cabinet following wide stakeholders consultation	MOEHE reports
Priority 3: Quality of school infrastructure			
Indicator 4.3	Percentage of classrooms that are meeting the national standards of educationally enabling classrooms (composite indicator).	<i>national baselines and targets to be added</i>	MOEHE reports

Source: EU 2015

3.4.3 Donor Coordination & Policy Dialogue arrangements

The Partnership Principles for the Palestinian Education Sector set the framework for policy dialogue and coordination in education. Support by education development partners is implemented through the sector wide approach (SWAp).

Most of the SWAp structures are well established and the framework is largely owned and appreciated by MOEHE. Nevertheless, it can be stated that more efforts and commitment are needed to improve the quality of the sector dialogue as well as of the donor coordination.

Since September 2014, Belgium is leading the education SWAp as ESWG's co-chair. Given the valuable support of Belgium to the sector, partners at different levels have high expectations on the reforming surge that Belgium will trigger and accompany as co-chair in the coming year.

3.4.3.1 Policy Dialogue in Education

Legal Framework: 'Partnership Principles on coordination and harmonisation in education'

The Partnership Principles provide the legal framework for the policy dialogue between the MOEHE and the development partners. Following the endorsement of the new EDSP III, a new version of the

Partnership Principles (PP) for the period 2014-2019²¹ was signed on 17 September 2014.

The document outlines the principles for aid management, coordination and harmonisation of support to the EDSP III as well as the obligations and expectations of the PA and the development partners under the SWAp. By committing to the respect of these principles, development partners compel to align to the national strategy and system, which means supporting the programs under EDSP III and using as much as possible government financial and reporting procedures. In these regard, although the PP does not prescribe a specific financial modality, it encourages the development partners to use “*the central treasury account and education sector budget support*” (like the JFA).

Finally, whereas the MOEHE assumes the overall responsibility for the implementation of the sector plan, the PP is explicit about the mutual responsibility for both PA and development partners.

Reform of the education policy dialogue

Despite an established structure for dialogue and open discussions, the SWAp has not being able yet to meet its expectations. Lack of coordination, problematic alignment, real policy dialogue limited to larger donors and JFPs are some of the factors that have contributed so far to its underperformance. In order to tackle these shortcomings, on the momentum provided by the new sector plan and the new ESWG co-chair, development partners, MOEHE and MOPAD agreed late 2014 to move forward on the reform of the SWAp framework. The aim of the reform is to:

- Increase coordination and planning by MOEHE (amongst MOEHE departments, amongst development partners, and between development partners, MOEHE and other ministries).
- Better align external support to the education sector to EDSP priorities.
- Guarantee more inclusive membership of the dialogue, by including all stakeholders in the education sector (in particular also CSOs, universities).
- Set-up a functional system of technical and thematic working groups at sub-sector level (TTGs – see below) to ensure a better quality of technical discussions.
- Ensure linkages with other coordination mechanisms (e.g. humanitarian interventions)

The reform is laid down in new Terms of Reference (ToR) for the ESWG that were discussed during the ASR in September 2014 and they are expected to be finalised and endorsed by the second semester 2015.

Policy Dialogue Structures

Education Sector Working Group (ESWG)

The regular dialogue takes place at the Education Sector Working Group (4 times per year). The ESWG is set within the Social Development Sector Group under the aid coordination structure for Palestine for which the secretariat is done by the Local Aid Coordination Secretariat (LACS).

The ESWG is the platform for sector coordination and policy dialogue in the education sector. It facilitates information exchange and dialogue on programs, policies, research and analysis in order to strengthen the SWAp and to align support to MOEHE priorities as outlined in the sector plan.

The ESWG is co-chaired by MOEHE (Chair) and Belgium (Co-Chair), with UNESCO being the Technical Advisor and LACS responsible for the secretariat. Since the recent reform, ESWG membership is open to all stakeholders as long as there is regular engagement in the form of analytical and financial added value to the sector. Members include: MOEHE, MOPAD, bilateral and multilateral donors and agencies, national and international NGOs, as well as education institutions.

²¹ The previous version of the Partnership Principles was signed in 2008.

Core Group of the ESWG

The day-to-day coordination and dialogue is taking place at the meeting of the Core Group of the ESWG. The Core Group is a small and more regular meeting composed of MOEHE (Chair), Co-Chair (Belgium), Technical Advisor (UNESCO), MOPAD, JFA focal point (KfW), and LACS. The Core Group prepares and follows-up on the ESWG and the ASR, and addresses urgent issues in the sector.

Technical Thematic Groups (TTGs)

Increasingly, the ESWG's functioning should be based on Technical Thematic Groups, where the technical dialogue takes place. The role of the TTGs is to discuss and monitor progress in thematic areas or sub-sectors, and to provide advice and recommendations for decision makers. As such, the TTG is the technical arm of the ESWG to which it provides technical expertise. Such a set-up will ensure a deeper level of understanding and a higher level of quality of information.

With the recent reform of the ESWG, it was decided to establish pilot TTGs on 'primary education' and on 'inclusive education'. Discussions are also ongoing to establish a third working group on 'emergency education' that should take over the functions of the Education Cluster for humanitarian support to education. Moreover, and probably more relevant provided the current challenges of the sector, MOEHE indicated they would like to establish TTGs on (a) Technical and Vocational Skills Development, (b) Teacher Education, and (c) Curriculum Reform.

Each TTG is chaired and co-chaired by respectively MOEHE (chair) and a development partner (co-chair), and members should be active and knowledgeable stakeholders in the specific area. It is too early to be conclusive on the success of the TTGs but it is safe to state that functionality is variable, and success depends from the active involvement by MOEHE staff and a committed development partner (e.g. UNESCO for inclusive education). Belgium is currently not co-chairing a TTG but can consider to actively supporting one TTG when they are established in the near future (on TVSD, Teacher Education or Curriculum Reform).

Annual Sector Review and AWPB Meeting

The annual sector review represents a critical moment for the MOEHE and the development partners to assess the progress achieved towards the annual objectives and to fine-tune the activities to carry out during the rest of the year. The ASR usually takes place upon completion of the annual progress report and the annual M&E report. However, the ARS calendar has not been so regular so far. For instance, in 2014 the ASR took place in September 2014 (exceptionally late due to the delayed approval of the new EDSP and the war in Gaza). In 2015 it is expected to take place again in September due to the late release of the reports mentioned above. Timing aside, the key issue is the quality and the usefulness of such event. Despite the transparent and open dialogue between the MOEHE and the development partners, it is crucial for the MOEHE to continue to work on the technical preparation and the follow-up of the ASR recommendations, which implies the deployment of enough human resources.

A specific annual ESWG meeting is dedicated to the discussion on the AWPB. This usually takes place in the fourth quarter of the year (October) after the submission to the partners of the draft budget for the following fiscal year (n+1). This meeting is fundamental for the JFPs as it allows to critically discussing the JFA funds' orientation and, more specifically, their allocation to the different EDSP programs and activities.

The ROF high-level policy dialogue

As anticipated under § 4.4.2, late 2014, the EU developed in consultation with the other development partners a Results-Oriented Framework (ROF) as part of their direct financial support to Palestine

(PEGASE), which constitutes the new policy and result framework for the EU's high-level policy dialogue with the PA. The aim is to guide a more structured, coherent, results-oriented policy dialogue with stronger M&E of PA's achievements in key areas such as i) on macroeconomic, fiscal and public administration, and ii) on service delivery, which includes the education sector.

As ESWG co-chair, Belgium will play a central role in this new policy dialogue structure both in terms of monitoring and reporting on the education indicators and to lead negotiations with the MOEHE on behalf of the EU and the member states. Belgium will thus lead the monitoring and policy dialogue for the education section of the ROF.

3.4.3.2 Donor Coordination

Donor Coordination in the PA

The existing aid coordination structure in the PA, set up in December 2005 following the decisions made at the meeting of the AHLC, rests on the following bodies:

- A Local Development Forum (LDF), which is open to PA representatives and all donor and aid agencies, as well as to the representative of AIDA. The LDF is co-chaired by the MOPAD together with Norway, the World Bank and the UNSCO.
- Four Strategy Groups (SGs), which focus on policy formulation and programmatic coordination in the field of: i) economic policy, ii) governance, iii) infrastructure development, iv) social development and humanitarian issues. These 4 SGs are supported by 12 Sector Working Groups (SWGs) and one working group reporting directly to the SGs. A specific education sector working group (ESWG) is set within the Social Development SG.
- A Task Force on Project Implementation (TFPI), which liaises with the Government of Israel on issues of project implementation and includes USAID, UNSCO, the World Bank.
- All these bodies are supported by the Local Aid Coordination Secretariat (LACS), which can rely on a staff funded by Norway, World Bank, UNSCO, USAID and Germany.
- Concerning Education, as anticipated above, This SG is co-chaired by the Ministry of Social Affairs and UNESCO. The ESWG is currently co-chaired by Belgium and the MOEHE, with the UNESCO being the technical advisor.

Donor Coordination in the Education Sector

Based on the cross country experience of BTC, it can be stated that the harmonisation between education development partners in Palestine is not as structured or streamlined as in other countries. Although, ad hoc meetings are organised on specific topics, information is shared, and some joint donor positions have been developed (e.g. on TVSD), there isn't yet a formal donor coordination structure at sector-wide level outside the joint SWAp structures. As a matter of fact, at the moment two main operational platforms for donor-coordination exist (at sub-sector or program level only), namely:

- Joint Financing Partners (JFPs) of the JFA meet on a regular and formal basis to monitor progress on implementation and to prepare the dialogue with MOEHE and MOF. Members are Finland, Germany, Norway, Ireland and Belgium
- There is an informal coordination platform for donors supporting Technical and Vocational Skills Development (TVSD). Members are Belgium, Germany, Switzerland and EU.

JFA Coordination

As anticipated here above, the meeting of the Joint Financing Partners of the JFA is one of the two

operational donor coordination structures in education. The current five JFPs have each a JFA representative (or two) working in Jerusalem or Ramallah. Norway, Finland and Ireland rely on their cooperation representatives at the diplomatic mission. KfW has a Programme Manager, who is in charge of the whole KfW portfolio in West Bank and Gaza, and a Programme Assistant dedicated to the JFA. KfW gets hands-on support from headquarters staff on procurement, audit, and infrastructures' related issues. Belgium relies on the collaboration of the Belgian Consulate (so far delivered by the Head of Cooperation) and the JFA education advisor. .

In order to facilitate coordination and communication within the JFP group as well as with the MOEHE and external actors, JFPs are represented by a Focal Point, currently KfW, which stays in place for a maximum of two years²². Its main responsibilities lay in the financial management of the basket fund, which implies the non-objections on the procurement, the follow-up on the financial reporting, the coordination of replenishments and disbursements to and from the JFA account and the audit exercises.

Although the coordination among JFPs has proved to be fruitful so far and with no major internal conflicts, there is a need for a clearer division of labour between the JFPs as the workload for the Focal Point is increasing every year. Furthermore, with the JFA supporting more quality related activities (moving away from supporting school infrastructure) and the focus being more on the foundational reform of the education system, the policy dialogue of JFA is increasingly becoming technical (e.g. curriculum reform). This requires more technical dialogue on a wide range of topics. It is impossible for the Focal Point to lead this dialogue on behalf of the other JFPs. Based on the information collected during the formulation mission, it seems that JFPs agree to a large extent on the need to rethink the current modus operandi and maybe to identify new roles within the JFP group. For instance, by splitting and strengthening the tasks expected by the focal point, which should not merely be limited to financial management. This would enable them to better cover the wide spectrum of activities and policy topics related to the JFA and to make their policy dialogue more efficient and effective. At the same time, the nature of the JFA is budget support and JFPs should avoid becoming too much involved in management issues.

The technical expertise provided by Belgium so far is deemed by the JFPs (and the MOEHE) as highly valuable. As a matter of fact, the 4 other JFPs don't have experts in the field, and have to rely on expertise in their headquarters.

²² He deals with the MOEHE and the other partners based on specific ToRs.

4 Risk assessment and Mitigating Measures

This section summarises in a table the key risks and the related mitigating measures.

Category Risk	Description	Rating	Mitigating Measure
Political	The feeble prospect of a peace-settlement with Israel, further exacerbated by the ongoing suspension of the peace talks, the lack of official political elections and the fragile situation in Gaza where violence could easily flare up again are some of the key factors that make the political situation in the Palestinian Territory highly uncertain and vulnerable. However, this situation can be deemed 'endemic' to the Palestinian context, which is used to perform in this fragile outlook.	Substantial in general; Average regarding the JFA – implementation	Continuous support from the donor community to the peace reconciliation process.
Macro-economic	Fiscal sustainability represents the major threat to the PA's economy. The dependency of the PA-budget on external funding and clearance by the Israeli customs makes the budgeting process and implementation rather unpredictable.	Substantial in general, low with regards to the JFA - implementation.	MOF actively working on ways to alleviate the debt service burden through a securitisation program. Continuous support of the donor community to maintain aid flows and ensure the smooth functioning of the PA's institutions (in the short term) Maintain financial / budget support to the PA budget (JFA, PEGASE) Policy dialogue and technical support to help the PA to move on the medium term towards a more viable financing model, combining lower deficits and more 'investment' spending (rather than recurrent spending).
Sector Policy's Quality	Overall, sound sector policy and long term strategy. High political commitment towards the three main sector reforms. Increasing focus on quality of education. Main shortcomings in terms of:	Low	Technical and Policy dialogue through the Consulate-General and education experts of JFA and ECIB insisting on coordination on TVET with MOL and private TVET providers and for an Institutionalisation of a sector-wide TVET working

Category Risk	Description	Rating	Mitigating Measure
	<p>Uncoordinated actions and planning for TVET due to weak institutional coordination and linkages with MoL on TVET</p> <p>Internal sector coordination and planning in the given institutional context with 3 systems (public, private and UNRWA) is challenging;</p> <p>The feeble control of the MOEHE on specific geographical areas in east-Jerusalem, Area C and Gaza.</p>		<p>group.</p> <p>Technical dialogue by the education expert and Consulate-general (and possibility to launch specific studies or recruit external expertise) with the MOEHE on improving internal coordination with UNRWA and private schools, especially regarding the curriculum reform and school restructuring.</p> <p>Technical and policy dialogue with other donors, to increase attention to these areas.</p>
Sector Dialogue's Quality	<p>Despite an established structure for policy dialogue, the education SWAp and policy dialogue is not always as dynamic and effective as should be. Not all actors show the same level of effort and commitment to invest in the sector dialogue. The 'cost of coordination' for MOEHE is high because of the high number of actors and reforms that are taking place concurrently. Donor coordination (outside the joint SWAp structure) is not taking place systematically nor formally (except in TVET and JFA).</p> <p>Related, technical discussions at the level of sub-sector working groups (TTG) are not yet taking place in a formal and systematic way.</p>	Low to average	<p>As sector lead for the education sector, Belgium actively supports the ongoing reform of the education SWAp (ESWG).</p> <p>Belgium can stimulate more coordination and harmonisation at the level of the development partners by setting up a regular platform for donor coordination at sector level (meetings without partner).</p> <p>Education development partners and MOEHE need to prioritize the number of reforms and issues in the policy dialogue to make sure it remains manageable (not overload the agenda).</p> <p>Belgium to actively support one or two Technical Thematic Groups (sub-sector working groups) in the near future (TVSD or Teacher Education)</p>
M&E of the sector	<p>The baseline of the new ESDP III is 1 year late, Baseline and targets to be presented in June 2015.</p> <p>Risk of new M&E tools compared to the M&E of the EDSP II, misrepresenting evolutions in the sector performance.</p>	Low to Average	<p>Belgium will scale up its dialogue and coordination in the area of M&E in education for the following reasons:</p> <ul style="list-style-type: none"> • Many developments in the area of M&E related to the education sector (new M&E system for MOEHE, ROF of EU, DLI for JFA) • To continue the efforts and progress that have been

Category Risk	Description	Rating	Mitigating Measure
			<p>made concerning an integrated and aligned approach of M&E in both the ECIB and E-Learning intervention with the relevant departments of the MOEHE.</p> <ul style="list-style-type: none"> • Direct link between M&E and the Belgian support to JFA (and PEGASE) <p>Therefore, BTC will conduct more analytical work on the M&E system in education in the first half of 2015 (an external consultancy is being considered). In this respect, there is an opportunity for a Junior Assistant (JA) focussing on the area of information and knowledge management and sector M&E. This will strengthen the dialogue on M&E and its findings.</p>
Effectiveness of Public Administration	<p>Despite the improvement overtime, the budget execution is still rather slow. School infrastructures' related activities are implemented on time and according to the implementation plan whereas the other programs tend to lag behind.</p> <p>Not fully effective internal controls.</p>	Low	<p>Strengthening of the policy dialogue and of the technical support through the set-up of a 'Resulted-Oriented-Framework' to sustain the PA to achieve fiscal consolidation and policy reforms with a focus on transparency and accountability (including fiscal issues related to domestic revenue mobilisation); public finance management and civil service reform.</p>
Budget of the Sector	<p>There is a high likelihood that part of the EDSP III might be only partially implemented due to the lack of appropriate domestic development budget.</p> <p>It is unclear if budget consequences on recurrent costs of reform programmes such as the school restructuring reform have been incorporated in the education budget.</p>	Average	<p>Policy dialogue insisting on crucial reforms regarding quality as well as efficiency of education.</p> <p>Prioritisation of reforming actions according to available budget.</p> <p>Ensure continuous financial support to the MOEHE in order to allow them to execute the EDSP III.</p>
Corruption and Fraud	<p>The WGI rank along this dimension has improved over time in tandem with the implementation of its reform program to</p>	Average in general,	<p>Belgium should continue to play a central active role in the anti-corruption debate by promoting events and supporting</p>

Category Risk	Description	Rating	Mitigating Measure
	strengthen the PFM. Key elements of this reform in recent years have been the strengthening of internal controls, gradually developed an internal audit service and increased the scope of external audits conducted by the Stat Audit And Administrative Control Bureau (SAACB). A new public procurement act that meets with international (OECD) best practice principles will be implemented during the coming year. Following the anti-corruption law of 2005, an autonomous Anti-Corruption Commission (ACC) was established which has gradually increased its capacity in assessing and processing cases of corruption. A National Strategy on Anti-Corruption (2012 –2014) is currently under implementation, which among others focuses on disclosure of information by reporting on cases of corruption and their follow up by ACC, PA and the legal system. In 2012 a Ministerial Committee was established to implement the United Nations Convention Against Corruption (UNCAC) with the ACC as chair to advance the strategy further to comply with the convention. In total the above are likely to improve oversight and reduce risks of corruption over time.	low for JFA (based on ex ante and ex post control)	<p>local initiatives.</p> <p>Policy dialogue on key actions such as strengthening of internal controls and gradual development of an internal audit service in all PA institutions; increasing the technical capacity of the SAACB.</p> <p>Provision of a PFM expert to monitor evolutions in the sector, and advise the Consulate and JFP's on PFM core issues.</p> <p>The JFA also foresees the possibility for additional audits and control instruments on demand of the JFP's.</p>
Overall Risk	<p>Although certain weaknesses in sector policy, sector performance and PFM are documented, the overall risk is considered low to average.</p> <p>Some risks are out of the JFA or Belgian sphere of control (macro-economic context and political context), but are not likely to have an immediate effect on the sector's performance and JFA's implementation.</p> <p>The two audit reports of the MOEHE also learn that in general, the risk of financial mismanagement of education</p>	Low to average	<p>The provision of technical expertise in the field of education and PFM will allow Belgium to mitigate the relevant risks for the JFA. These actions and measures will be implemented in close partnership with the JFP's. For any fiduciary risks, Belgium will closely cooperate with KFW, and the PFM expert will closely monitor, report and advise Belgium and BTC on financial evolutions and fiduciary risks in the sector.</p> <p>For 'technical risks and evolutions' of the EDSP, the education sector expert will closely liaise with all donors and</p>

Category Risk	Description	Rating	Mitigating Measure
	<p>sector funds is limited. For the JFA-funds, these risks are even lower, given the ex-ante and ex-post control by the JFPs, and the fact that the KFW procurement rules are followed.</p> <p>Regarding the risks and weaknesses of the sector policy, one can confidently state that these are not jeopardizing the overall sector performance, and are well known by DP's and MOEHE. There is also a clear will, mutual respect and confidence between the DP's and the PA to discuss and tackle risks and weaknesses.</p>		<p>the MOEHE, and monitor, report and advise to the CG and BTC.</p>

Risk monitoring and reporting:

The risks above will be monitored by BTC on a periodical basis in order to:

- Check that identified risks are being adequately managed,
- Assess the implementation progress of the mitigating measures, and
- Identify any new risks or changes in circumstances

This work will be summarised in the Annual Report.

5 Disbursements

5.1 Conditionalities

The proposal of the disbursement conditionalities is based on the JFA agreement, the Vademecum for Belgian Budget Support (2008) and its Annexes (2011), and the 2014 Note of the Inspection of Finance on the audit. They are aligned as much as possible to the PA fiscal year and reporting system and they are shaped according to the nature of the JFA, which rests on a reimbursed based mechanism.

It is suggested that the disbursement of the next financial instalments will be linked to the achievement of the following two conditions:

- Annual Education Development Strategic Plan (EDSP) progress report for the fiscal year Yn-1, available in April Yn
- Positive Audit Yn-2 or subsequent²³.

As spelled out in the Note of the Inspection of Finance (2014), a positive audit is:

- an audit report ‘clean’ or ‘unqualified’;
- an audit report with qualified opinion(s), but provided with a sound management response, which is discussed with the development partners. In this specific case, the disbursement will be done only upon submission of both documents, the audit report and the management response and upon indication that no objection has been raised on this latter.

In case of negative audits, which refer to the case of ‘Adverse Opinion’ or ‘Disclaimer of Opinion’, there will be a temporary suspension of the budget support. Development partners will consult on the actions to be taken and the conditions to be met to activate again the budget support. The Belgian Vademecum on Budget Support provides the legal framework on the subject.

5.2 Financial planning

The table here below shows the timing of Belgian disbursements to the FCA for the period 2015-2017. The complete calendar for the coming years and the total amount is given to provide some predictability. It is proposed to follow the same disbursement mechanism of the other JFPs, which implies one annual disbursement to the FCA²⁴.

The table here below summarises the total contribution of each JFP over the period concerned.

²³ As foreseen in section 3, paragraph 19 of the Memorandum of Understanding of the JFA 2 (signed in 2014), “*the annual contributions of the Joint Financing Partners may be subject to (...) national appropriation rules*”. In the case of Belgium, this implies that the Vademecum regulations can be applied to the disbursement conditionality of the audit (i.e. positive audit Y-2 or subsequent).

²⁴ Norway available to disburse twice a year based on absorption capacity.

Table 8: JFPs Commitment 2014-2019

EDSP III 2014-2019	Belgium	Finland*	Ireland*	Norway*	Germany (KfW)* *
2014	1.5 M€ ²⁵	18 M €	18 M €	21.6 M €	46 M €
2015	9 M €				
2016					
2017					
2018					
2019	Next CP				

Source: BTC own elaboration based on KfW figures

* Finland and Ireland have committed 3 M€ per year. However, actual commitment is confirmed on an annual basis depending on JFA actual execution and absorption capacity.

Norway as an average annual commitment of approximately 4 M€ per year. As for the other JFPs, the commitment is confirmed throughout the year according to JFA absorption capacity. In case of low execution, funds are channelled to the project 'Enhancing Education in East Jerusalem' or to a number of Norwegian NGOs active in the education sector.

** Germany does not have a fixed annual allocation. They have a total indicative commitment for the whole period to be reassessed annually based on the actual absorption capacity of the JFA and the needs of the other KfW projects. The annual average commitment is estimated at 10 M€.

For 2015, the following disbursement schedule is foreseen:

Table 9: JFPs Disbursement 2015

	Belgium	Finland*	Ireland*	Norway*	Germany (KfW)* *
2015	3 M €	3 M €	3 M €	3.4 M €	13 M €

In agreement with the other JFPs, it is suggested that Belgium releases its financial contribution in the second semester 2015.

²⁵ It is worth noting that the total amount disbursed so far by Belgium through the JFA is €3M. The first instalment of € 1.5M has been disbursed in 2013 in support of the EDSP II, 2008-2012, which was extended until the end of 2013. The second instalment of € 1.5M has been disbursed in 2014 in support of the EDSP III 2014-2019.

6 Annexes

6.1 Annex 1: Draft Specific Agreement

SPECIFIC AGREEMENT

BETWEEN

THE KINGDOM OF BELGIUM

AND

THE PALESTINIAN AUTHORITY

CONCERNING THE

“JOINT FINANCING ARRANGEMENT - JFA”

The Government of the Kingdom of Belgium, hereinafter referred to as “the First Party”

And

The Palestinian Authority, hereinafter referred to as “the Second Party”

Both Parties jointly referred to as “the Parties”;

Considering the existing relations of friendship and solidarity between the two Parties;
Considering the General Agreement of Cooperation between the Parties signed in Ramallah on November 12th, 2001;
Reference to the fourth meeting of the Belgian-Palestinian Cooperation Joint Committee held in Ramallah on November 23rd, 2011, and in particular to the Indicative Development Cooperation Programme 2012-2015;

Considering the JFA for support to the Education Development Strategic Plan (EDSP 2014-2019) signed by Norway, Finland, Ireland, Belgium and Germany/KfW on the 20th of October 2014.

Hereby agree on the following provisions:

Article 1: Definition and objectives of the agreement

This Specific Agreement concerns the participation of Belgium in the realization of the objectives of the Joint Financing Arrangement (JFA).

The overall goal of the JFA is to financially and technically support the implementation and the management of the EDSP 2014-2019.

Article 2: Responsibilities of both Parties

2.1 The First Party designates:

2.1.1 The “Directorate General for Development Cooperation”, of the Federal Public Service Foreign Affairs, Foreign Trade and Development Cooperation, hereinafter called DGD, as the Belgian administrative entity, responsible for the Belgian contribution. DGD is represented by the Consulate-General for International Cooperation based in the Consulate general of Belgium in Jerusalem.

2.1.2 The DGD designates the Belgian Technical Cooperation, hereinafter referred to as “BTC”, as the Belgian entity responsible for the Belgian participation in the monitoring of the implementation of the JFA and the transfer of funds. BTC is represented in Jerusalem by its Resident Representative.

2.2. The Second Party designates:

2.2.1. The Ministry of Finance as the Second Party's administrative entity, responsible for the financial management of the JFA.

2.2.2. The Ministry of Education as the Second Party's entity responsible for the implementation of the JFA.

Article 3: Contribution of the Parties

The Belgian grant contribution to the JFA is € 9,000,000 (nine million euros) for the financial year 2015, 2016 and 2017. The Belgian contribution will contribute to an annual increase in the allocation to the education budget during that year. The Belgian contribution will be transferred in one instalment per year.

The first instalment of 3 Million Euro will be transferred after the signing of this Specific Agreement in the second semester of the fiscal year 2015, and upon approval of the.

- Annual EDSP report for the fiscal year Yn-1, available in April Yn
- Positive Audit Yn-2 (or the most recent audit report)

The second and third instalment of 3 million Euro each for FY 2016 and FY 2017 will be transferred in the third quarter of that fiscal year, upon achievement of the same conditions.

The First Party will transfer its contributions to a "Foreign Currency Account" bank account with the Ministry of Finance.

Within a month from the transfer being made by the First Party, the Ministry of Finance will issue a receipt to the BTC Resident Representative in Jerusalem, confirming the amount received and the bank account to which it was lodged.

Article 4: Monitoring, Control and evaluation

4.1 The Parties shall take all necessary administrative and budgetary measures to achieve the objectives of this Specific Agreement, including technical, administrative and financial monitoring and evaluation, as mentioned in sections 8, 9 and 10 of the JFA. The Parties shall inform each other about the results and possible recommendations of these control and evaluation exercises.

4.2 A Joint Education Annual Sector Review (ASR) will review the performance of the sector during the previous year and agree on sector priorities and resource allocation for the next financial year.

4.3 BTC is responsible for the Belgian participation in the monitoring of the implementation of the JFA in close collaboration with the Consulate-General for International Cooperation at the Consulate general of Belgium in Jerusalem. The Belgian technical expertise, provided by BTC and based in Jerusalem, will also work with the other Development Partners and within the existing framework of monitoring mechanisms.

4.4 The Belgian focus in policy dialogue will be on quality aspects of education as given in the specific objectives of the EDSP.

Article 5: Entry into force, Duration, Modifications and Termination

- 5.1. This Specific Agreement will enter into force on the date of its signature by both Parties.
- 5.2. This Specific Agreement is valid for a period of 48 months starting from its date of signing.
- 5.3. The provisions of this Specific Agreement may be modified by mutual agreement between the Parties, through an Exchange of Letters.
- 5.4. Any disputes related to the application and interpretation of this Specific Agreement shall be settled through bilateral negotiation.
- 5.5. This Specific Agreement may be denounced by each of the Parties, through verbal note, subject to a six months' notice.

Article 6: Notifications

The notifications under this Specific Agreement, especially those containing articles related to its amendment or its interpretation shall be communicated through diplomatic channels at the following addresses:

Concerning the First Party:
To the Consulate general of Belgium in Jerusalem, to the attention of the Head of Development Cooperation.
Address:

Concerning the Second Party:
To the Ministry of Planning and Administrative Development;
Address:

To the Ministry of Education
Address

Article 7: Final dispositions

Done in Ramallah, on the... .., in two originals in the English language, both equally authentic. Each Party hereby acknowledging receipt of one original copy.

Authorized Signatories for each Party:

For the Palestinian Authority

For the Government of the Kingdom of Belgium

H.E.
Minister of State for Planning Affairs

H.E.
Consul General of Belgium In Jerusalem

H.E.
Minister of Education

H.E.
Minister of Finance

6.2 Annex 2: Implementation Agreement Financial Plan

Implementation Agreement Financial Plan

PZA 15035 11 JFA II

Code Budget	Description des postes budgétaires	Code Tâche	Code Secteur	Coût unitaire	Coût unitaire	Nombre	Cout total contribution Belge	2015		2016		2017		2018	
								1ier semestre	2ième semestre	1ier semestre*	2ième semestre	1ier semestre	2ième semestre	1ier semestre	2ième semestre
	PRIX: EXPERTISE														
A_01_01	Expert(e) technique education (homme habillé)	Régie	11000	mois	15.000	42	630.000	0	90.000	90.000	90.000	90.000	90.000	90.000	90.000
A_01_02	Expert(e) technique PFM (homme habillé)	Régie	11000	mois	15.000	36	540.000	0	45.000	90.000	90.000	90.000	90.000	90.000	45.000
A_01_03	Mission des experts	Régie	11000	an	3.000	4	12.000		3.000		3.000		3.000		3.000
A_01_04	Coûts de fonctionnement (communication,bureau, équipements, transport...)	Régie	11000	mois	2.500	39	97.500	0	7.500	15.000	15.000	15.000	15.000	15.000	15.000
A_01_05	Investissements (achat: auto, informatique de bureau, mobilier, ...)	Régie	11000	LF	40.000	1	40.000	0	30.000	4.000		3.000		3.000	
A_01_06	Mission Expert CTB Siege (Revue annuelle education; Session ESWG planification)	Régie	11000	mission	2.500	7	17.500	0	2.500	2.500	2.500	2.500	2.500	2.500	2.500
A_01_07	Consultance(Audit technique, analyses financieres, évaluation, ...)	Régie	11000	an	25.000	3	75.000	0	0	25.000	0	25.000	0	25.000	0
	SOUS TOTAL PRIX						1.412.000	0	178.000	226.500	200.500	225.500	200.500	225.500	155.500
B_01_01	DON: CONTRIBUTION AU "PROGRAMME"														
	Art. 3 point 3.5 Convention Spécifique	Aide budgétaire	11000				9.000.000	0	3.000.000	0	3.000.000	0	3.000.000	0	0
	SOUS TOTAL DON						9.000.000	0	3.000.000	0	3.000.000	0	3.000.000	0	0
	TOTAL						10.412.000	0	3.178.000	226.500	3.200.500	225.500	3.200.500	225.500	155.500

6.3 Annex 3 : ToRs of the Belgian Expertise

6.3.1 Terms of Reference of the Education Expert

The Education Expert will monitor the education sector, follow the JFA operations and provide technical expertise on education issues to the Belgian Cooperation, the Development Partners and the Palestinian Authority, in particular the MOEHE.

The Education Expert will work at the BTC representation in Jerusalem under the administrative supervision of the BTC resident representative (RESREP) and the functional guidance of the Belgian Consulate-General. The Education Expert will work in collaboration with the PFM expert, as well as with other Technical Assistants supporting Belgian interventions in the education sector.

Tasks

Support to the Belgian Development Cooperation

- Provide technical / policy advice to the Consulate-General with regards to the Belgian position on policy issues related to the education sector;
- Report to the Consulate-General and the Budget Support Working Group with regards to programme implementation and policy dialogue, as provided for in the Vademecum for Budget Support, in close collaboration with the PFM expert;
- Report about the opportunity of disbursement of the different Belgian instalments. The Education Expert will systematically check together with the PFM expert whether the conditions for disbursement as defined in the Specific Agreement are met. Both experts will then jointly formulate a clear advice to the Consulate-General in this respect;
- Support capitalisation in order to feed into current and future Belgian interventions in education through documenting the implementation process and exchanging experience; exchange expertise and programme results with other Belgian actors involved in the education sector and / or in budget support modalities;
- Relate and coordinate with the running Belgian bilateral education projects to formulate advice based on the lessons learned within the projects, to ensure a common position in policy dialogue, to monitor progress of the EDSP and of the Belgian education portfolio.

Support to the education SWAP coordination and policy dialogue

- Actively support donor coordination towards an active partnership approach to program follow-up and policy dialogue with the Palestinian authorities;
- Ensure good relations and continuous dialogue with the main stakeholders in education, and in particular:
 - The Palestinian Authority: mainly the Ministry of Education and Higher Education, the Ministry of Planning, the Ministry of Finance, the Ministry of Labour
 - The Joint Financing Partners (JFPs) of the JFA
 - The Development Partners, in particular with those participating in the Education Sector Working Group (ESWG) and the Technical Thematic Groups
- Ensure common understanding and contribute to common positions with the JFPs of the JFA.
- Ensure follow-up and analysis of EDSP and JFA implementation and reporting;
- Actively participate in the technical workgroups responsible for the program follow-up in which the expert can provide positive contributions;

- Actively participate in the meetings of the Education Sector Working Group (ESWG), the Core Group, the JFP and JFA meetings and other relevant policy dialogue fora in education. This includes participation in high-level fora of the policy dialogue related to the education sector (like EU ROF dialogue) – upon request of the Consulate-General.
- Support the Consulate-General in their function of co-lead of the ESWG;
- Participate in the organization of Annual Sector Reviews and joint field visit.

Support to the JFA program, and the overall functioning of the Palestinian education system

- Upon request of the partners, play a facilitating role with regards to inter and intra-ministerial coordination for the overall Education Sector dialogue;
- Monitor identified risk factors, and constructively collaborate with the partner authorities and JFPs within the program dialogue and implementation of programs to mitigate risks, in particular:
 - Pay attention that JFA and EDSP program implementation shifts towards quality improvement and the expansion of TVET in Palestine;
 - Facilitate the improvement of the Monitoring and Evaluation system in education;
 - Contribute to institutional capacity development at both central and decentralized levels.
 - Ensure exchange and coordination with the management team of the MOEHE
- Facilitate the resolution of bottlenecks, where needed;
- Support coherence and linkage of the JFA with the other Belgian ongoing education projects and other relevant programs and projects;
- Where possible, take initiative for research and empirical studies in the education sector.

Profile

- Master of Arts / Master of Science degree in social sciences, preferably in education sciences and / or economics, public administration;
- 10 years of relevant experience, of which at least 5 in supporting the Education Sector of developing and / or transition countries. Knowledge and experience in Education Sector planning is a distinctive asset.
- Extensive experience in quality improvement projects in education, such as teacher training strategies, curriculum reforms, decentralization, etc.
- Experience with a specific Education Sector Budget Support program or a basket fund and a Sector-Wide Approach in Education is desirable;
- Experience in Monitoring and Evaluation methodologies, including EMIS;
- Experience in institutional assessment and capacity building;
- Experience in Public Finance Management and/or education finance is an asset;
- Experience with working in Palestine or the Middle –east or North Africa region is an asset.
- Demonstrated interpersonal, coordination, negotiation and diplomatic skills;
- Perfect command of English. Knowledge of French, Dutch or Arabic is an asset.

6.3.2 Terms of Reference of PFM expert

The Public Finance Management (PFM) Expert will follow JFA operations and provide valuable expertise on wider education related issues to the Belgian Cooperation, the Development Partners and the Palestinian Authority, in particular the MOEHE.

The PFM expert will work under the administrative leadership of the BTC Resident Representative (RESREP), in collaboration with the Education expert and the other Technical Assistants, and under the functional guidance of the Belgian Consulate.

Tasks

Support to the Belgian Development Cooperation

- Provide technical and policy advice to the Consulate-General with regard to the Belgian position on PFM-related issues in the education sector.
- Contribute to the reporting to the Consulate-General and the Budget Support Working Group with regards to PFM related issues in programme implementation and policy dialogue, as provided for in the Vademecum for Budget Support, in close collaboration with the Education Expert;
- In the Annual Reports the PFM expert will include a description of the PFM system and PFM reform processes in place in the oPT, paying particular attention to the education sector.
- The PFM expert will contribute to the disbursement reports, and in particular s/he will systematically check whether the conditions for disbursement as defined in the Specific Agreement are met. The Education and PFM Experts will then jointly formulate a clear advice to the Consulate-General in this respect;
- Provide the Consulate-General with an analysis of the budget planning and execution in the education sector. Particularly, prior to Annual Sector Reviews and the sector budgeting exercises, making sure budgetary concerns are addressed appropriately.
- If and when required, provide the Consulate-General with information and advice on PFM matters arising within the JFA.
- Make sure the new policies and/or critical issues raised regarding PFM in the Education sector working group meetings are brought to the attention of the Consulate-General.
- Contribute actively to the existing technical coordination mechanisms of the Belgian support to the Education sector by exchanging information on education PFM issues, so as to promote a shared vision and a coherent approach.
- Provide PFM advice, reporting, and briefings under the lead of the Belgian BTC resident representative, in line with the Belgian Budget Support Vademecum.

Support to the education SWAP coordination and policy dialogue on PFM issues

- Contribute to the achievement of more efficient and effective aid to the education sector through improved harmonization, coordination of DPs and their alignment to the systems and policies (EDSP III) and the MoU of the JFA.
- Actively participate in and contribute to ESWG meetings and other related SWAP meetings at subsector level or related to PFM in the education sector.
- Strengthen the link between PFM at sector level and macro level. Contribute to the drafting of the summary reports or position paper on PFM in education.

- Liaise with other DPs engaged in Sector/General Budget Support and participate in the PFM-related joint missions when appropriate.
- Analyse budget planning, budget execution, financial reporting, and internal and external control systems in the education sector at central and local level and support the actors in this sector in these matters.
- Analyse the annual audit report of the SAACB, share findings, prepare a joint JFP position, and follow up on the recommendations and corrective measures with MOEHE.
- Establish, develop and maintain good working relations with the Government ministries (namely MOEHE, MOPAD and Ministry of Finance), institutions and partners involved in the education sector.

Support to the JFA program and the overall functioning of the Palestinian education system

- Follow up and undertake analysis of the financial implementation of the Education Sector Strategy Plan (EDSP III), in collaboration with the BTC education experts in the field.
- Monitor identified risk factors and constructively collaborate with the partner authorities within the policy dialogue to implement mitigating actions. In particular:
 - Analyse Education budget and expenditure within the sector and within the national budget and share information with relevant stakeholders.
 - Analyse annual audit reports, share and discuss findings in the education sector with DPs, MOEHE and MOPAD and Ministry of Finance and follow up on recommendations and issues addressed in the reports.
- Present recommendations on planning, budget allocations and expenditures and PFM issues at sector level.

Profile

- Master degree in economics, public management, public administration, law, political science or related;
- A minimum of 3 years of experience in public financial management– all or partly in the field in developing countries or transitional countries;
- Experience in Public Finance Management;
- Extensive professional experience in a multicultural context;
- A high degree of questioning business as usual, drive, self-motivation and ability to work independently with minimum supervision;
- Prepared to undertake frequent field trips;
- Cooperative and networking attitude and experience of working in multi-disciplinary team settings;
- Demonstrated interpersonal, communication, reporting, diplomatic and negotiation skills;
- Analytical skills and critical thinking;
- Negotiation and diplomatic skills;
- Analytical skills and critical attitude;
- Good organizational skills;
- Good communicator.
- Knowledge in institutional assessment and capacity building;
- Knowledge in Public Finance Management; ...
- Perfect command of English. Knowledge of French, Dutch or Arabic is an asset.

6.4 Annex 4: Bibliographic References

- Belgian Development Agency, Access to education, A survey of school infrastructure in East Jerusalem, March 2015
- Belgian Development Agency, JFA Annual Report 2014, March 2015
- Belgian Development Agency, JFA Quarterly and Mission Reports, October 2013- July 2014
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- Belgian Development Agency, Technical and Financial File 'e-learning curriculum in Palestinian primary and secondary education, July 2009
- Directorate General for Development and Humanitarian Aid, Specific Agreement 'The Study, Consultancy and Expertise Fund 2012-2015', August 2012
- Economist Intelligence Unit (EIU), Country Report, April 2015
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- European Commission, Evaluation of the EU Cooperation with the occupied Palestinian territory and support for the Palestinian People, July 2014
- European Union, , PEGASE/Direct Financial Support, Draft Minutes, December 2014
- European Union, , PEGASE/Direct Financial Support, Draft Quarterly Report January-March 2015, April 2015
- International Monetary Fund, West Bank and Gaza, Report on Macroeconomic Developments and Outlook, June 2014
- PA- Ministry of Education and Higher Education, Annual Implementation Progress Report 2014, May 2015
- PA- Ministry of Education and Higher Education, Executive Summary and Narrative of Annual Work Plan and Budget 2015-2017, April 2015
- PA- Ministry of Education and Higher Education, Independent Auditors' Report and Financial Statements for the fiscal year 2013, March 2015
- PA- Ministry of Education and Higher Education, JFA Quarterly Reports 2013-2014-2015, March 2015
- PA- Ministry of Education and Higher Education, Education Development Strategic Plan III 2014-2019, April 2014
- PA- Ministry of Education and Higher Education, Independent Auditors' Report and Financial Statements for the fiscal year 2011 and 2012, March 2014
- PA- Ministry of Education and Higher Education, Public Expenditure Review of Education in Palestine, September 2013
- PA- Ministry of Finance, Palestinian Revenue Strategy for the years 2014-2016, April 2015
- World Bank, Public Expenditure & Financial Accountability (PEFA), Public Financial Management Performance Report, June 2013

6.5 Annex 5: Field Mission Programme

Wednesday 15/4		
14.55	Arrival in Tel Aviv Airport (SN3289)	
15.30 - 17.00	Transport to Jerusalem & check-in at Legacy Hotel	Khaled (BTC car)
Thursday 16/4		
9.00 – 9.30	Meeting with RESPZA (Willy, Afaf, Jdc)	BTC Jerusalem office
10.00 – 11.30	Meeting with Consulate General (Freddy, Florence, Willy, Afaf, Jdc)	Consulate-General
12.00 – 13.15	Meeting with Mohammed Abu Zeid, Deputy-Minister MOEHE (Freddy, Willy, Jdc) – Fawaz & Jihad will join the meeting	MOEHE, Ramallah Khaled (BTC car)
13.15 – 13.45	Meeting with Jihad Draidi, International Relations & JFA focal point MOEHE (Jdc, Freddy)	MOEHE, Ramallah
14.30 – 15.30	Meeting with KfW, Fida & Matthias, focal point JFPs (Jdc, Freddy)	German House, Ramallah
16.00 -18.00	Meeting with Willy Demeyer (Jdc)	BTC Jerusalem office
Friday 17/4		
10.00 – 11.30	Meeting with Irish Aid (Emile) <i>Al Watania Tower, 2nd floor, Al Bireh</i>	Representative Office of Ireland, Ramallah
12.30 – 13.30	Meeting with Norway, Rima Tadros (Afaf, Jdc)	Representative Office of Norway, Jerusalem
14.00 – 15.00	Meeting with Finland, Karita (Jdc, Freddy)	Ambassador Hotel, Jerusalem
15.00 – 17.00	Meeting with Belgium, Freddy Fickers (Jdc)	Ambassador Hotel, Jerusalem
Saturday 18/4		
	Desk Work on TN	
Sunday 19/4		
	Desk Work on TN	
Monday 20/4		
8.00-9.00	Meeting with KfW	Jerusalem- Ramallah
9.00 – 11.00	Meeting with Direction General Planning of MOEHE (on M&E, Planning & Budget) (Rabiha, Sara, Amal, Sami)	MOEHE Ramallah
11.00 – 12.00	Meeting with MOEHE – update on reform tracks	MOEHE Ramallah
12.00 – 12.30	Meeting with Dr. Basri Saleh Salmoodi, Assistant Deputy Minister, MOEHE	MOEHE Ramallah
12.30 – 13.30	Working Lunch with E-learning project	Ramallah
15.00 – 16.00	Meeting with EU, Mr. Rami AlAzzeh (macro-economic, PFM, ROF)	EU delegation, Jerusalem
17.00-18.00	Meeting (by phone) with Jan DC	Jerusalem
Tuesday 21/4		
9.00-10.00	Meeting (by phone) with Jan DC	Jerusalem
10.15-13.00	Desk Work on TN	Jerusalem
13.30 – 14.30	Meeting with DFID, Sutapa Choudhury & Louise Hancock	DFID office, Jerusalem Khaled (BTC car)

	(PFM and macro-economic) (Afaf)	
14.30-15.30	Working Lunch with BTC PO on Procurement and Study and Consultancy Fund	Jerusalem
16.00-24.00	Desk Work on TN	BTC Jerusalem Office
Wednesday 22/4		
8.00-9.00	Desk Work – Meeting (by phone) with JDC	Jerusalem
9.45-11.45	Meeting with KFW	Ramallah
12.00-13.00	Meeting with Peter Hyll-Larsen and Lodovico Folin-Calabi (UNESCO)	Ramallah
13.30-14.30	Working Lunch with School Construction Technical Advisor (on school construction & study on East Jerusalem)	Ramallah
15.00 – 24.00	Desk Work on TN	
Thursday 23/4		
9.00 – 13.00 <i>(start visit 9.30)</i>	School visit Awdeh secondary girls school (Bethlehem) – E-learning supported, focus on M&E (Anne Hendrickx, Dima)	Bethlehem Khaled (<u>BTC car</u>)
pm	Desk Work on TN	
16.00–17.00	Meeting with Italian Consulate on Business Incubation, TVET, Gender	Italian Consulate
17.30-23.00	Desk Work on TN & Preparation Debriefing	Jerusalem
Friday 24/4		
8.00 – 8.55	Debriefing (RESPZA & educ projects, Consulate General: Florence & Genia)	BTC Jerusalem office
10.00–12.00	Meeting with BTC education portfolio (Thierry, Jvl, Afaf, Jdc)	<u>TBC</u> , BTC Jerusalem office
12.00	Transport to Airport	Khaled
15.55	Departure Tel Aviv Airport to Brussels (SN3290)	
16.00-19.30	Desk work on TN	Airplane

6.6 Annex 6: a) Legal & Institutional PFM Framework, b) PEFA Assessment Summary

(A) Legal and Institutional Framework for PFM

This section is an extract from the PEFA Report 2013 and it is based on "West Bank and Gaza Country Financial Accountability Assessment," World Bank, June 2004, and interviews with the Ministry of Finance.

According to the Palestinian Basic Law the current structure of the PA is based on three separate branches of power: executive, legislative, and judiciary. The president of the PA is directly elected by the people. In an amendment to the Basic Law approved in 2003, the president appoints a prime minister who is also the chief of the national security services. The prime minister chooses a cabinet of ministers and runs the government, reporting directly to the president.

The Palestinian Legislative Council (PLC) is an elected body of 132 representatives and acts as a parliament. The PLC must approve all government cabinet positions proposed by the prime minister, and must also confirm the prime minister himself upon nomination by the president. The first PLC was elected in 1996. The authority of this body is restricted to the Palestinian population in the West Bank and the Gaza Strip and is concerned with domestic rather than foreign policy issues or those concerning relations with Israel.

In the 2006 elections, the Hamas party gained control over the parliament, while the Fatah party leader was elected president, leading to conflict between the two main political parties in the Occupied Palestinian Territory and a situation where Hamas had control in Gaza and Fatah had control in the West Bank. This situation remains. In practice, there are two governments with different strategies and programs at all levels. The Palestinian legislative council has not been convened since 2007.

Two sources of legal authority govern the government budget and public financial management: the annual budget law and the Organic Budget Law No. 7 of 1998, both administered by MOF. The former gives annual authority and the latter permanent authority. The Organic Budget Law defines roles for the revenue collection agencies, spending agencies, MOF, the Legislative Council and the Council of Ministers, and defines terms such as public funds, special funds, current expenditure and capital expenditure. In addition, fiscal directives are issued under the Organic Budget Law. As in other countries, the annual budget law can be used to introduce new financial management principles.

The Organic Law covers ministries and agencies and other public institutions such as autonomous institutions. It does not cover companies or corporations owned in full or in part by the PA, nor does it cover public enterprises, which operate under the Companies Law. It also provides the institutional basis for a number of important processes, requirements, and principles, for instance:

- preparation, submission, and authorization of budgets (together with an established budget calendar providing the dates at which various actions are to be taken);
- financial procedure in the event the budget law is not enacted in time for the start of the financial year;
- use of the Central Treasury Account (CTA) for pooling government revenues;
- expenditures to be drawn from the CTA only in accordance with the budget law;
- the required contents of the budget circular and annual budget law and the requirement for the latter to be a public document;

- execution of the budget including the MOF's leading role in this area;
- lapse of unused funds at year end;
- the annual budget to establish the upper limit for government borrowing; and
- procedures for the preparation and submission of financial reports and annual financial statements.

The additional laws and regulations underpinning PFM include in particular:

- Financial regulations issued under the Organic Budget Law (2009);
- Palestinian Financial By-Laws (1998 Law on Finance);
- Debt Law (2005);
- Income Tax Law (No. 8 of 2011);
- Public Procurement Law (new Law 2012); and
- Government Tenders and Works Law (previous system)

In 2010, the Ministry of Finance prepared amendments to the financial regulations affecting a number of regulations and practices, including commitment control, the role of financial controllers, and support to the introduction of a new budget classification structure for preparation, execution, accounting, and reporting. These amendments were submitted to the cabinet in 2011 but have not yet been formally adopted nor fully reviewed by the donor community. However, some of the improved methods and procedures have been adopted in practice by officials. The IMF has recommended that this work on upgrading the regulatory framework should culminate in the preparation and adoption of a new organic budget law.

The Annual Budget Law covers recurrent expenditures plus the relatively small amount of capital expenditures funded from PA revenues. Most capital expenditure is funded by donors, for which MOPAD is the coordinating agency. While MOPAD is responsible for aid coordination and capital expenditure planning, under the Organic Budget Law the Minister of Finance has the sole authority to conclude loan agreements with donors.

The budget includes all PA ministries and agencies in addition to public institutions such as the Land Authority, Palestinian Water Authority, Industrial Zones Board, Environmental Quality Authority, and the Palestinian News Agency. In 2012, there were 51 budget entities comprising a mix of ministries and relatively small agencies, grouped into ten broad functional categories (central administration, security and public order, financial affairs, foreign affairs, economic development, education, health, social services, culture and information services, transport, and communications).

The main departments of the MOF with responsibility for PFM are the Budget Department and the General Accounting Department which includes the Cash Management, Payroll, and Control departments. In 2012, the MOF formally adopted the Macro fiscal Unit into its program and approved its staffing structure. The role and capacity of the MFU has continued to develop: there are currently two economists on staff in the unit and interviews are planned for a full-time director appointment. Further progress has also been made in clarifying the institutional roles and responsibility of MOF and MOPAD with regard to the overall strategic framework for planning and budgeting. Two ongoing reforms are to be highlighted. The development by the MFU at MOF of a medium-term fiscal framework (MTFF) is expected to serve as a basis for defining annual fiscal policy and budget ceilings. There are, in addition, ongoing reforms to improve the planning and budgeting capabilities in line ministries with a view to better integrating recurrent and capital expenditure (which are currently negotiated separately with the MOF and the MOPAD). These reforms need to be further deepened.

The budget preparation and execution process has been supported by a devolved IFMIS (Bisan Enterprise Edition) since 2009. Most payments, in particular operational and some transfer

expenditures, are executed by line ministries in a devolved Treasury model. Salary payments and some other payments are conducted centrally. Budget funds are released quarterly on a pro rata basis (one fourth) through the issuance of Financial Orders (also called budget allotments). The IFMIS ensures controls of payments against cash ceilings but is not used to prevent arrears being accumulated. A module which controls and records commitments has been developed but has not yet been activated in a systematic manner.

The fiscal year of the PA runs from 1 January to 31 December. The 2013 PEFA assessment is based on data from the most recently completed fiscal year prior to the assessment (2012) and the two preceding fiscal years (2011 and 2010).

(B) PEFA Assessment Summary Table (2007, 2013, variation)

Indicator	Indicator Description	Score 2007	Score 2013	Variation
PFM OUTTURNS: CREDIBILITY OF THE BUDGET				
PI 1	Aggregate expenditure outturn compared to original approved budget	B	A	↑
PI 2	Composition of expenditure outturn compared to original approved budget	C	C+	↑
PI 3	Aggregate revenue outturn compared to original approved budget	B	B	-
PI 4	Stock and monitoring of expenditure payment arrears	D+	D	- *
KEY CROSS-CUTTING ISSUES: COMPREHENSIVENESS AND TRANSPARENCY				
PI 5	Classification of the budget	D	B	↑
PI 6	Comprehensiveness of information included in budget documentation	B	B	-
PI 7	Extent of unreported government operations	C+	C+	-
PI 8	Transparency of intergovernmental fiscal relations	C+	D+	- *
PI 9	Oversight of aggregate fiscal risk from other public sector entities	D+	D+	-
PI 10	Public access to key fiscal information	C	B	↑
BUDGET CYCLE				
Policy-based budgeting				
PI 11	Orderliness and participation in the annual budget cycle	C	C	-
PI 12	Multiyear perspective in fiscal planning, expenditure policy, and budgeting	D	D	-
Predictability and control in budget execution				
PI 13	Transparency of taxpayer obligations and liabilities	NR	C+	N/A
PI 14	Effectiveness of measures for taxpayer registration and tax assessment	NR	D+	N/A
PI 15	Effectiveness in collection of tax arrears	NR	D+	N/A
PI 16	Predictability in the availability of funds for commitment of expenditures	D+	D	↓
PI 17	Recording and management of cash balances, debt, and guarantees	C	B	↑
PI 18	Effectiveness of payroll controls	C+	B+	↑
PI 19	Competition, value for money, and controls in procurement	NR	C+	N/A
PI 20	Effectiveness of internal controls for non-salary expenditure	D+	D+	-
PI 21	Effectiveness of internal audit	C	C+	↑
Accounting, recording, and reporting				
PI 22	Timeliness and regularity of accounts reconciliation	C	B	↑
PI 23	Availability of information on resources received by service delivery units	D	D	-
PI 24	Quality and timeliness of in-year budget reports	B	C+	- *
PI 25	Quality and timeliness of annual financial statements	D+	C	↑
External scrutiny and audit				
PI 26	Scope, nature, and follow-up of external audit	D	C+	↑
PI 27	Legislative scrutiny of annual budget law	D	NU	NU
PI 28	Legislative scrutiny of external budget reports	D	NU	NU
DONOR PRACTICES				
D1	Predictability of Direct Budget Support	D	D+	↑
D2	Financial information provided by donors for budgeting and reporting on project and program aid	C	D	- *
D3	Proportion of aid that is managed using national procedures	C	D	- *

6.7 Annex 7: ROF- Results-Oriented Framework