

JOINT FINANCING AGREEMENT

This Joint Financing Agreement in support of the Kenya Education Sector Support Programme (2005-2010) is between:

International Development Association (IDA), Department for International Development (DFID), any other pooling partner hereinafter referred to as "Development Partners"

and

The Government of the Republic of Kenya, hereinafter referred to as ("GOK")

- 1) WHEREAS GOK has requested the support of the Development Partners to contribute towards the funding of the Kenya Education Sector Support Programme, (hereinafter referred to as the "KESSP") dated July, 2005. GOK and the Development Partners together are hereinafter referred to as "the Signatories";
- 2) WHEREAS GOK intends to contract from Development Partners, credits and/or grants to assist in financing the KESSP on the terms and conditions set forth in separate agreements to be entered into between GOK and each of the Development Partners;
- 3) WHEREAS the Development Partners have committed themselves to the principles of aid effectiveness and harmonisation as reflected in this Joint Financing Agreement (hereinafter referred to as the "JFA") and strive to reach the highest degree of alignment with the budgetary and accountability system and legislation of Kenya so as to enhance effective implementation and to reduce the administrative burden of GOK;
- 4) WHEREAS respect for human rights, democratic principles, the rule of law and good governance, form the basis of the co-operation and constitute essential elements of this JFA;
- 5) NOW THEREFORE, the Signatories to this JFA have come to the following understanding:

I. Goals of the KESSP and Scope of the JFA

- 6) For the purpose of this JFA, the KESSP comprises twenty-three education sector Investment programmes as listed in attachment I. The GOK and Development Partners share a joint commitment to ensuring the sound implementation of all of the KESSP investment programmes, and will consult with each other on plans and budgets to implement the KESSP as a whole. The resources provided by the Development Partners will, however, during the first year of implementation 2005/2006 financial year be used to finance a sub-set of KESSP expenditures relating to basic education, to be known as 'expenditures eligible for pooled funding' ('Eligible expenditures'). 'Eligible expenditures' are defined by the subset of categories in attachment II, and as amended from time to time by written agreement of the signatories. In the event that these categories of expenditures are changed for any reason, GOK will notify the Development Partners of the new activities and expenditures which will comprise the eligible KESSP expenditures for financial reporting purposes.
- 7) The targets of the KESSP are:
 - a) Attain Universal Primary Education by 2005 and Education for All by 2015;
 - b) Achieve a transition rate of 70 percent from primary to secondary school level from the current rate of 47 percent, paying special attention to girls education, by 2008;

- c) Enhance access, equity and quality in primary and secondary education through capacity building for 45000 education managers by 2005;
 - d) Construct/renovate physical facilities/equipment in public learning institutions in disadvantaged areas, particularly in arid and semi-arid lands (ASALS) and urban slums by 2008;
 - e) Develop a national training strategy for TIVET in 2006, and ensure that TIVET institutions are appropriately funded and equipped by 2008;
 - f) Achieve 50 percent improvement of levels of literacy by 2010; and
 - g) Expand public universities to have a capacity of at least 5000 students each by 2015 and increase the proportion of all students studying science related courses to 50 percent, with at least one third of these being women by the year 2010.
- 8) This JFA sets forth the joint provisions and procedures for financial support to the KESSP and serves as a co-ordination framework for consultation between the Signatories for KESSP monitoring and decision-making, joint reviews of performance, common procedures on disbursement, reporting and audits. The coordination arrangements that apply to pooled funds and that are described in this JFA form part of a broader consultation process including the wider group of development partners providing support to the KESSP.
- 9) The financial commitments of the Development Partners will be confirmed within the bilateral agreements concluded between GOK and each of the Development Partners .
- 10) Each of the Development Partners will establish individual agreements that are compatible with the spirit and provisions of this JFA and will refrain, as far as possible, from setting conditions in the bilateral agreements that contradict or diverge from the spirit of this JFA. In case of any inconsistency or contradiction between the provisions and conditions of this JFA and any of the bilateral agreements, the provisions of the bilateral agreements will prevail. In so far as agreements on specific items made in bilateral agreements should deviate from the JFA, the Development Partners concerned will inform the other Signatories thereof by supplying a copy of the bilateral agreement to the other Development Partners and will specify the deviations and how to resolve them in case of inconsistency with this JFA.
- 11) The Development Partners will base their actual support on the progress attained in the implementation of the KESSP. Progress will be measured through the common procedures for monitoring and reporting as described in sections VIII and IX.

II. Representation

- 12) In matters pertaining to the implementation of this JFA, the GOK will be represented by the Ministry of Finance ("MOF"). The responsibility for the implementation of the KESSP not affecting the overall responsibilities of GOK or the MOF remains that of the Ministry of Education, Science, and Technology ("MOEST").
- 13) In matters pertaining to the implementation of the JFA, the representative of each Development Partner will be specified in their respective [bilateral] agreements.

III. Responsibilities of GOK

- 14) The GOK will make all reasonable efforts to facilitate the successful implementation of the KESSP, and will hereunder:
- a) have the overall responsibility for the planning, administration, financial management and implementation of the KESSP, covering all of the KESSP investment programmes;

- b) ensure that all foreign currency is converted to Kenya shillings and paid into the Exchequer Account without delay. Funds will normally be transferred to the Development account of MOEST on the same day that they are received.
 - c) establish a foreign currency deposit account and a special PMG Deposit account (Kshs account) with the Central Bank of Kenya into which the Development Partners will disburse resources from which the funds will be transferred to the Exchequer Account for onward release to MOEST development Account (D31) attachment IV.
 - d) establish a Kenya shillings bank account in a local commercial bank agreed between the signatories to be operated by MOEST to be known as Kenya Education Sector Support Programme (KEESP) Account into which funds will be transferred from MOEST Development Account (D31).
 - e) establish School bank accounts under the schools management committees into which funds will be transferred from the KESSP Account for purposes of financing eligible program expenditures at school level.
 - f) ensure that all accounts for the KESSP are kept in accordance with procedures set forth in the Constitution of Kenya (Section 99), the Exchequer and Audit Act (CAP 412), the Government of Kenya Financial Regulations and Procedures, the Public Audit Act 2003, and the Government Financial Management Act 2004
 - g) maintain a financial management system that is adequate to reflect the transactions, resources, expenditures, assets and liabilities under the KESSP, and that will ensure that the GOK is able to produce timely, relevant and reliable financial information for planning and implementation of the KESSP. The GOK will ensure that the financial management system will support monitoring of progress toward KESSP objectives, and will allow the Development Partners to evaluate compliance with agreed procedures;
 - h) provide sufficient qualified personnel and do their utmost to release all financial and other resources that are required over and above the funding from the Development Partners for the successful implementation of the KESSP; and
 - i) promptly inform the Development Partners of any condition which interferes or threatens to interfere with the successful implementation of the KESSP and call for a meeting to consult with the Development Partners on remedial actions to be taken.
- 15) The GOK will convene and make adequate arrangements and documentation as stated herein for joint consultations.

IV. Responsibilities of the Development Partners

- 16) The Development Partners will designate one of the Development Partners as a Contact Point for communication and information sharing with the GOK on matters concerning the implementation of this JFA. However, the Development Partners Contact Point will not have any authority to make decisions on behalf of the Development Partners.
- 17) The selection and role of the Development Partners' Contact Point, as well as any changes made during the timeframe of this JFA, will be communicated to the MOF and MOEST in writing by the Development Partners' Contact Point.
- 18) Each Development Partner will make available to Kenya funds through the foreign currency deposit account or the PMG Special Deposit Account managed by CBK in the name of the Ministry of Finance (MOF), to be used exclusively to finance the KESSP.

- 19) Each year, the Development Partners will review KESSP performance and future plans including the draft budget, the forward work-plans for implementing the budget, and the draft procurement plan, and commit their contributions (ref. section 29).
- 20) The Development Partners will ensure timely release of their commitments to the Exchequer Account in accordance with the provisions of paragraph VII below and the bilateral agreements.
- 21) The Signatories will co-operate and communicate fully and in a timely manner with each other on all matters relevant to the implementation of the KESSP and this JFA.
- 22) The Development Partners do not bear any responsibility and/or liability to any third party with regard to the implementation of the KESSP.

V. Consultative Meetings

- 23) Commencing in 2005, the Development Partners supporting KESSP and the GOK will conduct an annual review meeting in October/November, and a budget workshop meeting in late February or early March.
- 24) The meeting in October/November will serve as the annual review meeting that will include the wider group of Development Partners to the sector. It will serve as a consultative meeting for the Signatories to discuss overall progress for the previous fiscal year based on reports as mentioned in paragraph VIII as well as section 27 (a) below, including the Annual Performance Report to be prepared by MOEST and submitted to the Development Partners at least two weeks prior to the start of the review.
- 25) The budget workshop meeting in February/March will jointly review the proposed work-plan and draft budget for the next fiscal year and the consolidated accounts and audit report on MOEST expenditure in the previous fiscal year. The budget workshop will reach agreement on the level of Development Partners support and schedule of disbursements, subject to MOEST forwarding to the Development Partners' contact point a copy of the approved MOEST budget that is consistent with undertakings agreed during the budget workshop.
- 26) The MOF, MOEST, other relevant Ministries, and Development Partners supporting KESSP will be represented at the meetings referred to in section 23 and section 24, including members of the Education Development Partners Coordination Group (EDCG) not participating in the pool. MOEST in cooperation with the EDCG will be responsible for the agenda. MOEST will call and chair the meetings. The outcome of the meetings will be presented in an aide memoire agreed between the Signatories. During both meetings, there may be the need for some technical sessions relating specifically to this JFA, at which only GOK and the Development Partners will be represented.
- 27) The discussions and decisions in the semi-annual meetings will be based on, *inter alia*, the following documents, which will be submitted to the Development Partners in accordance with the deadlines set forth in paragraph VIII and X below but no later than two weeks ahead of the meeting:
 - a) Annual meeting: Annual MOEST performance report on KESSP (section 48a); a copy of the financial statement for MOEST expenditure in the previous financial year (Section 49a); quarterly financial monitoring reports for the first quarter of the current year, as described in section 48;
 - b) Budget Workshop meeting: the annual audited financial statements, audit opinion and

auditors' report to management report for the previous year (Paragraph X), the financial monitoring report on eligible expenditures for the third quarter of the year.

VI. Pooling Mechanism

- 28) The Development Partners will provide indicative funding levels for the following fiscal year in the annual review in October/November, and will where possible also indicate probable funding for the three year MTEF period.
- 29) The Development Partners will confirm their future commitments and disbursement schedule for the following fiscal year during the February/March budget workshop, conditional on MOEST subsequently submitting to the Development Partner contact point final budgets, work-plans and cash-flow statements for MOEST expenditure that are broadly in line with understandings reached during the budget workshop, and reflected in the agreed aide memoire.
- 30) The Signatories will in the light of these commitments determine the Development Partners' funding of eligible KESSP expenditures for the coming fiscal year, as defined in section 6 of paragraph I above, and the proposed schedule of disbursements of Development Partners by quarter.
- 31) The implications of changes within the year of commitments or schedule of disbursements by the Development Partners or additional commitments from new Development Partners becoming signatories to this JFA, will be discussed and agreed upon between the Signatories before such adjustments are made.
- 32) Each Development Partner is free to negotiate a phasing of annual disbursement that reflects the requirements of their own budget process and timing, but the expected disbursement schedule will be agreed with GOK, and communicated to all of the Development Partners, at the budget workshop. The Development Partners as a group will aim to ensure that the phasing of pooled funds reflects the requirements of the KESSP programme as set out in the work-plans and cash-flow forecasts. Disbursements by the Development Partners will normally be made as follows:
 - a) For the first disbursement of the fiscal year, the Development Partners will normally advance in July at least 50 percent of their expected annual disbursement, or such larger share as may be agreed between the signatories if justified by the expected phasing of eligible expenditure. The payment of the foreign exchange equivalent will be made into the Exchequer Account for onward transmission to the MOEST Development Account D31.
 - b) A second payment will normally be made in November, following submission by MOEST in October of a Financial Monitoring Report (as described in section 46) setting out details of eligible expenditures in the first quarter, the balances in the relevant accounts (including unspent funds carried forward from the previous year), and the work-plan and cash-flow forecast for the second and third quarters. The Development Partners reserve the right to adjust the level of their disbursement or to decline to make a payment in November if the financial monitoring report does not demonstrate a need for the funds.
 - c) A final payment will normally be made in February, following submission by MOEST in January of a Financial Monitoring Report (as described in section 46) setting out details of eligible expenditures in the first two quarters, the balances in the relevant accounts, and the work-plan and cash-flow forecast for the third and final quarters. The Development Partners reserve the right to adjust the level of their disbursement or to decline to make a payment if the financial monitoring report does not demonstrate a

need for the funds.

- d) A Financial Monitoring Report on the quarter to end March will indicate the utilisation and balances remaining in the accounts after the first three quarters of the year. If funds have been previously withheld, a final payment may be made if justified by the requirements for the remainder of the year.
 - e) A quarterly Financial Monitoring Report for the period to end June will indicate cumulative expenditure for the year as a whole, and remaining balances in the program bank accounts. At the end of the financial year, any unspent balances from Development Partner payments into any of these accounts will be carried forward to the next financial year, and used for the sole purpose of financing eligible KESSP expenditures. They will be included in subsequent quarterly reports, and taken into account when requesting Development Partners' funding.
 - f) If any Development Partner fails to meet their commitment to make payments into the KESSP Account in any quarter, the Development Partners and the GOK will consult on action needed to ensure that the programme remains fully funded.
 - g) As soon as the level and phasing of pooled funds for 2005/06 and subsequent financial years are confirmed, MOEST will discuss with the Development Partners how the budgets of specific KESSP investment programmes will be adjusted to accommodate the pool funding.
 - h) As soon as financing agreements for pooled funding in 2005/06 are in place, MOEST will present a Financial Monitoring Report for any completed quarters of the year, plus cash flow forecast for the current and succeeding quarter. Development Partners will make an initial payment in line with the agreed schedule, with subsequent payments according to the procedures described in section 32a to 32 (b).
 - i) If the cash balance position in the program bank accounts exceeds the funds required for the current and succeeding quarters, no transfers of funds need be made from the Development Partners to the foreign currency account and PMG Special Deposit account.
- 33) The MOF is responsible for certifying and forwarding the relevant financial reports indicated in paragraph IX below, and submitting the request for disbursement in writing in accordance with the provisions of this JFA to the Development Partners' contact Point.
- 34) The Contact Point, in consultation with Development Partners, will have 10 days upon receipt of this request to review the attached reports (ref. paragraph VIII) and clarify any outstanding issues including validity of cash forecasts for the following two quarters with the MOF and MOEST.
- 35) If there is a 'no objection', the Development Partners' Contact Point will advise Development Partners to deposit their share of the overall disbursement in the designated account, which should take place no later than 30 days after the receipt of the GOK's request.
- 36) If there are issues which are not possible to clarify within the 10 day period indicated in section 35 above, the above process will be suspended until outstanding issues are resolved. GOK and the Development Partners will make their best endeavours to resolve any such issues as quickly as possible.
- 37) Following confirmation from CBK, MOF will immediately acknowledge receipt of the funds, in writing, to the Development Partners' Contact Point.

- 38) The exchange rate at which funds from the foreign exchange accounts will be converted into Kenya shillings will be the ruling rate (to be defined).
- 39) There will be no direct expenditure on the procurement of imported goods and services from the KESSP program bank accounts. The procurement of such items will take place in accordance with paragraph VIII below. Upon MOEST requests and agreement, payments will be promptly facilitated as per GOK regulations.

VII. Procurement

- 40) GOK undertakes to effect all procurement of works, goods and services for the KESSP and is responsible for the contracts to be signed.
- 41) GOK will furnish the Development Partners with all relevant information on procurement actions taken by preparing an annual procurement report, and provide access to all procurement plans and the results of the annual procurement audit.
- 42) As an annex to the work plan referred to at section 48, MOEST will provide the Development Partners for their review a draft annual procurement plan ("Procurement Plan") in accordance with the format used in the "KESSP Workplan and Procurement Profile for 2005/06." Each annual procurement plan will include on-going contracts rolling into the following year, and procurement plans for the following fiscal year prepared based on the agreed work program.
- 43) During implementation of the Procurement Plan, MOEST will provide the Development Partners with fiscal year quarterly procurement monitoring reports concerning progress in implementation of the Procurement Plan and identifying any contracts that were not included in the previous Procurement Plan. In each procurement monitoring report, MOEST shall also provide information to the Development Partners concerning awarded contracts, appointment of consultants, and any material modifications to the terms and conditions of such contracts after their award. Quarterly updates will be confined to the procurement of goods, works, services and consultancies costing over the equivalent US\$ 50,000.
- 44) Procurements requiring National Competitive Bidding (NCB) will follow GOK procurement guidelines and generally accepted principles and good procurement practices, including the use of standard bidding documents acceptable to the Development Partners.
- 45) Selection of consulting firms under methods other than those involving shortlists comprising exclusively national consultants will be carried out in accordance with the "Guidelines for Selection and Employment of Consultants by World Bank Borrowers" published by the World Bank in May 2004.
- 46) For International Competitive Bidding the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the World Bank in May 2004 will apply.
- 47) All goods works and services that are not procured through international competitive procedures will be subject to post review.

VIII. Reporting

- 48) The following set of financial reports will be accepted by the Development Partners as "Financial Monitoring Reports" and will form the basis of disbursement to the Exchequer Account by the Development Partners according to the agreed schedule. They will be submitted to the Development Partners' contact person within 45 days of the end of each

quarter:

- a) A quarterly report on sources and uses of funds in accordance with the format at Annex 1, with Development Partner transactions reconciled to the balances in the program bank accounts. Relevant bank statements and confirmations should be attached to confirm the reconciliation, showing the amounts and dates of payments into and out of program accounts, and the balance of pooled funds in each account.
 - b) A report showing payments into and out of the program accounts, in accordance with the format at Annex 2.
 - c) A report showing balances and transfers to and from the KESSP account, reconciled to accompanying bank statements for the account, with a format to be agreed by the signatories as set forth in Annex 3. The report will also include a statement of the total balances held in school bank accounts (General Purpose, instructional materials (“SIMBA”) and infrastructure accounts) as at the date of preparation of the report.
 - d) Quarterly reports on budgeted and actual expenditures on the education sector as a whole, on KESSP investment programmes, and on KESSP eligible expenditures, with formats to be agreed. The reported expenditures will be consistent with the separate Annexes on the program bank accounts, and the report on sources and uses of funds.
 - e) A quarterly procurement report (Section 43).
 - f) A written request to the Development Partners requesting them to transfer funds, supported by a table confirming the need for funds (Annex 5).
- 49) The following financial reports will be produced by MOEST and submitted to the Development Partners on an annual basis:
- a) October Review: a copy of the financial statement for MOEST expenditure in the previous financial year ; annual MOEST performance report, incorporating tables relating financial expenditure to physical progress in terms of indicators to be agreed between the signatories (Annex 6). Total eligible expenditure will be reconciled to the program bank accounts.
 - b) February/March budget workshop meeting: the audited financial statements, audit opinion and auditors’ report to management on MOEST expenditure for the previous year (Paragraph XI), Ministerial Public Expenditure Review.
 - c) When available, but before the start of the financial year: the MOEST budget, MTEF, and cash forecast for the coming year, together with the annual work plan and procurement plan. (Attachment V, VI and VII).
- 50) The financial reporting will compare costs for actual activities for the current reporting period with the budget for the same period, in Kenya shillings.
- 51) The following program performance reports will be produced by MOEST and submitted to the Development Partner contact person on an annual basis:
- a) A consolidated annual performance progress report on KESSP to be submitted at least two weeks before the start of the annual review and covering sector expenditure, outputs, outcomes, and processes, for the previous calendar and financial year, in the format decided upon between the Signatories. The report will show progress against agreed targets and indicators, including explanations for significant differences between programmed and achieved performance.

- b) Public Expenditure Tracking Study, with terms of reference agreed every two years with the Development Partners; and
- c) A comprehensive annual monitoring plan for the whole KESSP focusing on the programmes being implemented with clear indicators will be developed.

IX. Monitoring

- 52) The MOEST will continually collect and analyse data in order to monitor the achievement and impact of implementation of KESSP using a desk based and field based process monitoring. This will involve tracking performance indicators through school census, Test scores and surveys.
 - a) the Development Partners and MOEST will undertake an annual Joint Monitoring focusing on agreed indicators (attachment III), and
 - b) the Development Partners will to the extent possible refrain from initiating unilateral reviews/evaluations of the KESSP. However, in case a Development Partner is required to conduct a review/evaluation, this Development Partner will consult with the other Signatories in a timely manner.

X. Audit

- 53) The GOK will ensure for each fiscal year for which this JFA remains in force that an audit of MOEST expenditure is undertaken in accordance with auditing standards and to terms of reference agreed between KENAO (“Kenya National Audit Office”) and the Development Partners, and that the report is provided to the Development Partners’ contact point within 6 months following the end of the financial year. The audit report will include an audit of all program bank accounts, and will specifically identify and audit the pooled fund eligible expenditures. Development Partners will provide necessary financial or technical support to enable the Kenya National Audit Office to carry out the audit, including if necessary the financing of contracts with private sector audit firms to supplement KNAO’s capacity.
- 54) The Signatories may request a performance related audit to be carried out by the KENAO, or at its discretion, with the support of appropriately qualified auditors contracted under its authority. GOK will provide adequate resources for such a purpose. The selection of the auditors and timing for such audit will be done in close collaboration with the Development Partners. The Signatories will jointly agree on the TOR’s. Based on the outcome of such audit, the Development Partners may convey to GOK any corrective measures they consider necessary to be undertaken.
- 55) The Development Partners will to the extent possible refrain from initiating unilateral audits of the KESSP. However, in case a Development Partner is required to conduct such an audit or inspection, the Development Partner will in a timely manner consult with the other Signatories. GOK will offer all reasonable support to facilitate such audits/inspections. The Development Partner(s) through separate arrangements will cover the cost of this audit/inspection.
- 56) An audit report comprising audited financial statements, audit opinion and auditors’ report to management shall be presented to the Development Partner(s) within six months after the closure of the financial year.

XI. Internal Control

57) GOK will put in place a reliable internal control system. The Internal Audit Department will develop a risk based audit plan annually, to help management identify key risks in achievement of KESSP objectives. As part of the internal control process, the internal audit department will undertake continuous audits based on the Risk Based Audit Plan. The internal audit findings and recommendations will be made to the MOEST Accounting Officer.

XII. Governance and Accountability

58) The MOEST will require that its staff and consultants under pooling programmes financed by Development Partners refrain from offering third parties, or seeking, accepting or being promised from or by third parties, for themselves or for any other party, any gift, remuneration, compensation or benefit of any kind whatsoever, which could be interpreted as an illegal or corrupt practice. The Ministry will promptly inform the Development Partners and involve the Kenya Anti-corruption authority.

XIII. Non-Compliance

59) In case of non-compliance with the provisions of this JFA and/or violation of the essential elements mentioned in this JFA, the Development Partners reserves the right to take corrective measures including suspending further disbursements to the KESSP or reclaim funds already disbursed. The amount so refunded will be in proportion to the amount contributed by each donor. Such non-compliance includes *inter alia* that:

- a) substantial deviations from agreed plans and budgets occur or misprocurement is declared;
- b) KESSP implementation does not comply with the conditions of this JFA;
- c) the KESSP develops unfavourably in relation to its objectives; and
- d) the suspension is warranted by a fundamental change in circumstances compared to those which existed at the start of the KESSP .

1. Non-compliance means omission or commission by the entity implementing KESSP (MOEST) and not by any other external agency or issues pertaining outside the realm of the implementing entity.

60) If a Development Partner has the intention to suspend new disbursements, reclaim funds or terminate its support, the Development Partner will call for a meeting with the other Signatories in order to seek a solution in the matter and the Signatories will seek to reach a joint position on the remedial measures required.

61) Resumption of disbursements will proceed in accordance with conditions set in respective funding agreements.

XIV. New Signatories to the JFA

62) The Signatories to this agreement will annually review/discuss the implementation, application and effectiveness of the procedures outlined in this JFA. Any modification/amendment of/to the terms and provisions of this JFA will only be approved in writing by all Signatories.

63) The Signatories welcome participation in this JFA by additional Development Partner who

wish to support the KESSP. Upon receipt of a written request and written acceptance of the terms and conditions of this JFA, the Ministry of Finance may authorise in writing that the Development Partner has become a signatory. The Ministry will promptly consult with “existing signatories” in advance and furnish them with a copy of the letter of acceptance.

XV. Withdrawal

64) Signatories may withdraw/terminate support for the KESSP by giving the other signatories three months written notice. If a Development Partner intends to withdraw/terminate its support, that Development Partner will call for a meeting to inform the signatories of the decision and to consult with them about the consequences for the KESSP.

XVI. Dispute Settlement

65) If any dispute arises between Signatories as the interpretation, application or implementation of this JFA, Signatories will consult with each other in order to reach an amicable solution.

XVII. Effectiveness

66) This Joint Financing Agreement will come into effect on the date of signature.

PLACE AND DATE

SIGNATURE
MINISTER FOR
FINANCE KENYA

SIGNATURE
COUNTRY DIRECTOR
WORLD BANK

SIGNATURE
H.E. THE HIGH
COMMISSIONER
UNITED
KINGDOM

Annex 1 : Financial Monitoring Report: Quarterly Report on Sources and Uses of Funds, Kenya Shillings

Financial Monitoring Report (FMR) contents should comprise the following:

- Discussion on project progress
- Statement of sources and uses of funds
- Statement of uses of funds by programme activities (supporting the statement of sources and uses of funds)
- Physical progress report for physical outputs
- Physical progress report comprising of the status of large works and services
- Procurement monitoring report narrative and updated detailed procurement plan

Additional disclosure expected to be provided to Development Partners to support fund replenishment comprise:

- Program bank accounts activity statements
- Summary statements of program expenditures for contracts subject to prior review
- Summary statements of program expenditures for contracts not subject to prior review
- Copies of program bank accounts statements and confirmation letters as necessary to support respective bank reconciliation statements

	Quarter to dd/mm	Cumulative this year to dd/mm	Forecast: Next 6 months or to end year
Development Partner eligible expenditures by component, e.g.			
(*)Primary School Infrastructure			
HIV/AIDS			
School health and nutrition			
(#)Primary school instructional materials			
INSET, Primary			
ASALs			
Capacity Building			
EMIS			
M&E			
1.Total Development Partners Eligible Expenditures			
Development Partnership Cash Receipts			
2a Development Partner 1 funds			
2b. Development Partner 2 funds			
2c. ...add lines for other donors as needed			
2. Total Development Partner financing (=1a+1b+1c)			
3. Pool eligible Expenditures less Receipts from donors (=2-1)			
4. Financing of gap between pool eligible spending & Development Partner receipts:			
Financed by Change in Development Partner Cash Balances			
Opening Balances:			

KESSP Account:			
Development Partner 1			
Development Partner 2			
Development Partner 3...etc			
Pooled funds in PMG Account			
4.1.a Total Opening Development Partner cash balances			
Add: Foreign exchange gains			
Add: Bank interest net of charges			
4.1.b Total bank adjustments			
Closing Development Partner Cash Balances			
KESSP Account:			
Development Partner 1			
Development Partner 2			
Development Partner 3...etc			
Pooled funds in PMG Account			
4.1.c Total Closing Balances			
4.1 Change in Development Partner Balances(=4.1.a+4.1.b-4.1.c)			
Financed by change in KESSP Bank Account			
Opening balance KESSP Bank Account			
Payments from KESSP bank account (=#+#)			
Account adjustments (interest & charges)			
Payments to KESSP bank account			
Closing balance KESSP bank account			
4.2 Net financing			
Financed by GOK:			
5.Total eligible expenditure (Line 1)			
6. Less, financed from KESSP account and Development Partner (=2+4.1+4.2)			
7.=GOK financing of eligible expenditures (5-6)			
8.GOK financing of other KESSP programmes			
9.Total GOK financing of KESSP			
10 Development Partner financing of KESSP			
11. Total KESSP expenditure			
12. Total KESSP expenditure			
Memorandum Items: % Shares of KESSP Financing			
GOK % of Total (9 as % of 12)			
programme% of Total (10 as % of 12)			
Development Partner % of Total (2 as % of 12)			
Change in balances (=4.1+4.2)			
Total (=100%)			
GOK % of pool eligible spending (=7 as % of 1)			
Development Partner % of pool eligible (=2 as % of 1)			
Change in balances (= (4.1+4.2) as % of 1)			
Total (=100%)			

Notes

1. Eligible expenditures included here are illustrative; actual categories to be defined.
2. Include bank statements for exchequer account, KESSP account, school account and Development Partner transactions to and from PMG account..
3. Include a statement of total balances in school bank accounts at latest date.
4. Expenditure data must be consistent with totals reported in other annexes.

Annex 2 Report on Payments into and out of PMG Account

	Quarter to mm/dd	Cumulative this year to mm/dd	Forecast: Next 6 months or to year end
1.PMG Opening Balance			
PMG Receipts:			
GOK			
Development Partner 1			
Development Partner 2			
Total Development Partner receipts			
Project Development Partner receipts			
2. Total Receipts in period			
3. PMG Funds Available (opening balance plus receipts)			
PMG Payments:			
To KESSP Account			
To Development Partner fund eligible direct payments			
To programme expenditures			
To other KESSP direct payments (GOK exclusive financing)			
-Of which, salaries			
4. Total payments			
5. Closing PMG Balance (=3-4)			
Memorandum items			
Development Partner receipts as % of eligible KESSP payments			

Annex 3. Statement of funds flow through KESSP Schools Account covering [date] to [date]

		KSh
1.	Cumulative advances to end of current reporting period	
2.	Cumulative expenditure to end of last reporting period	
3.	Outstanding advances to be accounted (line 1 minus line 2)	
4.	Opening account balance at beginning of reporting period	
5.	Add/subtract adjustments for transactions not in opening bank statement	
6.	Uncommitted funds in the account at beginning of reporting period (=4+5)	
7	Total Advances from PMG during reporting period	
8.	Outstanding advances to be accounted for (=6+7)	
9	Expenditures accounted for in current reporting period FMR	
9.1	Transfers to SIMBA Accounts	
9.2	Transfers of SIG to GP Accounts	
9.3	Transfers to school infrastructure accounts	
10	Outstanding advances to be accounted at end of period (=8-9)	
13.	Add/subtract cumulative adjustments for transactions not in final bank statement	
12.	Closing account balance at end of reporting period	

Annex 4. Proposed Format for Quarterly Education Financial Reporting

Budget Code	ECDE	Expenditure Programme	This Quarter			Cumulative, year to date			Please Give an Explanation if Expenditure is < 75% of forecast.
			Forecast	Expenditure	%	Forecast	Expenditure	%	
		I. Eligible KESSP Investment Programmes							
		Primary School Infrastructure							
		HIV/AIDS							
		School health and nutrition							
		Primary school instructional materials							
		INSET, Primary							
		ASALs							
		Capacity Building							
		EMIS							
		Secondary Education							
		M&E							
		Total eligible KESSP programmes							
		2. Other KESSP Investment programmes							
		ECDE							
		NFS							
		Special Needs							
		Pre-Service Primary teacher Education							
		Adult and basic (Ministry of Gender, Sports and Culture)							
		ICT							
		Guidance and Counselling?							
		Quality Assurance and Standards							
		Secondary INSET, maths/science							

Budget Code	ECDE	Expenditure Programme	This Quarter			Cumulative, year to date			Please Give an Explanation if Expenditure is < 75% of forecast.
			Forecast	Expenditure	%	Forecast	Expenditure	%	
		<i>University Education</i>							
		TIVET							
		Teacher management							
		Gender and education							
		Central Support Services							
		Total KESSP							
		Other Running Costs							
		Primary teacher Salaries							
		Secondary teacher Salaries							
		TIVET teacher salaries							
		University salaries							
		Administrative costs							
		Other construction costs							
		TOTAL EDUCATION SPENDING							
		Of which:							
		Primary Education							
		Other basic Education							
		Secondary Education							
		Higher Education							
		TIVET							

- a. It may not yet be possible to define all KESSP investment programmes by unique budget codes, but this should be an objective for year 2.
- b. Form will need adjusting to reflect definition of eligible KESSP expenditure when agreed.

ANNEX 5: Confirmation of need for Funds

	Donor Currency	KSh
Forecast eligible expenditures, current and next quarter:		
Transfers from KESSP schools account, from Annex 1		
Direct eligible payments from PMG, from Annex 1		
1.Total eligible expenditures		
Less opening balances:		
2.Balance in KESSP Schools Account		
Balance in Development Partner Special Account:		
Development Partner 1		
Development Partner 2		
3. Total balances in Exchequer Accounts		
Balance in PMG:		
Development Partner 1		
Development Partner 2		
4.Total Development Partner balances in PMG		
5.Total balances (=2+3+4)		
6. Total new finance required (=1-5)		
Less, scheduled Development Partner payments:		
Development Partner 1		
Development Partner 2		
7. Total Development Partner payment due		
8. Required GOK financing of eligible expenditures (=6-7)		

If line 8 is negative, Development Partner payments will be reduced pro rata to be no more than the financing requirement.

Annex 6 Proposed Format for Annual Education Reporting, Year Ended dd/mm/yy

Budget Code	Description	Financial progress				Physical progress (required for KESSP programmes only)			
		Budget	Expenditure	%	Explanation if expenditure < 75% budget	Indicator	Target	Actual	Explanation of variance target/actual
	I. Eligible KESSP Investment Programmes								
	Primary School Infrastructure								
	HIV/AIDS								
	School health and nutrition								
	Primary school instructional materials								
	INSET, Primary								
	ASALs								
	Capacity Building								
	EMIS								
	Secondary Education								
	M&E								
	Total eligible KESSP programmes								
	2. Other KESSP Investment programmes								
	ECDE								
	NFS								
	Special Needs								
	Pre-Service Primary teacher Education								
	Adult and basic (Ministry of Gender, Sports and Culture)								
	ICT								
	Guidance and Counseling?								
	Quality Assurance and Standards								
	Secondary INSET, maths/science								
	<i>University Education</i>								
	TIVET								
	Teacher management								
	Gender and education								
	Central Support Services								
	Total KESSP								

	Other Running Costs								
	Primary teacher Salaries								
	Secondary teacher Salaries								
	TIVET teacher salaries								
	University salaries								
	Administrative costs								
	Other construction costs								
	TOTAL EDUCATION SPENDING								
	Of which:								
	Primary Education								
	Other basic Education								
	Secondary Education								
	Higher Education								
	TIVET								

1. Classification based on existing KESSP programmes, but needs detailed definition for eligible categories (e.g. within secondary and to exclude school feeding). Coding structure presently being revised should be defined to capture required detail.
2. The assumption is that MOEST will wish to report expenditure on KESSP as a whole. For non-eligible categories, some aggregation of smaller programmes could be considered.
3. Conversely, the large-spending eligible categories may need more disaggregation than assumed here, e.g. it may be useful to show basic grant, additional grant, and new school construction separately.
4. Only a limited number of strategic output indicators should be included.

ATTACHMENT I: KESSP INVESTMENT PROGRAMMES

1. Early Childhood development and Education
2. Primary School Infrastructure
3. Primary School Instructional Materials
4. Pre-Service Primary Teacher Education
5. In-Service Primary Teacher Education
6. Expanding Educational Opportunities in Arid and Semi –Arid Lands
7. Non Formal Schools and non formal education
8. Special Needs Education
9. School Health, Nutrition and Feeding
10. HIV/AIDs
11. Adult and Basic Education
12. Capacity Building
13. Education Management Information System
14. Information and Communication Technology in Education
15. Guidance and Counseling
16. Quality Assurance and Standards
17. Secondary Education
18. In-Service of Teachers at Secondary in Mathematics and Science
19. Technical, Industrial, Vocational and Entrepreneurship Education
20. University Education
21. Teacher Management
22. Gender and Education
23. Monitoring and Evaluation

Attachment II Subset of –KESSP eligible for Development Partner funding

1. EARLY CHILDHOOD DEVELOPMENT EDUCATION

- Curriculum review
- National Policy guidelines and standards
- Community support grants
- Community mobilization and Capacity building
- Primary school readiness

1. PRIMARY EDUCATION

- Instructional Materials
- Primary School Infrastructure
- Non formal education
- Special needs education
- School health and nutrition
- Teacher training
- Expanding educational opportunities in ASALS

2. ADULT AND BASIC EDUCATION

- Literacy Survey
- Expanded access programme
- Development of curriculum, support materials and capacity building
- National qualification framework
- Partnership and collaboration support programme
- Monitoring and evaluation

3. EDUCATION MANAGEMENT INFORMATION SYSTEM (EMIS)

- Review and harmonization of instruments and data collection
- Data processing and management
- EMIS development and infrastructure support
- Analysis and dissemination
- EMIS human resource

4. MONITORING AND EVALUATION:

- KESSP baseline
- Process monitoring
- Impact evaluation

5. CAPACITY BUILDING

- Capacity development and ICT Training for Senior Education Managers at HQs and SAGAs
- Capacity development for provinces and districts
- KESI capacity development
- Education Management (PEBs, DEBs, BOGs and SMCs) on management and accountability.
- Capacity for ECDE, NFs, HIV/AIDS gender, G&C, school health

6. QUALITY ASSURANCE AND STANDARDS

- Subject based content mastery and pedagogical skills upgrading
- Quality monitoring and Teacher support
- Action research on quality education
- Accreditation system
- Student achievement monitoring
- National assessment system
- Harmonization of achievement studies
- Education broadcasting channel
- Examination item banking system
- KNEC printing equipment
- ABE/NFE examination review
- Production and curriculum support materials
- Alternative teaching and learning approaches

7. GENDER AND EDUCATION

- Gender education policy
- Increasing enrolment and retention of girls/boys
- Girls and women participation and performance in education
- Sanitary materials and sanitation in schools
- Monitoring and evaluation

8. HIV/AIDS including OVC's.

- Prevention,
- Care and support
- Work-place issues and
- Management of response

9. GUIDANCE AND COUNSELING

- Development of G&C policy framework
- Monitoring training programmes (teachers and learners)
- Development and dissemination of career information booklets and materials

- Counseling in workplace for MOEST
- Training teachers and learners in disaster prepared, management and conflict resolution

10. STRATEGIC STUDIES FOR SECONDARY, TIVET AND UNIVERSITY

- Development of a strategy for expansion of secondary sub-sector
- Development of TIVET national skills strategy
- Market skills survey and training needs for curricula design and development
- Development and implementation of a national strategy for the development of university education

ATTACHMENT III: KESSP Monitoring and Evaluation of Outcomes/Results

Expected Outcomes and Results		
Development Goal	Performance Indicator	Notes
1. Ensure equity of access to basic education	<ul style="list-style-type: none"> EFA goals (NER and completion 100%, gender parity) are close to being achieved by 2010 Female illiteracy reduced by 50% 	
2. Enhance quality and learning achievement	<ul style="list-style-type: none"> Improved scores on national assessment compared with 2005 baseline survey (FPE SP) 	
3. Improve chances of primary graduates for work and life long learning	<ul style="list-style-type: none"> Expanded opportunities secondary, TIVET and university education Improved relevance and efficiency of secondary, TIVET and university education 	
4. Strengthen education sector management	<ul style="list-style-type: none"> Policy reforms enhancing efficiency of resource allocation and effectiveness of service implemented with primary education having a share of 55% of the recurrent budget of which 15% allocated to non-salary expenditures; 	Currently 57.4 % and 14.7 % respectively.
Intermediate Outcome	Performance Indicators	Notes
1. 1 Participation of vulnerable groups in formal and non-formal programs improved significantly	<ul style="list-style-type: none"> 95% of the children have access to a school, non-formal school or non-formal center within walking distance. Female/male GER in North East Province increased to 35% Net enrollment ratio in slums increased to 90% Attendance of orphans is equivalent to other children 	Walking distance to be determined
1.2 ABE programs provide quality opportunities for learning	<ul style="list-style-type: none"> 50 percent of learners who enroll in ABE programs acquire basic literacy and numeracy skills 	
2.1. Quality of instruction in primary schools improved	<ul style="list-style-type: none"> Average class size of 45, and significant progress towards reducing the variation around the average; prioritization of eliminating class sizes above 50. The ratio of pupils to permanent classrooms decreases significantly Essential inputs as specified in orange book are available and effectively used Child centered instruction by more than 50% of teachers Data on learning achievement from the national assessment sample available to all managers and stakeholders, including schools. Minimum instructional time of 850 hours of quality teaching for all children in all primary schools, with a goal of 1000 hours. 	National assessment done on sample basis but all schools provided with the assessment questions/ data for self-evaluation
2.2 All children included and ready to learn	<ul style="list-style-type: none"> Over 50 % of Orphans and Vulnerable Children (OVC) participate in ECD and primary education programs Policy framework in ECD, gender, special needs. 	
2.3 Education contributes to health	<ul style="list-style-type: none"> Reduced infection rates of HIV among young people age 18-24 and among teachers 	
3.1 Opportunities for relevant further education and training increased	<ul style="list-style-type: none"> Strategic plans for the sustainable development of secondary education, TIVET and university education, guide policy reforms and investments. Significant progress towards gender parity in performance and admissions in secondary and higher education. 	

4.1 Resources used more efficiently	<ul style="list-style-type: none"> • Number of primary teachers is kept constant, with deployment based on school enrollment depending on the findings and recommendations on actual teacher needs. • Teaching load secondary teachers increased to 25-30 contact hours, with use of contract and part-time teachers as possible; • Expansion secondary education has taken place through day schooling instead of boarding • Pre-service teacher training has been rationalized 	Current policy is class based
4.2 KESSP and related policy reforms implemented effectively	<ul style="list-style-type: none"> • Annual work programs implemented on time and within budget • Trends in student learning and equitable access monitored • Flow of funds regular, transparent and well documented • Progress towards program objectives and policies is assessed and reviewed with stakeholders and communicated to the public on a regular basis. • Pre-service teacher training rationalized 	Communication strategy to be included in KESSP
Component outcomes	Performance indicators	Notes
1. 1.1 Primary school infrastructure expanded	<ul style="list-style-type: none"> • 165 new schools built in ASAL and pockets of poverty • 4000 primary schools received basic school improvement grants • 960 primary schools received increase school improvement grants • 50% of all schools to have toilet ratio for girls of 1:25 	USAID: 215 classrooms in Northeast province OPEC: 1400 classrooms in ASAL
1.1.2 Access of disadvantaged groups increased	<ul style="list-style-type: none"> • 100 mobile classes operate in arid lands • 300,000 children enrolled in NFS in arid lands and in slums • Gender programs implemented in areas of special disadvantage • Special needs education program implemented to reach 41,000 students (from current 26,000) 	
1.2.1 Access of disadvantaged populations to ABE programs improved	<ul style="list-style-type: none"> • Number of women learners increased by 10 percent, number of centers increased by 600 per annum. • 50 Percent of new centers established in ASALs and urban slums • Number of out of school youth enrolled increases by 10 percent per annum. 	
2.1.1 Primary schools have resources to procure instructional materials, meet operating cost and improve learning	<ul style="list-style-type: none"> • All school are provided with budget of Ksh. 650 per student for instructional materials and Ksh. 370 for operating cost, and the necessary budget for school improvement • Student: textbook ratio in core subjects has improved towards 1:1 in core subjects • Policy framework on learning assessment established and integrated learning assessment system in place. 	
2.1.2 Continuous in service training available to all primary teachers	<ul style="list-style-type: none"> • Reviewed, revised and consolidated Lifeskills and HIV/AIDS materials • In-service training –including modules on HIV/AIDS, gender, special needs education, and guidance and counseling- averaging at least 1 week every year reaches all teachers 	

	<ul style="list-style-type: none"> • All head teachers have participated in leadership training averaging at least 3 days a year • School based support and training by head teachers and external subject specialists reinforces in-service program 	
2.2.1 Schools contribute to the fight against HIV/AIDS	<ul style="list-style-type: none"> • HIV/AIDS prevention programs, including life skills, guidance and counseling, reach all pupils and teachers. • HIV/AIDS workplace programs implemented system wide. 	
2.2.2. School health, nutrition and feeding programs reach disadvantaged populations	<ul style="list-style-type: none"> • In ASALs, urban slums and pockets of poverty: <ul style="list-style-type: none"> - 560,000 children participate in de-worming treatment and health promotion programs. - 1.2 million children receive immunizations, nutrition and feeding programs • Income generating activities contribute to the cost of school feeding programs in 11 ASAL districts. 	
3.1.1 Post primary education programs expanded and reorganized	<ul style="list-style-type: none"> • Number of students admitted in secondary education increases by about 6% per year • TIVET system revitalized under management of National Training Authority • Public universities improve the quality of research and teaching, and put more emphasis on development oriented subjects. • Improved career guidance and counseling leads to increased efficiency in study choice. • Bursary scheme is transparent and targeted at the poor. • Policy framework and mechanisms for private provision of secondary and higher education established. 	
4.1. Capacity to implement KESSP and policy reforms established	<ul style="list-style-type: none"> • Skill development programs for staff and key stake holders at all levels implemented • Communication strategy on KESSP designed and implemented • Resource allocation processes aligned with decentralized management • SMCs, PTAs, communities and school staff collaborate effectively for the implementation of school level programs. • EMIS provides accurate and timely data and includes GIS data. • Regular reporting on implementation progress, trends in key performance indicators. • Impact evaluation of key components of the investment program. 	

ATTACHMENT IV: FLOW OF FUNDS

PROPOSED FLOW OF FUNDS (KESSP)



