

EFA-FTI CATALYTIC FUND

QUARTERLY FINANCIAL UPDATE

FOR THE QUARTER ENDING 30 JUNE 2010

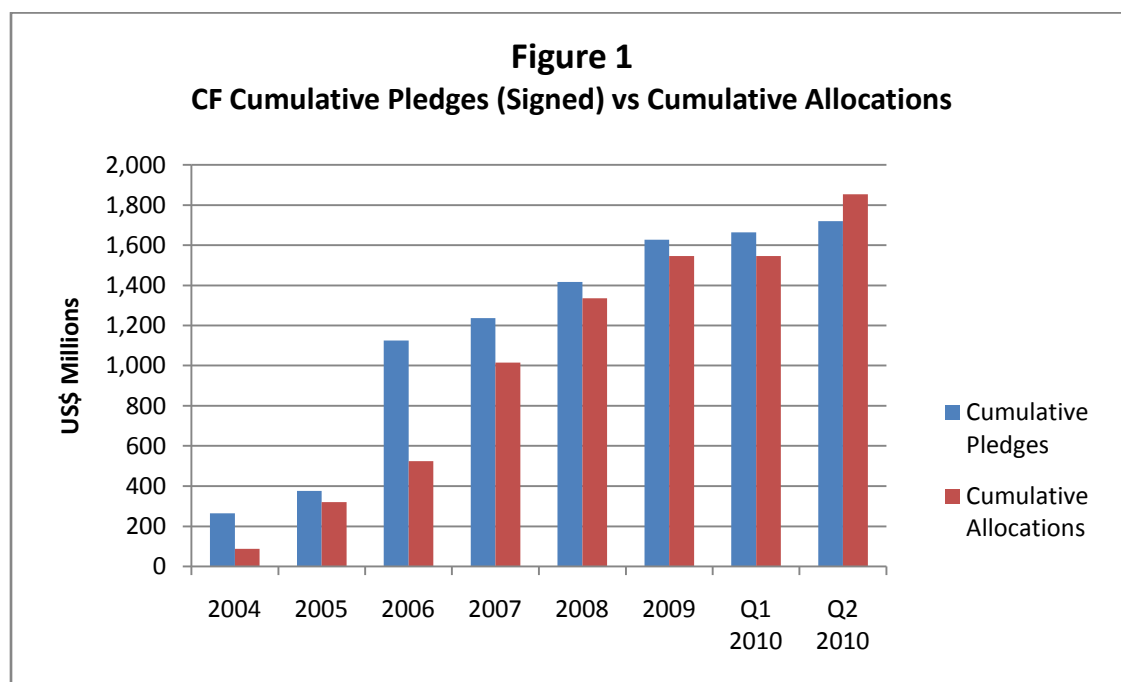
Prepared by the FTI Secretariat

Data in this report are as of 30 June 2010

EFA-FTI Catalytic Fund
Quarterly Financial Update as of June 30, 2010

1. FUND POSITION

- **Summary of Cumulative Allocations** *As of 30 June 2010, cumulative allocations from the Catalytic Fund (CF) totaled US\$1,853.6 million¹ – US\$70 million more than the total available for allocation (US\$1,783 million equivalent) as represented by pledges in signed donor agreements plus investment income on the cash balance. Figure 1 shows trends in cumulative allocations against cumulative signed pledges for the CF since inception.*



- **New Signed Pledges in the Quarter:** *Since 31 March 2010, new pledges in the form of signed donor agreements totaled US\$78 million equivalent. New agreements were signed with DFID (GPB 50 million; US\$73.8 million equivalent) and Switzerland (CHF 4.5 million; US\$4.2 million equivalent). In the same period, US\$180.7 million equivalent in pledges were announced, for which agreements were not yet signed. Donors announcing pledges were Belgium, Denmark, the European Commission, France, Germany, Japan, Norway and Romania. Table A shows pledges and receipts by Donor and by year since CF inception.*
- **Cumulative Pledge Total:** *As of 30 June 2010, the value of all signed pledges totaled US\$1,719 million equivalent. This total includes the new signed pledges of US\$78 million equivalent and reflects the decrease in value of the unpaid portion of signed pledges (a loss of approximately US\$23 million equivalent). NB: The cumulative pledge total includes approximately US\$238.4 million equivalent in unpaid pledges, nearly all of which is denominated in currencies other than US dollars. For the purposes of this report, exchange rates as of 30 June 2010 were used to approximate the value of the*

¹ The cumulative allocation amount has been adjusted down to reflect the reduction in allocations to Guinea (CF Committee decision May 2010) and Madagascar (CF Committee decision November 2009).

unpaid pledges. The cumulative pledge total has and will continue to change as exchange rates fluctuate.

➤ **Cash position:**

- **Cash Receipts:** *Cash receipts in the second quarter of CY2010 totaled US\$97.6 million from Belgium, Germany, Italy, Switzerland, UK and Australia. Cumulative cash receipts since inception total US\$1,481 million.*
- **Investment Income:** *Income earned on undisbursed cash balances totaled US\$2 million in Q2 CY2010 with investment income since inception totaling US\$64 million. All investment income earned on cash balances is added back into the CF for allocation by the CF Committee.*
- **Disbursements:** *CF disbursements in the quarter totaled US\$34.9 million for a cumulative CY2010 total of US\$101.4 million. US\$797.2 million has been disbursed since CF inception (including administration fees and disbursements of supervision allocations by Supervising Entities). Figure 2 below shows the steady increase in annual CF disbursements since fund inception. Full year 2010 CF disbursements are projected by the FTI Secretariat to be in the range of US\$250 million to US\$350 million.*

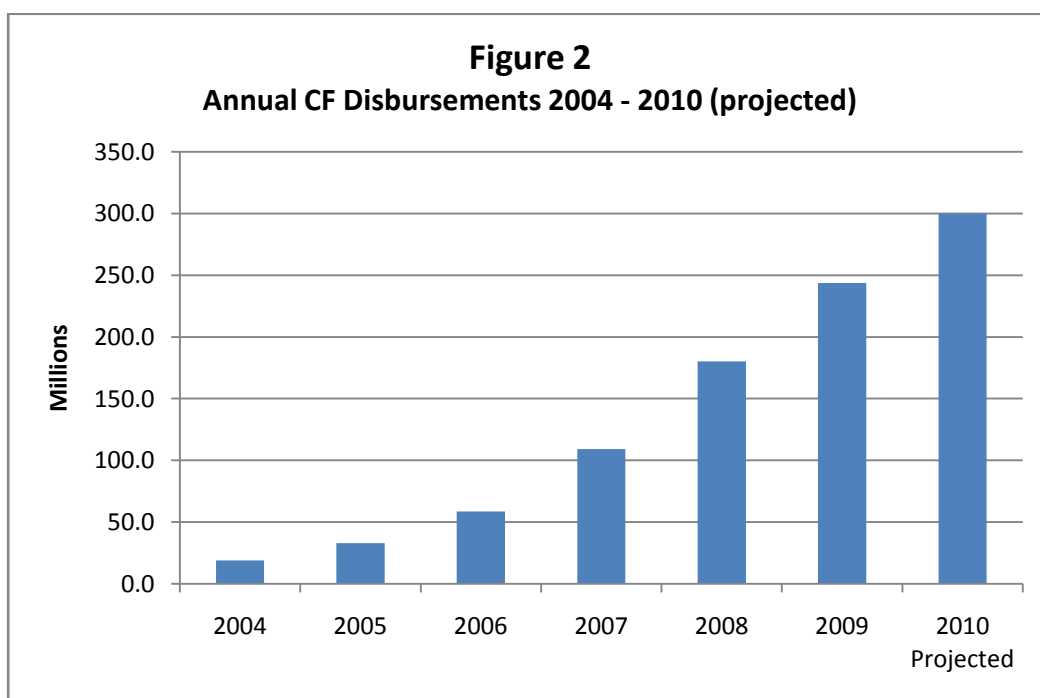
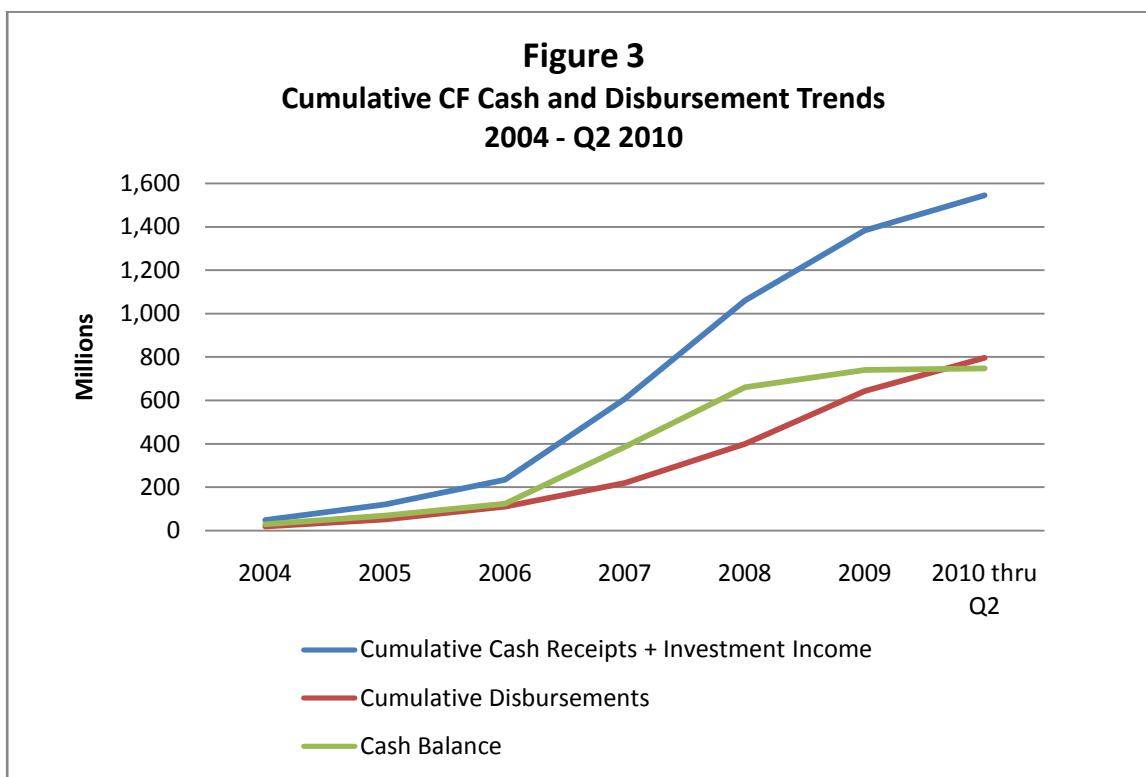


Table B shows all CF allocations since fund inception and actual disbursement for each as of 30 June 2010.

- **Cash Balance:** As of 30 June 2010, the cash balance of the CF was US\$745 million, up US\$63 million from 2010 Q1.

Figure 3 below shows year-on-year trends for cumulative cash received (donor contribution receipts plus investment income), disbursements, and cash balance from CF inception through Q2 2010. Cash balance rose sharply between 2006 and 2008, and has been relatively stable over the past two years.



➤ **New Allocations in the Quarter:** *At its May 2010 meeting, the CF Committee allocated a total of US\$303 million to five countries: Ethiopia, Lao PDR, Malawi, Togo and Liberia. At the same meeting, the CF Committee instructed that the proposal for US\$4m from Djibouti be handled via non-objection (it was subsequently approved). In addition the CF Committee approved cancellation of US\$53.8m from a 2007 approved allocation to Guinea (US\$117.8m, for which the World Bank was designated as Supervising Entity). The CF Committee did not approve the Guinea Local Education Group’s proposal for a revision of work planned under the previous allocation, but instructed the LEG to make adjustments to the proposal activities and downsize the proposal. A total allocation of US\$64m was approved, of which US\$24m was to be transferred to and implemented by UNICEF. As a result of the change in allocation amount for Guinea, US\$53.8 million was released for future allocation by the CF Committee. Details of the May 2010 CF Committee approvals are shown below.*

May 2010 Catalytic Fund Committee Allocation Decisions

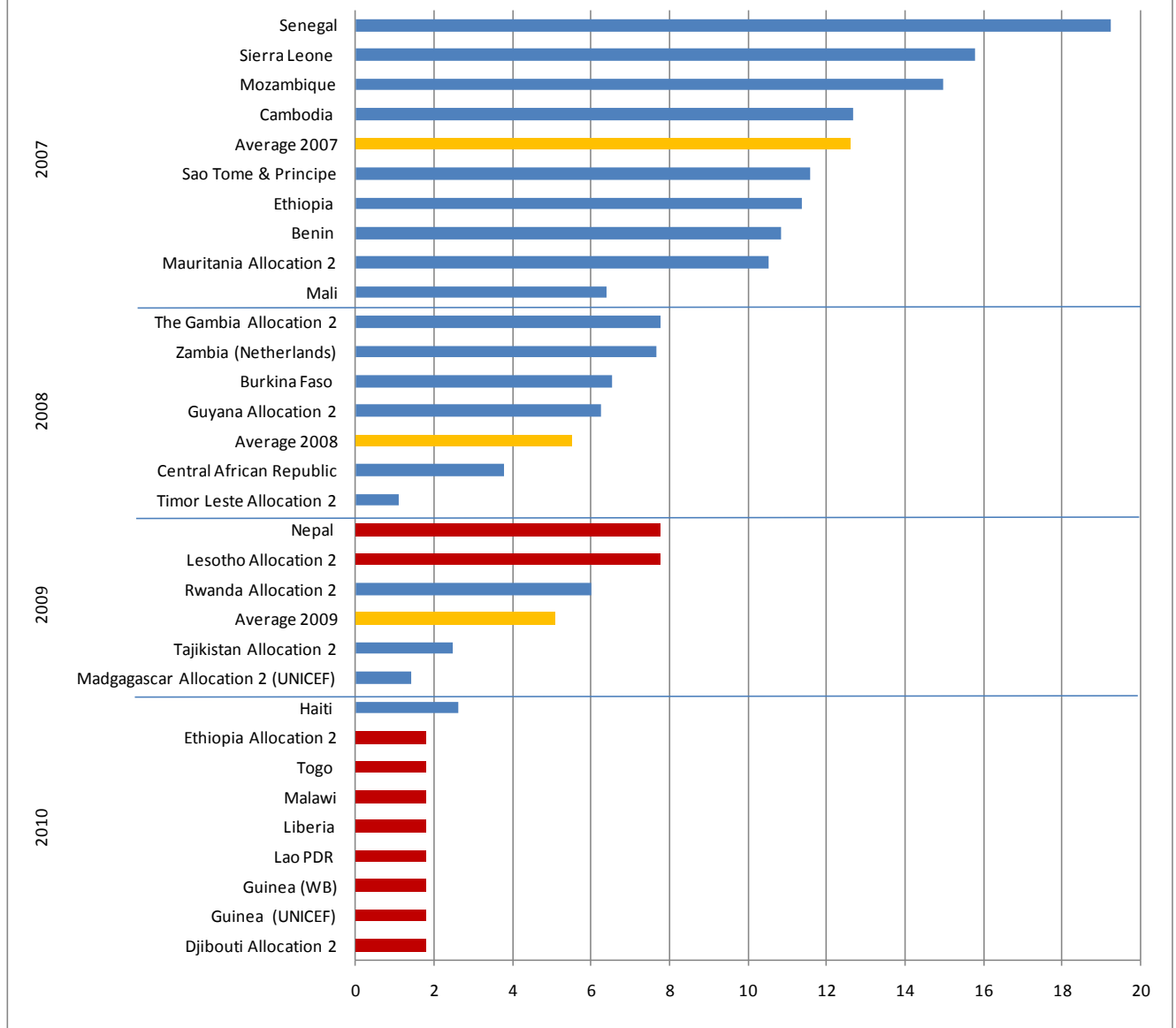
Country	Allocation		Supervising Entity	Comments
	Amount (US\$m)	Allocation Period		
Ethiopia	98	3 years	WB	2nd CF Allocation
Lao PDR	30	3 years	WB	
Malawi	90	3 years	WB	
Togo	45	3 years	WB	
Liberia	40	3 years	WB	
Total May 2010 CFC meeting decisions	303			
Other CFC Decisions				
Djibouti	4	1 year	WB	Approval via non-objection 14 May 2010
Guinea	64			Reflects cancellation of \$53.8m from original 2009 allocation of \$117.8m
<i>of which</i>	24	2 years	UNICEF	
	40	2 years	WB	

2. GRANT PROCESSING

- **Signing of Catalytic Fund Grant Agreements:** One grant agreement was signed in the quarter – for Haiti (US\$22 million).² As of 30 June, grant agreements remained unsigned for CF allocations to Lesotho and Nepal (both of which were approved in November 2009), and for allocations made at the May 2010 CF Committee meeting. Figure 4 below highlights progress made since 2007 in reducing time between CF Committee allocation decision and signing of a grant or transfer agreement for the allocation. Grants unsigned at 30 June 2010 are shown in red.

² The Grant Agreement for the allocation to Haiti was originally scheduled to be signed in mid-January 2010. In response to emerging needs as the result of the earthquake, the Local Education Group revised the CF proposal, and the revised proposal was approved by the CF Committee in March 2010.

Figure 4
Number of Months from Allocation to Grant or Transfer Agreement Signing



BLUE indicates the grant or transfer agreement was signed by 30 June 2010

RED indicates the grant or transfer agreement remained unsigned at 30 June 2010

GOLD indicates the average number of months to grant or transfer agreement signing for all allocations approved in a given year

3. PROJECTED CF FUNDING REQUESTS FOR NOVEMBER 2010

- **Countries Projected to Submit Funding Applications:** Information received through 30 June 2010 from Local Education Groups indicated that up to five countries would submit applications totalling up to US\$500m to the CF Committee for allocation decision in November 2010. These are: Rwanda, Papua New Guinea, Mozambique, Guinea-Bissau and Mauritania. The Secretariat's current best estimate of aggregate requests is in the range of US\$150m to US\$250m given that each country application package is at a different stage of readiness and it is unlikely that all will meet the mid-September deadline for application submission.
- **Allocation Scenarios:** The table below shows two of many possible allocation scenarios for the November meeting. Under Scenario 1, all current unsigned pledges are signed by the November meeting and those funds are available for allocation. Under Scenario 2, no unsigned pledges are signed by November and no new funding is available for allocation. Taken together with the current best estimate of the value of aggregate requests coming forward in November, the difference between funds available and funds requested is in the range of US\$-39m – US\$-139m under Scenario 1 and US\$-220m – US\$-320m under Scenario 2.

	Scenario 1 Donors sign pledges	Scenario 2 No new signed Donor pledges
	US\$ millions	
Total signed pledges	1,719	1,719
Cumulative investment income	64	64
Unsigned donor pledges	181	
Total Available for Allocation	1,964	1,783
Less cumulative allocations	1,853	1,853
Current balance available/uncommitted	111	(70)
Current LEG indications of requests for Fall 2010	150 - 250	150 - 250
<i>Projected difference between request and available funds</i>	<i>(39) – (139)</i>	<i>(220) – (320)</i>

TABLE A
Summary of Signed Donor Pledges to the CF as of 30 June 2010
 (US\$ million equivalent)

	CF Donor	Total	Calendar Years						Total	CF Donors
	Countries	2004-2007	2008	2009	2010	2011	2012	2013	2003-2013	Receipts
1	Australia	-	1.4	-	19.2	10.7	-	-	31.3	15.3
2	Belgium	6.5	1.4	1.3	1.2	1.2	-	-	11.7	10.5
3	Canada	17.4	-	8.2	9.8	9.5	9.5	9.5	64.0	35.5
4	Denmark	5.0	14.4	26.7	10.6	-	-	-	56.7	46.1
5	EU (ACP)	40.3	24.7	19.2	-	-	-	-	84.2	65.0
6	EU part 2	13.7	6.5	9.5	9.5	-	-	-	39.2	20.2
7	France	-	14.6	8.7	-	-	-	-	23.3	23.3
8	Germany	-	6.2	7.4	6.2	6.1	-	-	26.0	16.8
9	Ireland	19.2	22.1	-	-	-	-	-	41.3	41.3
10	Italy	10.4	4.4	12.6	4.1	-	-	-	31.5	31.5
11	Japan	-	1.2	1.2	1.2	-	-	-	3.6	3.6
12	Netherlands	430.5	36.8	-	-	-	-	-	467.3	430.5
13	Norway	61.5	8.6	22.6	-	-	-	-	92.7	92.7
14	Romania	0.5	-	-	-	-	-	-	0.5	0.5
15	Russia	3.0	1.0	2.0	2.0	2.0	-	-	10.0	6.0
16	Spain	80.3	76.9	87.9	73.1	-	-	-	318.2	245.1
17	Sweden	15.7	14.6	15.3	5.1	12.8	-	-	63.5	45.6
18	Switzerland	-	2.5	-	1.3	1.4	1.4	-	6.6	3.9
19	UK	129.1	132.0	12.6	73.8	-	-	-	347.5	347.5
	TOTAL	833.1	369.3	235.3	217.3	43.7	10.9	9.5	1,719.1	1,480.7

 Memo item: Summary of indicative unsigned pledges

	CF Donor/ Countries	Pledge Currency	2010	2011	2012	2013	Total in Pledge Currency	Total US\$ equivalent /a
1	Belgium	EUR	4.0				4.0	4.9
2	Denmark	DKK	70.0	135.0	135.0	135.0	475.0	79.2
3	EU	EUR	5.8				5.8	7.1
4	France	EUR		25.0	25.0		50.0	61.5
5	Germany	EUR		6.0			6.0	7.4
6	Japan	USD		0.7			0.7	0.7
7	Romania	USD		0.1			0.1	0.1
8	Norway	NOK		127.5			127.5	19.8
	TOTAL							180.7

/a Based on exchange rates as of 30 June 2010

Table B
Summary of CF Committee Country Allocation Decisions as of 30 June 2010
(US\$ millions)

Country	SE	2003-06	2007	2008	2009	2010	2003-10	Disbursed	% Disbursed	
1	Benin	WB	-	76.1	-	-	-	76.1	24.8	33%
2	Burkina Faso	WB	-	-	102.0	-	-	102.0	22.0	22%
3	Cambodia	WB	-	57.4	-	-	-	57.4	9.6	17%
4	Cameroon	WB	47.3	-	-	-	-	47.3	22.5	48%
5	Central African Republic	WB	-	-	37.8	-	-	37.8	3.6	10%
6	Djibouti Allocation 1	WB	8.0	-	-	-	-	8.0	8.0	100%
	Djibouti Allocation 2	WB	-	-	-	-	4.0	4.0	-	0%
7	Ethiopia Allocation 1	WB	-	70.0	-	-	-	70.0	36.5	52%
	Ethiopia Allocation 2	WB	-	-	-	-	98.0	98.0	-	0%
8	Ghana Allocation 1	WB	19.0	-	-	-	-	19.0	19.0	100%
	Ghana Allocation 2	WB	14.2	-	-	-	-	14.2	8.6	61%
9	Guyana Allocation 1	WB	12.0	-	-	-	-	12.0	12.0	100%
	Guyana Allocation 2	WB	-	-	20.5	-	-	20.5	10.4	51%
10	Guinea /a	WB	-	117.8	-	-	-77.8	40.0	-	0%
		UNICEF	-	-	-	-	24.0	24.0	-	0%
11	Haiti /b	WB	-	-	-	-	22.0	22.0	-	0%
12	Kenya	WB	121.0	-	-	-	-	121.0	121.0	100%
13	Kyrgyzstan	WB	15.0	-	-	-	-	15.0	8.9	59%
14	Lao PDR	WB	-	-	-	-	30.0	30.0	-	0%
15	Lesotho Allocation 1	WB	11.9	-	-	-	-	11.9	10.2	86%
	Lesotho Allocation 2	WB	-	-	-	20.0	-	20.0	-	0%
16	Liberia	WB	-	-	-	-	40.0	40.0	-	0%
17	Madagascar Alloc 1	WB	60.0	-	-	-	-	60.0	60.0	100%
	Madagascar Alloc 2 /c	WB	-	-	85.0	-58.0	-	27.0	-	-
		UNICEF /d	-	-	-	15.0	-	15.0	15.0	100%
		UNICEF	-	-	-	-	22.0	22.0	-	0%
18	Malawi	WB	-	-	-	-	90.0	90.0	-	0%
19	Mali	WB	-	8.7	-	-	-	8.7	6.2	71%
20	Mauritania Allocation 1	WB	9.0	-	-	-	-	9.0	9.0	100%
	Mauritania Allocation 2	WB	-	14.0	-	-	-	14.0	4.2	30%
21	Moldova	WB	8.8	-	-	-	-	8.8	8.8	100%
22	Mongolia Allocation 1	WB	17.1	-	-	-	-	17.1	17.1	100%
	Mongolia Allocation 2	WB	12.3	-	-	-	-	12.3	8.0	65%
23	Mozambique	WB	-	79.0	-	-	-	79.0	79.0	100%
24	Nepal	WB	-	-	-	120.0	-	120.0	-	0%
25	Nicaragua	WB	24.0	-	-	-	-	24.0	24.0	100%
26	Niger	WB	21.0	-	-	-	-	21.0	13.0	62%
27	Rwanda Allocation 1	WB	70.0	-	-	-	-	70.0	70.0	100%
	Rwanda Allocation 2	WB	-	-	-	35.0	-	35.0	35.0	100%
28	Sao Tome & Principe	WB	-	3.6	-	-	-	3.6	1.8	50%
29	Senegal	WB	-	81.5	-	-	-	81.5	9.3	11%
30	Sierra Leone	WB	-	13.9	-	-	-	13.9	3.0	22%
31	Tajikistan Allocation 1	WB	18.4	-	-	-	-	18.4	18.4	100%
	Tajikistan Allocation 2	WB	-	-	-	13.5	-	13.5	0.7	5%
32	The Gambia Alloc 1	WB	13.4	-	-	-	-	13.4	13.4	100%
	The Gambia Alloc 2	WB	-	-	28.0	-	-	28.0	6.3	23%
33	Timor Leste Alloc 1	WB	8.2	-	-	-	-	8.2	8.2	100%
	Timor Leste Alloc 2	WB	-	-	4.9	-	-	4.9	4.9	100%
34	Togo	WB	-	-	-	-	45.0	45.0	-	0%
35	Yemen	WB	40.0	-	-	-	-	40.0	28.4	71%
36	Zambia	Netherlands	-	-	60.0	-	-	60.0	30.0	50%
TOTAL: /d			550.6	522.0	338.2	145.5	297.2	1,853.5	790.8	43%
<i>/a Original approval in 2007 for \$117.8m; \$53.8m cancelled in 2010.</i>										
<i>/b Original approval in 2009</i>										
<i>/c Original approval in 2008 for \$85.1m; \$21m cancelled in 2009; revised proposal approved for a total of \$64.1m in 2009..</i>										
<i>/d CFC approved UNICEF's proposal on non-objection basis 13 August 2010.</i>										
<i>/d CFC approved an initial allocation of \$1.04m in 2007, and topped up to total of \$3.6m in 2008.</i>										
<i>/e Yearly totals reflect approval adjustments per above footnotes.</i>										