

## **FTI Catalytic Fund Strategy Committee**

### **Minutes of the Meeting of October 10, 2006**

1. A meeting of the Catalytic Fund (CF) Strategy Committee (SC) was convened in Brussels, Belgium, on October 10, 2006. It was chaired by Ruth Kagia, Director of Education, World Bank. Members of the CF SC in attendance were: Philippe Gerard, Nadine Dusepulchre (Belgium); Nora Fyles (Canada); Anton Jensen, Marja Karjalainen, Jose Antonio Valente, Renata Russell (European Commission); Maire Matthews (Ireland); Teresa Savanella (Italy); Ronald Siebes, Rebekka van Roemburg (Netherlands); Olav Seim, Vegard Pedersen (Norway); Valeria Sakharova (Russia); Mari Cruz del Saso (Spain); Kaviraj Appadu (Sweden); Richard Arden, Halima Begum, Adaeze Igboemeka (DFID/UK).
2. Observers included: Khawla Shaheen, Fadila Caillaud (UNESCO); Dina Craissati (UNICEF); Mercy Tembon, Sophie Smyth (World Bank); Ko-Chih Tung (UIS/UNESCO); Poul Erik Rasmussen (Denmark); Alain Dhersigny, Jacques Malpel (France); Temby Caprio, Rudiger Blumor (Germany); Keiko Mizuno, Noriko Matsuda (Japan); Gregory Loos (USAID). Participants from the FTI Secretariat were: Desmond Bermingham, Kouassi Soman, Luc Gacougnon, Palak Mehra, Anna Triponel and Michelle Mesen.
3. A background paper titled “Catalytic Fund Status Report; October 2006” (attached) has been circulated to members of the CF SC before the meeting.
4. The agenda items were:
  - Status update and progress since the last Strategy Committee in March 2006;
  - Decision on the Extended Financing Mechanism;
  - CF Allocations for newly endorsed countries (Cameroun and Mongolia); and topping up for existing beneficiary countries (Ghana, The Gambia, Yemen, Kenya, Nicaragua, Tajikistan and Timor Leste).
5. Kouassi Soman, Manager of the CF Trust Fund, presented a summary of progress based on the October 2006 Status Report. Since the last CF SC meeting held in Moscow (Russia), donor disbursements and grants disbursements into country programs have both increased substantially. Moreover, two FTI partners (Russia and Canada) have become donors to the Catalytic Fund. Please refer to the attached Status Report for more detailed information, including key highlights.

#### **Decision on Extended Financing Mechanism**

6. After a few introductory remarks, the Chair invited Mr. Ronald Siebes (Rapporteur for the Task Force for the Extended Financing) to summarize agreements reached the previous day as a result of his presentation.
7. Mr. Siebes reiterated that the proposed Expanded Catalytic Fund (ECF) is a continuation of the existing Catalytic Fund (CF) with two basic modifications: (i) replacement of the current eligibility criteria based on the concept of “Donor Orphan”; and (ii) extension of the period of financial support from 2-3 years to a long term for more predictability of external aid. The new period is up to 2015 in three-year phases.

8. Following extensive discussions, **all donors agreed on the proposals in the Expanded Catalytic Fund Concept Note to extend the period of time for eligibility and support under the Expanded Catalytic Fund.**

9. In discussing the legal agreements signed by donors (Administrative Agreements) and the Initiating Memorandum (IBTF) which is internal to the World Bank, **all donors agreed on the proposal to retain the same five eligibility criteria used for the existing Catalytic Fund.** For easy reference, these are:

- (i) The existence of an Endorsed Education Sector Plan for the country;
- (ii) Demonstrated strong commitment on the part of the country's government towards funding primary education;
- (iii) Strong performance by the country's government towards achievement of the goal of universal primary school completion for girls and boys by 2015;
- (iv) Capacity to implement the Endorsed Education Sector Plan; and
- (v) Exceptional limitations in the external donor funding available for the country's primary education program.

10. Further discussion was held on the operational definition of '(v) Exceptional limitations in external donor funding...' To date, the Committee has used the 'donor orphan' criterion to allocate funds i.e. a country with five donors or fewer providing \$1 million or more to the education sector. There has been increasing discomfort with the arbitrariness of this criterion. For the Expanded Catalytic Fund, the Committee has agreed to find an alternative operational definition that better reflects the intention of mobilizing additional resources and ensuring that the Catalytic Fund does not create perverse incentives at the country level to decrease domestic or external financing.

11. Netherlands has proposed one alternative criterion comparing the size of the financing need to the existing donor funding; for example if the financing need is more than 50% of existing donor funding, then a country would be eligible for ECF support on the grounds that it is unlikely that in country donors would be able to increase their support by such a large amount in a short period of time.

12. The Secretariat was asked to prepare scenarios using this criterion to give an indication of the implications of this change including the financial impact on the ECF. The Committee was asked to propose other alternative criteria for consideration.

### **Discussion of CF Allocations**

13. The first decision for allocation to CF-eligible countries was discussed as set out in the Status Report. Given the large amounts of finance involved, the Committee felt that they needed more detailed information than had previously been required for allocation decisions. The Committee requested that this information be provided to allow them to make decisions at the next Strategy Committee meeting in Cairo in November.

14. Specifically the Committee requested that the summary should provide the best available information on:

- Basic education indicators.
- Domestic funding for the education sector in general and primary education in particular.
- External financing for education.
- Proportion of CF Grant requested relative to the overall unmet financial needs, and to the budget of the Ministry of Education.
- Proposed aid modality for the CF Grant requested.
- Any identified risks (fiduciary, procurement, absorptive capacity limits, etc.) should be explained, along with measures to mitigate them.

### **Summary of Decisions**

15. The Secretariat will prepare simulations to assess the impact of changing the operational eligibility criteria for the ECF and send them to members of the Strategy Committee along with the Revised Concept Note for comments before its next meeting in Cairo (November 2006).

16. The Secretariat will also prepare a standard template requiring the necessary background information for all CF applicants (with some country examples already filled in, if possible) and send these to the Strategy Committee for comments and approval. The main objective is that members of the Strategy Committee will be in a position to make allocation decisions in Cairo for all applicants that had completed the agreed standard template.

17. Allocation decisions not made in Brussels will be re-considered by the CF Strategy Committee meeting in Cairo. Any new CF-eligible country endorsed before Cairo should also provide the required information in order to be considered for funding.

18. In addition, donors would like have an overview on the proposed allocations as compared to previous decisions made to ensure fairness and equity.

19. Finally, the CF Strategy Committee expressed concerns about the relatively short time allocated to its meetings. Accordingly it was decided that these meetings be held before both Technical and Full Partnership Meetings in the future and starting with Cairo where the CF SC meeting will be held on Sunday November 12, 2006.