Fast Track Initiative
A global partnership to achieve Education For All

# FTI CATALYTIC FUND

## INTERIM STATUS REPORT[1]

## TOKYO, JAPAN
## APRIL 22, 2008

**Prepared by the FTI Secretariat for the CF Committee Meeting**

[1] The last Annual Status Report was prepared for the CF Committee (CFC) meeting that took place on December 10, 2007 in Dakar (Senegal). The present report updates performance and achievements since May 2007. As an interim report, it doesn't provide details of implementation for all CF beneficiaries. Such details will be provided in the next Annual Status Report due in December 2008. All actual figures and projections are as of end-February 2008. An update will be provided to CFC members at the meeting in Tokyo, if necessary.

# Abbreviations and Acronyms

| | |
|---|---|
| CF | Catalytic Fund |
| CFC | Catalytic Fund Committee |
| EC | European Commission |
| ECD | Early Childhood Development |
| EFA | Education For All |
| EPDF | Education Program Development Fund |
| ESP | Education Sector Plan |
| FTI | Fast Track Initiative |
| IDA | International Development Association |
| ODA | Official Development Assistance |

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# EFA-FTI Catalytic Fund
# Interim Status Report

**SUMMARY OF KEY MESSAGES**:

• ***Execution and disbursement performance***. The overall performance of the CF has been mixed over the past year since Bonn: (i) Donors' performance in turning financial pledges into commitments to recipient countries has increased from 44% to 82%; (ii) recipient countries' performance in disbursing funds from signed grant agreements has also improved from 64% to 85%; however (iii) new measures aimed at improving the quality and impact of CF operations have created considerable delays, and the Bank's performance (as Supervising Entity) in turning allocation decisions into grant agreements has deteriorated sharply since Bonn from 54% to 30%. Graphic illustrations are found under fund overview and status section.

• ***Progress on grant processing for the Bonn and Dakar recipient countries.*** Ten months after the CFC approved grants to six new recipients in the amounts of US$249 million in Bonn (Germany), only one country has signed its grant agreement with the World Bank at the time of writing this report; and consequently no disbursement has occurred to date (see updates in section C).

• ***Donor support***. Since May 2007 (Bonn meeting), Australia and Romania has become new CF donors. To accommodate the particular needs of the European Commission (EC) and Germany, a third window has been created for the CF. Cumulative amounts pledged to date have reached US$1,307 million, an increase of about US$103 million since Bonn. The combined share of the Netherlands and the United Kingdom is still high at 64%, although this has declined from the previous figure of 76 % in Bonn as a result of the creation of the third window and an increased contribution from Spain (Table A1 of Annex 1).

• ***Projected financial pressure on the CF***. Despite this increased support the projected demand on the CF in 2008 is almost three times the amount of allocable funds available to date (Table 1). This demand maybe even higher if the eight beneficiaries in transition request one year of bridge funding amounting to about US$100 million (see option 1, Annex 5).

• ***Need for increased predictability:*** There is also a need for increased predictability in donor pledges to match the 3-5 year planning cycles of recipient countries.

• ***CF replenishment***. In response to the increased financial pressure on the CF trust fund, the broad outline of a Concept Note for a robust replenishment mechanism has been prepared. It is one of the agenda items on which the guidance of the CFC is sought at the Tokyo meeting.

## A. INTRODUCTION

1. **Background.** Established in 2003, the FTI Catalytic Fund (CF) is a multi-donor, multi-recipient trust fund originally designed to provide transitional funding to low income countries for up to three years. Such support was expected to enable countries to scale up their Education Sector Program with the aim of establishing a strong performance record that could attract longer-term support through regular channels. However, experience has shown that donors have not stepped in to make that happen, and long-term funding for basic education remains a source of concern. In response, the FTI Partnership approved a revised instrument to provide longer term predictable financing to FTI-endorsed plans with insufficient resources. With the on-going effort to strengthen the country-level process and CF operations,

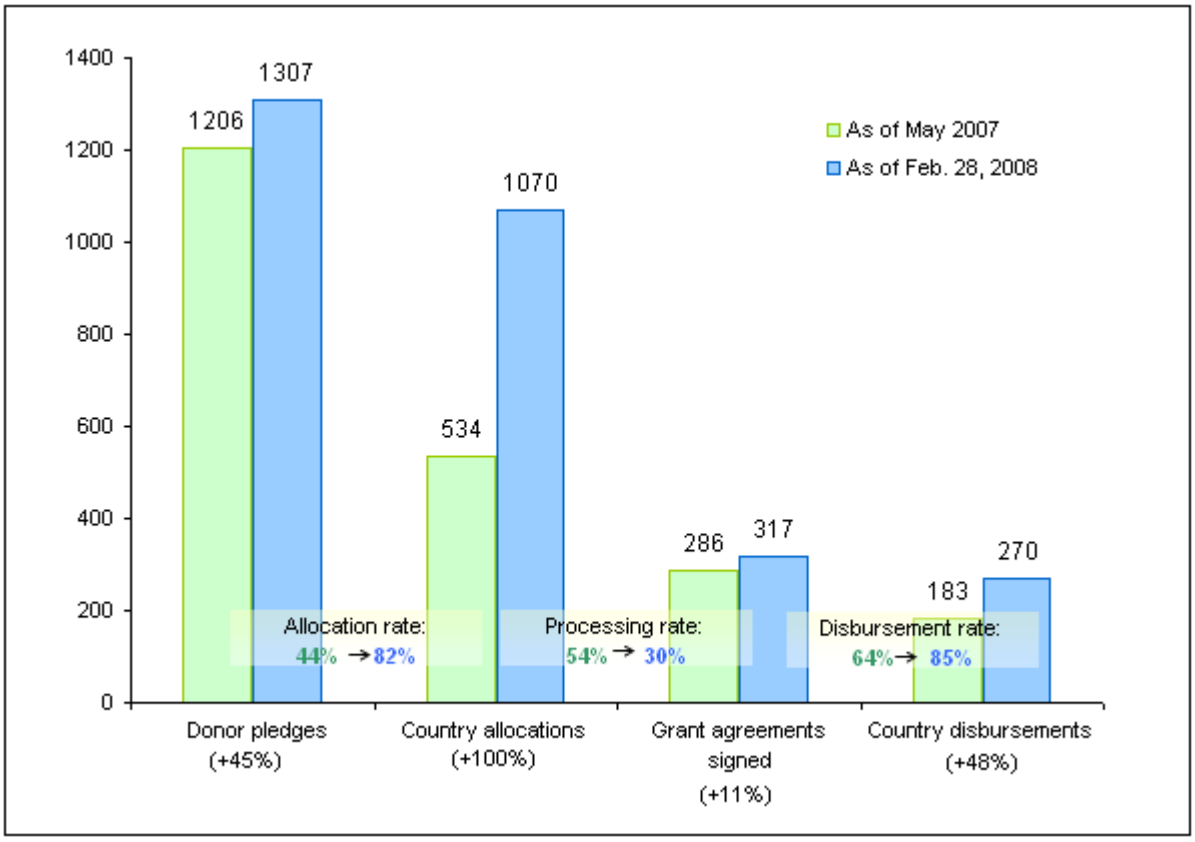
a unique FTI Process Chart has been designed for approval. It provides clarity and coherence in both procedures and processes from endorsement to financial support from the CF trust fund.

## B. FUND OVERVIEW AND STATUS

2. **CF Trust Fund Status**. Overall, donors have pledged a total of US$1,307 million; of which US$320 million represent financial pledges for the period 2008-10. Out of the amount pledged, US$1,070 million has been allocated to the 27 recipients (see Figure 1 below). The processing rate (percentage of signed agreement for allocations made), which has gone down to 30%, would reach 52% if all Bonn recipient countries signed their grant agreements by end-April 2008 as projected. The World Bank has indicated that (cf. below, section C.) all grant agreements for the allocations made in Bonn in May 2007 will be signed by the end of April 2008; and this would bring the ratio of grant agreements signed to cash receipts up to 68%. The FTI Secretariat will update the CFC on progress no later than June 30, 2008 along with choices made by countries in transition (see Annex 5).

**3.** Disbursements from signed grant agreements have increased to reach US$270 million (85% of signed agreements). The increase from 64% to 85% has largely been possible as a result of increased disbursements in Kenya and Rwanda using pooled funding and country systems.

**4.** **Figure 1: Commitment and disbursement performance –Progress Since Bonn**



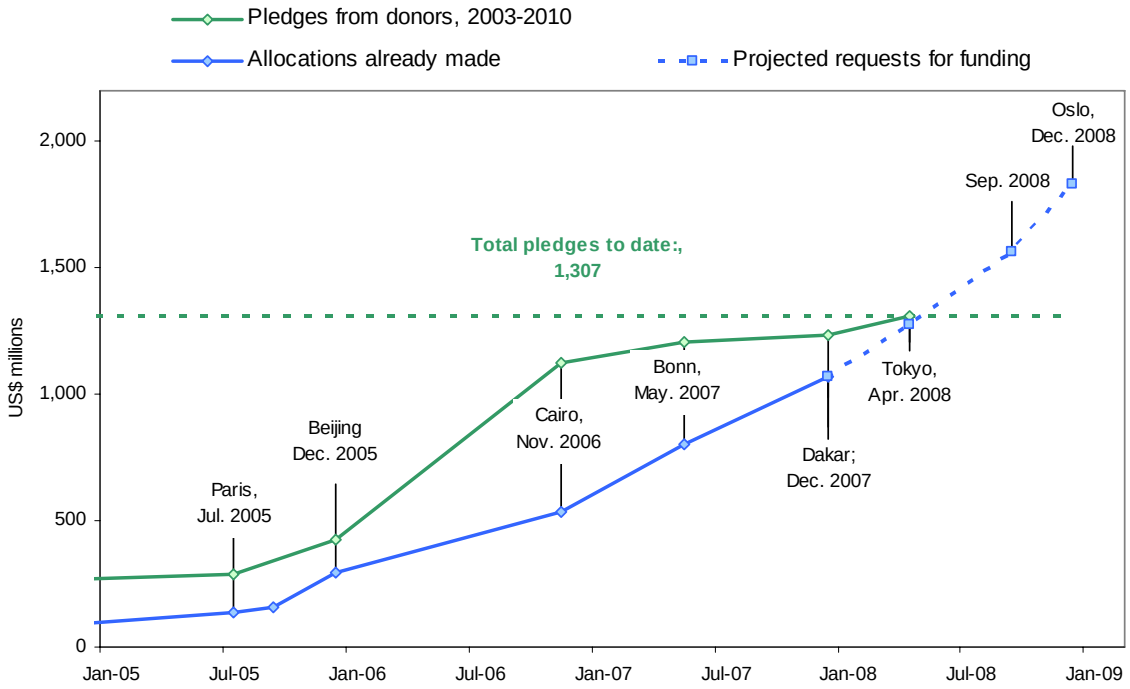
5. **Projected financial pressure on the CF**. The move towards enhanced predictability for a larger number of partner countries has not yet been matched by predictability in terms of donor contributions; as a result the fund is in a critical situation. A large number of countries are becoming CF beneficiaries for longer periods of time (three-year grant agreements), but donor pledges are usually short term and drop sharply in 2008, and amounts for the period 2008-2011 are only 24% of the total. Of the cumulative pledges to date, 82% is already allocated, and a shortfall in pledges between US$500-600 million is projected by end-2008. This means that for the spring 2008 round of allocations only US$ 272 million is available, and there is a shortfall of about US$ 600 million afterwards. **An urgent replenishment of the CF is required now, as well as agreement on a future replenishment mechanism in order to provide for longer term predictability** (see Table 1 below).

**Table 1. Pledges Required for Allocations in 2008 (US$ million)**

| | **Availability** |
|---|---|
| 1. Total pledges to date | 1,307 |
| 2. Add investment income | 36 |
| 3. Less Administrative fees | 1 |
| 4. Less cumulative allocations to date | 1070 |
| 5. Balance available for allocation | **272** |
| Less : Projected allocation requests : | |
| 6. Total requests for the Tokyo meeting | 202 |
| 7. Projected requests for the September 2008 meeting | 287 |
| 8. Projected requests for the December 2008 meeting | 270 |
| 9. Possible bridge funding for countries in transition | 100 |
| **10. Projected deficit** | **(587)** |

Source: Estimates and projections by the FTI Secretariat.

**Figure 2: Historical pledges and allocations, and projected financial pressure**




6. **Resource flows into existing beneficiary countries**. As of end-February 2008, a cumulative total of US$270 million has been disbursed to benefit 18 countries (Annex 1, table A2) out of total receipts of US$826 million from 17 donors. Table A3 of the Annex 1 provides a projected disbursement schedule against existing allocations over the next 12 months. Cumulative projected disbursements would amount to US$606 million, excluding any disbursements from future allocations to be made by the CFC in 2008. An update on recent disbursements will be provided at the meeting in Tokyo.

7. **Choice of financial instruments and grant disbursement performance**. Experience shows that disbursement performance is closely linked to the choice of financial instruments (i.e. grant modality). More aligned and harmonized financial instruments such as budget support and basket/pooled funds often perform better, while project-type instruments cause disbursement delays. At the request of the CFC, a background paper has been prepared by the FTI Secretariat for presentation in Tokyo.

## C. PROGRESS ON ALLOCATIONS MADE SINCE THE BONN MEETING

8. **Commitment decisions made in Bonn (Germany).** The following six countries received CF funding under the new 3 year grant agreement rule in Bonn (Germany) with commitments totaling US$249 million: Benin, Cambodia, Mali, Mauritania, Mongolia, Mozambique and Sierra Leone. An update on implementation progress for these Bonn recipients is summarized in Table 2 below.

**Table 2. FTI CF Commitments made in Bonn (Germany) in May 2007**
**A summary of grant processing schedule**

| | Benin | Cambodia | Mali | Mauritania | Mozambique | Sierra Leone |
|---|---|---|---|---|---|---|
| **Allocations (US$ million)** | 76.1 | 57.4 | 8.7 | 14.0 | 79.0 | 13.9 |
| **Grant Agreement signed** | 04/30/08 planned | 04/30/08 planned | 12/04/07 actual | 04/18/08 planned | 04/30/08 planned | 04/10/08 planned |
| **Modality** | Pooled fund | Investment Grant | Investment Grant | Investment Grant | Pooled fund | Pooled fund |

Source: Update from the World Bank on March 18, 2008.

9. **Projected dates of disbursements**. The World Bank estimates that the first installments of these grants can be disbursed within a month of agreement signatures; but experience shows that it takes up to three months in most cases depending upon the country's public finance regulations.

(a) **Benin** received a commitment of US$76.1 million for three years. The necessary assessments have been completed. Delays are mostly due to the establishment of the pooled fund that will be used to transfer the funds. The final program document and a procurement plan are expected from the government by the end of March, and the grant agreement is expected to be signed by end-April 2008.

(b) **Cambodia** received a commitment of US$57.4 million for three years. All fiduciary work has been completed. Delays are due to a disagreement on the modality, which is being agreed to be an investment operation following World Bank investment guidelines. Technical and appraisal documents are being finalized, and the grant agreement is expected to be signed by end-April 2008.

(c) **Mali** received a commitment of US$8.7 million for two years. Grant program document was completed in November 2007 using a pilot case presented to the CF Committee in September 2007. The grant agreement was signed on December 4, 2008; and the disbursement of the first instalment of US$2.7 million is expected to occur by end-March 2008. The grant financial instrument is that of a project, and the agreed categories of expenditures are as follows: (i) School constructions and civil works (56%); (ii) textbooks and learning materials (20%); (iii) school sub-grants to local communities (16%); and (iv) training and capacity building (8%).

(d) **Mauritania** received a commitment of US$14 million for two years. The program document and grant agreement preparations are completed, as well as the safeguard report. The World Bank legal department has cleared the final grant agreement, and signing is expected by mid-April 2008.

(e) **Mozambique** received a commitment of US$79 million for three years. Little progress has been made on fiduciary work, because no agreement has been reached on the modality, as the Committee was informed of in Dakar in December 2007. Negotiations with the Government, the local donor group and the Bank are ongoing. Resolution is expected to be reached by end of March; and a grant agreement signed by end-April 2008.

(f) **Sierra Leone** received a commitment of US$13.9 million for three years. Delays are due to elections, which mobilized government capacity. A decision of using a pooled fund has been made, and the grant agreement is under preparation; and its signature is expected by end-April 2008.

10. **Commitment decisions made in Dakar (Senegal).** The following four countries became new CF recipients in Dakar (Senegal) with commitments totaling US$270 million: Ethiopia, Guinea, Sao Tome and Principe, and Senegal. An update on implementation progress for these four Dakar recipients is summarized in Table 3 below, with details of progress by country.

**Table 3. FTI CF Commitments made in Dakar (Senegal) in December 2007**
**A summary of grant processing schedule**

| | Ethiopia | Guinea | Sao Tome & Principe | Senegal |
|---|---|---|---|---|
| **Allocations (US$ million)** | 70.0 | 117.8 | 1.04 | 81.5 |
| **Grant Agreement signed (planned dates)** | 07/31/08 | 06/30/08 | 07/31/08 | 10/30/08 |
| Modality | Pooled fund | Investment grant | Investment grant | Investment grant |

Source: Source: Update from the World Bank on March 18, 2008.

(g) **Ethiopia** received a commitment of US$70.0 million for three years. A first preparation mission was made, but substantial technical work is still needed to finalize the project design, especially at the sub-national level. Government is pushing for the process to be accelerated, and grant agreement signing is expected by the end of July 2008.

(h) **Guinea** received a commitment of US$117.8 million for three years. A partnership agreement was signed in February between government and donors. A full appraisal mission is planned for April 2008, with a target date for the signature of the grant agreement by the end of June 2008.

(i) **Sao Tome and Principe** received a commitment of US$1.04 million for three years. On behalf of the government, the coordinating agency has sent a note addressing the questions asked by the CFC in Dakar. This note provides a justification for requesting the full amount of $3.6 million. An approval decision is to be made by the CFC either online as agreed in Dakar, or at the CFC meeting in Tokyo. An agreement has been reached on an investment project modality to be supervised by the World Bank. Fiduciary assessments are expected to be launched shortly. The implementation plan has been prepared, and the Program Document is expected to be completed by end-May 2008 and the grant agreement is expected to be signed by end-July 2008.

(j) **Senegal** received a commitment of US$81.5 million for three years. The government is preparing the Program Documentation and a detailed Implementation Plan. The authorities have informed the local donors that it will seek their timely inputs and guidance when ready. The grant agreement is projected to be signed by end-October 2008.

## D. UPDATES ON SELECTED COUNTRIES AND TOPICS

11. **Kenya**. The recent post-election crisis has affected the country's overall performance. Many children have been displaced and several schools destroyed. But it is the intention of the government and its partners to move forward. A World Bank Board meeting has been scheduled for permission to release $20 million of IDA support to education. Both DFID and UNICEF are also likely to release its committed funds soon. Canada has applied to join the program. The FTI local donor group and partners are discussing the situation, and it is expected that CF funded activities would restart soon with disbursement of the first installment ($24.2 million) under the year 3 commitment of USD$48.4 million.

12. **Looking forward**, there will be the annual budget review workshop on April 2-4, 2008. This will provide an excellent chance for all of the key stakeholders to: (i) review where things stand with the education support program (including FTI support); (ii) evaluate the situation and find out what are outstanding needs (including for the response to the post-election crisis); and (iii) assess the absorptive capacity of the "country systems", and the best way forward collectively.

13. **Liberia**. Progress has been made since the country joined the FTI Partnership in April 2007. Its FTI-endorsed Liberia Primary Education Recovery Program (LPERP) is being implemented. Government financial support has increased, and the external pool-funding mechanism supported by several donors (including the Netherlands-UNICEF Fund for fragile states, the SOROS Foundation, etc.) is expected to be fully functional by end-March 2008. Support from bilateral partners has also increased, including the purchase of books and learning supplies by the United States. In terms of statistical information, a new school survey has been completed, and the raw data is being analyzed.

14. **Looking forward,** the country is expected to brief FTI donors and partners about its recent progress and its plan for the future. A high-level meeting seeking FTI participation is planned for fall 2008, when major milestones in terms of approval of the poverty reduction strategy and the update of the LPERP would have been achieved. A more thorough update would be provided to donor partners at the Oslo meeting in December 2008. Liberia is expected to request financial support from the CF in spring 2009.

15. **Niger**. With the help of its local donors and FTI partners, the Government took decisive actions when mismanagement of external funds to basic education was uncovered two years ago. Ministry officials were prosecuted, and the contested amounts were duly reimbursed into the pool fund. During the transition period for the resolution of these issues, a priority action plan was prepared by the government, so that the school year could be kept as normal as possible, with the support and under the scrutiny of the development partners. Agreement was reached between government and partners in the winter 2007-08 on the new arrangements for the pooled fund, and activities started again normally early this year. In consequence, payment into the fund started again. A grant Agreement has been signed for the second tranche (US$4 million) of year 2 commitment, which is expected to be fully disbursed by June 2008 once a revised Finance Law has passed Parliament approval. Given the large financial shortfalls in 2008, CF commitment of US$8 million for year 3 is also projected to be fully disbursed by the end of the year.

16. **Looking forward,** Niger has already revised its Education Sector Strategy; and a fully costed implementation is being prepared, which assures coherence with the poverty reduction strategy. The country is expected to seek donors' appraisal and re-endorsement of this package by end-2008. Therefore, a new request for financial support from the CF based on this new plan for2009-20012 is expected in spring 2009.

## E. UPDATES ON UP-COMING ENDORSEMENTS

17. **Projected endorsements in 2008**. As indicated in the schedule for FTI endorsements (Annex 4), there are eight (8) countries projected to have their education sector plans endorsed in the calendar year 2008: Bhutan, Burundi, Central African Republic, Chad, Haiti, Malawi, Uganda, and Zambia. A brief update by country on the basis of available information is as follows. Any recent developments will be provided at the meeting in Tokyo, if necessary.

- **Bhutan**. The local donors are waiting for the release of the finalized 10$^{th}$ National Plan and its cost estimates to finalize the appraisal of its education part. The endorsement by Bhutan's local partners is expected by the summer 2008.

- **Burundi** is finalizing its Education Sector Plan. The appraisal of its ESP is expected to be conducted in the spring 2008. It is projected that the country would be endorsed by the Local Donor Group by the summer 2008.

- **Chad** is finalizing its Education Sector Program, which was expected to go forward for appraisal and endorsement in the first quarter of 2008. A Country Status Report for the Education (CSR; a diagnostic study to inform the ESP) was completed recently, with the participation of the FTI

Secretariat in its review. The troubles in the country have strongly impacted the sector and the ministry itself. The endorsement, which was expected by the fall 2008, may be delayed until early 2009.

- **Haiti's** Education Sector Plan endorsed by its local partners has been received by the FTI Secretariat. The package (which is being reviewed by the Secretariat before sending it out for information and comments) includes the full PRSP, an Appraisal document, and an endorsement letters signed by all local donors. The country is expected to be endorsed by the time of the CFC meeting in Tokyo. A detailed implementation plan is being prepared for submission by the government by end-May 2008. Therefore, it is projected that Haiti would request CF funding at the September 2008 meeting.
- **Malawi**. The Ministry of Education in Malawi has been working on the National Education Sector Plan now for over 5 years and this has been a hard and long process. Good progress has been made in the past year with a draft document in place; but partners feel that more work is required to meet the rigorous requirement for FTI endorsement. Agreement has been reached to hire a Consultant who will review the draft. Financial support has also been requested from the EPDF amounting to $250,000. In addition to analyzing new administrative and survey data, this support will help update the Country Status Report for Education with in-depth analysis of early childhood development, literacy and adult education, and technical and vocational training.
- **Uganda** is preparing its Education Sector Plan for endorsement by its FTI partners in 2008. Financial support was recently approved by the EPDF Committee to provide technical expertise and preparatory work. Such assistance aims at producing a strategic document that includes the macroeconomic and demographic context of the education system, an analysis of education data, and a discussion of financing issues facing the sector. A recent quality support review of the draft ESP, conducted jointly by the FTI Secretariat and the World Bank, concluded that further work was needed in terms of prioritization and rationalization of the plan's ambitions. Finalization and endorsement can be expected by the end of 2008.
- **Zambia** had submitted its ESP to its partners for an appraisal in June 2007. The first appraisal mission fielded was not successful because the associated implementation plan (the NIF) was not satisfactory. A second appraisal is underway; and Zambia is expected to be endorsed by end-2008.

## F. ITEMS FOR DISCUSSION AND DECISION

18. **Clarification of Catalytic Fund eligibility criteria** (see Annex 4 for details). At its meeting on September 19, 2007 in Washington, the Catalytic Fund (CF) Committee decided to clarify the rules regarding countries' eligibility to receive CF funding. As recorded in the minutes posted on the FTI website (www.education-fast-track.org), the decision was that only IDA low-income countries would be eligible. This note provides further detail on the operational application of IDA eligibility rules; and recommends that the CF Committee should align itself with standard IDA classifications. An approval to adopt these clarified rules is sought from the CFC in Tokyo.

19. **Catalytic Fund processing chart and countries in transition** (see Annex 5 for details). With the aim of strengthening country-level processes and CF operations for better results, a revised set of FTI process and procedures are being prepared for approval. In terms of allocation decisions, these procedures call for a more up-stream work and development of a comprehensive package for all FTI-endorsed countries seeking CF funding. During this transitional period, eight recipient countries find themselves with only a two-year allocation, with the possibility for requesting an additional one-year of support under the old rules. The eight countries in transition are: Cameroon, Djibouti, Kyrgyzstan, Lesotho, Moldova, Rwanda, Tajikistan and Timor-Leste. For a smooth transition into the new three-year implementation mode,

these countries are offered two options to be approved on a case-by-case basis as explained in Annex 5. An approval to communicate these options to countries is sought from the CFC in Tokyo.

20. **Catalytic Fund modalities and choice of instruments**. At the last CFC meeting in Dakar (Senegal) in December 2007, donors requested a short review of financing instruments used by current CF beneficiary countries. In response, a note has been prepared, which presents the current use of country financial management and procurement systems in the CF-supported operations. In line with the objective of strengthening the country-led process the second part of that note provides an overview of instruments available for future operations and provides guidance to the local donor groups when choosing the most aligned instrument. This note is tabled for presentation and discussion in Tokyo; and it is found in the binder prepared for the CFC meeting (see Tab # 10).

# Annex 1: Summary of performance

**Table A1 Catalytic Fund: Pledges and receipts (US$ million)**

| Country | 2004-2006 | 2007 | 2008 | 2009 | 2010 | Total 2003-2011 | Receipts |
|---|---|---|---|---|---|---|---|
| Australia | - | - | 1.0 | 11.0 | 20.0 | 32.0 | |
| Belgium | 5.1 | 1.4 | | | - | 6.5 | 6.5 |
| Canada | 17.0 | - | - | - | - | 17.0 | 17.0 |
| Denmark | - | 4.9 | 16.5 | 26.2 | - | 47.5 | 4.9 |
| EC (ACP) Part 1 | 40.3 | 21.4 | 21.4 | - | - | 83.0 | 40.3 |
| EC part 2 | | 15.4 | 12.3 | 3.1 | - | 30.8 | |
| France | - | 7.0 | 7.0 | 8.3 | - | 22.3 | |
| Ireland | 6.0 | 13.2 | 21.0 | - | - | 40.2 | 19.2 |
| Japan | - | - | 1.2 | - | - | 1.2 | |
| Germany | - | - | 3.0 | 4.2 | - | 7.2 | 3 |
| Italy | 6.1 | 4.3 | 4.2 | - | - | 14.6 | 14.6 |
| Netherlands | 278.8 | 151.4 | 135.0 | - | - | 565.2 | 430.5 |
| Norway | 54.1 | 6.5 | - | - | - | 61.2 | 61.2 |
| Russia | 1.0 | 2.0 | 1.0 | - | - | 4.0 | 3 |
| Romania | - | 0.5 | - | - | - | 0.5 | 0.5 |
| Spain | 15.0 | 65.3 | 7.0 | - | - | 87.3 | 80.3 |
| Sweden | 15.7 | - | - | - | - | 15.7 | 15.7 |
| UK | 129.1 | 124.4 | 16.8 | - | - | 270.3 | 129.1 |
| **TOTAL** | **568.2** | **417.7** | **247.4** | **52.8** | **20** | **1,306.1** | **825.8** |

There are 2 EC contributions one earmarked for ACP (Asia Caribbean and Pacific) countries and the other non-earmarked fund for allocations made to countries for which the Bank is the sole supervising entity.

**Table A2 : Catalytic Fund Disbursements till February 29, 2008**

**In US$ millions**

| | Disbursement in 2004 | Disbursement in 2005 | Disbursement in 2006 | Disbursement in 2007 | Disbursement in 2008 | Cumulative disbursement till date |
|---|---|---|---|---|---|---|
| Cameroon | - | - | - | 11.3 | | 11.3 |
| Djibouti | - | - | 3.0 | 3.0 | | 6.0 |
| Ghana | - | 4.0 | 10.0 | 5.0 | | 19.0 |
| Guyana | - | 4.0 | 4.0 | 4.0 | | 12.0 |
| Kenya | - | 24.2 | - | 48.4 | | 72.6 |
| Kyrgyz Republic | - | - | - | 0.5 | 0.6 | 1.1 |
| Lesotho | - | - | 1.8 | 2.4 | | 4.2 |
| Madagascar | - | 6.0 | 11.0 | 10.0 | | 27.0 |
| Mauritania | 3.5 | 3.5 | 1.0 | 1.0 | | 9.0 |
| Moldova | - | - | 0.3 | 1.3 | 0.6 | 2.2 |
| Mongolia | - | - | 0 | 8.2 | | 8.2 |
| Nicaragua | 3.5 | 3.5 | 3.5 | 3.5 | | 14.0 |
| Niger | 5.0 | 4.0 | - | - | | 9.0 |
| Rwanda | | | | 13.0 | 13.0 | 26.0 |
| Tajikistan | - | - | 3.1 | 6.0 | | 9.1 |
| The Gambia | - | 4.0 | 4.0 | 5.4 | | 13.4 |
| Timor Leste | - | - | 1.5 | 2.6 | 1.5 | 5.6 |
| Yemen | 3.0 | 7.0 | 10.0 | - | | 20.0 |
| **Total** | **15.0** | **60.2** | **53.2** | **125.6** | **15.7** | **269.7** |

**Table A3: Projected disbursement Report for EFA FTI Catalytic Trust funds - February 29, 2008**
**In US$ millions**

| | Allocations 2003-2009 | Grant agreements signed to date | Grant agreements expected to be signed by December 2008 | Total disbursements till date (A) | Projected disbursements | | Total Disbursements projected till December 2008 (A+B+C+D) |
|---|---|---|---|---|---|---|---|
| | | | | | January-June 2008 ( C) | July-December 2008 (D) | |
| Cameroon | 47.3 | 22.5 | 24.8 | 11.3 | 11.2 | | 22.5 |
| Djibouti | 8.0 | 6.0 | 2.0 | 6.0 | 1.0 | 1.0 | 8.0 |
| Ghana | 33.2 | 19.0 | 14.2 | 19.0 | 7.1 | | 26.1 |
| Guyana | 12.0 | 12.0 | | 12.0 | | | 12.0 |
| Kenya | 121.0 | 72.6 | 48.4 | 72.6 | 24.2 | | 96.8 |
| Kyrgyzstan | 15.0 | 9.0 | 6.0 | 1.1 | 3.4 | 4.5 | 9.0 |
| Lesotho | 11.9 | 7.2 | 4.7 | 4.2 | 3.0 | | 7.2 |
| Madagascar | 60.0 | 35.0 | 25.0 | 27.0 | 8.0 | 12.5 | 47.5 |
| Mauritania | 9.0 | 9.0 | | 9.0 | | | 9.0 |
| Moldova | 8.8 | 4.4 | 4.4 | 2.3 | 0.7 | 1.5 | 4.4 |
| Mongolia | 29.4 | 8.2 | 8.9 | 8.2 | | 4.5 | 12.7 |
| Nicaragua | 24.0 | 14.0 | 10.0 | 14.0 | 5.0 | 5.0 | 24.0 |
| Niger | 21.0 | 13.0 | 8.0 | 9.0 | 4.0 | | 13.0 |
| Rwanda | 70.0 | 26.0 | 44.0 | 26.0 | | 22.0 | 48.0 |
| Tajikistan | 18.4 | 9.2 | 9.2 | 9.1 | 0.1 | 4.6 | 13.8 |
| The Gambia | 13.4 | 13.4 | | 13.4 | | | 13.4 |
| Timor Leste | 8.2 | 8.2 | | 5.6 | | 2.6 | 8.2 |
| Yemen | 40.0 | 20.0 | 20.0 | 20.0 | 10.0 | | 30.0 |
| Sub-Total | 550.6 | 308.7 | 229.6 | 269.7 | 77.7 | 58.2 | 405.6 |
| Cambodia* | 57.4 | | 57.4 | | 28.7 | | 28.7 |
| Benin* | 76.1 | | 76.1 | | 25.4 | | 25.4 |
| Mali* | 8.7 | 8.7 | | | 2.7 | 6.0 | 8.7 |
| Mauritania* | 14.0 | | 14.0 | | 7.0 | | 7.0 |
| Mozambique* | 79.0 | | 79.0 | | 33.0 | | 33.0 |
| Sierra Leone* | 13.9 | | 13.9 | | 7.0 | | 7.0 |
| Ethiopia* | 70.0 | | 70.0 | | | 23.3 | 23.3 |
| Guinea* | 117.8 | | 117.8 | | | 39.3 | 39.3 |
| Sao Tome and Principe* | 1.0 | | 1.0 | | | 0.3 | 0.3 |
| Senegal* | 81.5 | | 81.5 | | | 27.2 | 27.2 |
| Sub-Total* | 519.4 | 8.7 | 510.7 | - | 103.8 | 96.1 | 199.9 |
| **Total** | **1070.0** | **317.4** | **740.3** | **269.7** | **181.5** | **154.3** | **605.5** |

* Allocations made to countries under the new rules of the Catalytic fund (3 year grant agreement with funds required only for the first installment). Hence grant agreements expected to be signed for them is a 3 year agreement.

## Annex 2: Catalytic Fund – Unaudited Financial Statements

CATALYTIC FUND MULTI-DONOR TRUST FUND ACCOUNT

**UNAUDITED SUMMARY OF CONTRIBUTIONS, DISBURSEMENTS AND FUND BALANCE**

For the period November 21, 2003 (inception) to February 29, 2008

Expressed in thousands of U.S. dollars

| | |
|---|---|
| **Receipts** | |
| Contributions | $'000s |
| Belgium | 6,500 |
| Canada | 17,000 |
| Denmark | 4,900 |
| European Commission | 40,300 |
| Germany | 3,000 |
| Ireland | 19,200 |
| Italy | 14,600 |
| Netherlands | 430,500 |
| Norway | 61,200 |
| Romania | 500 |
| Russia | 3,000 |
| Spain | 80,300 |
| Sweden | 15,700 |
| United Kingdom | 129,100 |
| Total contributions | 825,800 |
| Investment income | 36,550 |
| Total receipts | 862.350 |
| **Disbursements** | |
| Cameroon | 11,250 |
| Djibouti | 6,000 |
| Ghana | 19,000 |
| Guyana | 12,000 |
| Kenya | 72,600 |
| Kyrgyz Republic | 1,100 |
| Lesotho | 4,200 |
| Madagascar | 27,000 |
| Mauritania | 9,000 |
| Moldova | 2,200 |
| Mongolia | 8,200 |
| Nicaragua | 14,000 |
| Niger | 9,000 |
| Rwanda | 26,000 |
| Tajikistan | 9,100 |
| The Gambia | 13,400 |
| Timor Leste | 5,600 |
| Yemen | 20,000 |
| Supervision costs for grants to Middle East & North Africa | 150 |
| Supervision costs for grants to Africa countries | 945 |
| Supervision costs for grants to Europe and Central Asia | 118 |
| Supervision costs for grants to East Asia and Pacific | 46 |
| Supervision costs for grants to Latin America & Caribbean | 379 |
| Total project disbursements | 271,288 |
| Administration fee | 1,487 |
| Total disbursements | 272,775 |
| Excess of receipts over disbursements | 589,575 |
| Fund balance, beginning of period | - |
| **Fund balance, end of period** | 589,575 |

**Annex 3: Countries with Endorsed Education Sector Plan and Estimated Schedule of Endorsements (As of February 29, 2008)**

| Endorsed Countries (33) | | | Countries expected in 2008 (8) | Countries expected in 2009 (15) | Other Eligible Countries (12) | Countries where UPE is achieved (13) |
|---|---|---|---|---|---|---|
| **2002** | Burkina Faso | Mauritania | Bhutan | Angola | Afghanistan | Armenia |
| | Guinea | Nicaragua | Burundi | Bangladesh | Côte d'Ivoire | Azerbaijan |
| | Guyana | Niger | Central African Rep. | Comoros | India | Bolivia |
| | Honduras | | Chad | Congo, Dem. Rep. | Indonesia | Bosnia & Herzegovina |
| **2003** | The Gambia | Vietnam | Haiti | Congo, Rep. of | Kiribati | Cape Verde |
| | Mozambique | Yemen | Malawi | Eritrea | Myanmar | Dominica |
| **2004** | Ghana | Ethiopia | Uganda | Guinea-Bissau | Nepal | Grenada |
| **2005** | Kenya | Moldova | Zambia | Lao PDR | Nigeria (other) | Maldives |
| | Lesotho | Tajikistan | | Nigeria (3-4 states) | Pakistan | Samoa |
| | Madagascar | Timor-Leste | | Papua New Guinea | Somalia | Serbia Montenegro |
| **2006** | Albania | Mali | | Solomon Islands | Sri Lanka | St. Lucia |
| | Cambodia | Mongolia | | Tanzania | Sudan | St. Vincent |
| | Cameroon | Rwanda | | Togo | Zimbabwe | Uzbekistan |
| | Djibouti | Senegal | | Tonga | | |
| | Kyrgyz Rep. | | | Vanuatu | | |
| **2007** | Benin | Liberia | | | | |
| | Georgia | Sierra Leone | | | | |
| | São Tomé & Principe | | | | | |

Source: FTI Secretariat

# Annex 4: Clarification of Catalytic Fund Eligibility Criteria

1. ***Introduction and purpose.*** At its meeting on September 19, 2007 in Washington, the Catalytic Fund (CF) Committee decided to clarify the rules regarding countries' eligibility to receive CF funding. As recorded in the minutes posted on the FTI website (www.education-fast-track.org), the decision was that only IDA low-income countries would be eligible. This note provides further detail on the operational application of IDA eligibility rules; and recommends that the CF Committee should align itself with standard IDA classifications.

**2.** ***IDA country classification.*** IDA ranks eligible countries in three categories as follows:

- Category I countries are those with per capita income of $905 or below. Countries in this first category are the 47 poorest countries on which FTI focuses;

- Category II countries are those with per capita income of $906-$1735. Countries in this second category are: Vanuatu, Georgia, Bhutan, Indonesia, Sri Lanka, Kiribati, Honduras, Guyana, Moldova, Bolivia, Cameroon, Djibouti, Lesotho, Nicaragua, Republic of Congo; and

- Category III countries are those with per capita income of $1736-$3595; Countries in this third category are Albania, Bosnia & Herzegovina, Maldives, Samoa, Tonga, Cape Verde, Angola, Armenia, Azerbaijan.

3. ***Flexibility***. Please note that some countries in each of these three categories are also eligible for IBRD support; and they are termed 'blend' countries. For reference, some of them are Albania, Bosnia & Herzegovina, Armenia, Azerbaijan, Indonesia and Bolivia. Moreover, IDA rules are used flexibly. For instance, small island economies and some countries with limited access to other sources of funding are provided support from IDA.

4. ***Recommendation.*** If CF eligibility is limited to Category I (i.e. poorest countries only), several current CF beneficiaries would be eliminated from further funding. Therefore, we recommend that CF financial support be extended to: (i) all countries in categories I and II; and (ii) small island economies.

5. ***CF Committee decision***. Do members of the CF concur with the recommendation that all countries in categories I and II as well as small island economies be eligible for CF financial support?

# Annex 5: FTI Catalytic Fund: Countries in Transition

1. **Introduction and background**. The FTI Catalytic Fund (CF) was established as a multi-donor, multi-recipient trust fund designed originally to provide transitional short term funding to low income countries for up to three years. Recipient countries were first allocated two yearly grants; and on basis of performance and availability of resources, a third year grant was allocated. It was expected that this would help them establish a good performance record to attract longer-term financial support through increased domestic resources and increased donor contribution. Experience has shown that donors have not stepped-up their efforts to make that happen. In response, the FTI Partnership approved a revised CF instrument in order to provide longer term financing for FTI-endorsed Education Sector Plans (ESPs) with insufficient funding.

2. **Recent developments and transition rules**. With the aim of strengthening country-level processes and CF operations for better results, a revised set of FTI processes and procedures are being been prepared for approval. In terms of allocation decisions, these procedures call for a more up-stream work and development of a comprehensive package for all FTI-endorsed countries seeking additional CF funding. Moreover, both commitment and implementation would cover a minimum of three years for more predictability. With the twin objectives of minimizing transaction costs and avoiding disruption in program implementation, it is proposed that the revised procedures be applicable to all countries as of January 1, 2009. A final decision on these procedures is expected to be made at the Tokyo meeting; and a correspondence will be sent to all partners shortly after.

3. **Options for countries in transition**[2]. During this transitional period, eight recipient countries find themselves with only two yearly allocations, with the possibility for requesting an additional one-year of support under the old rules. The eight countries in transition are: Cameroon, Djibouti, Kyrgyzstan, Lesotho, Moldova, Rwanda, Tajikistan, and Timor-Leste. For a smooth transition into the new three-year implementation mode, these countries are offered the two options below.

4. **Option 1: Applying for a one-year bridge funding under the old rule**. Any country in transition which needs additional CF funding before January 1, 2009, can request such financial support. However, any such cases need to be fully justified on the basis on strong implementation progress on previous grants; and they also need to be brought to the attention of the CF Committee no later than June 30, 2008. The cumulative two-year allocations for the eight countries in transition are about US$200 million. If we assume that this is a good estimate of their needs and implementation capacity in the future, granting them one additional year of funding would use US$100 million of available pledges.

5. **Option 2: Make a transition to revised rules as of January 1, 2009**. The choice of such a proposal will have added benefits for beneficiaries, but it will also require additional pledges from CF donors. For instance an extension of three-year grants to all eight countries in transition in 2009 would (a) add more predictability of funding; and (b) may help reduce

[2] If any of these countries' long-term ESP endorsed by its partners is obsolete, or it has been substantially revised, an appraisal and re-endorsement is required for additional funding. Otherwise, a package comprising a thorough assessment of progress towards FTI goals, and an update of a fully costed Program Implementation Plan would be sufficient.

transaction costs substantially. However and based on existing grant commitments (see option 1 above), this option 2 will likely increase the need for additional pledges for up to US$300 million, as compared to the US$100 million estimated under option 1. And without a robust replenishment mechanism in place, this would add more financial pressure on the CF trust fund.

6. **Recommendation and CF Committee decision**. Considering that predictability of funding is the single most important factor in results-oriented and long-term planning, it is recommended that the Committee approve these two options for immediate communication to the eight beneficiary countries in transition. Each country in transition will be asked to choose one of the options. An update on options chosen by individual countries will be provided to members of the Committee by end-June 2008. Do members of the Committee concur with this recommendation?