Fast Track Initiative
A global partnership to achieve Education For All

FTI CATALYTIC FUND

INTERIM STATUS REPORT[1]

COPENHAGEN, DENMARK
APRIL 22, 2009

Prepared by the FTI Secretariat for the CF Committee Meeting

[1] Please note that all the figures in this interim status report are as of March 20, 2009. An update will be provided at the meeting, if necessary. A complete Annual Report 2009 will be prepared for the CF Committee meeting in the fall.

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EFA-FTI Catalytic Fund
Interim Status Report

SUMMARY OF KEY MESSAGES:

- ***Disbursement performance and implementation progress***. As of March 20th, disbursements have reached US$23.4 million in 2009, total disbursement for this year is projected at about US$390 million, as compared to US$213.9 million in 2008 and US$126 million in 2007. Currently, overall disbursements since the fund's inception amounted to US$491 million (35% of allocations). Measures are being implemented to sustain the faster disbursement performance achieved in the past two years. A brief update on implementation is provided separately by the main Supervising Entity, the World Bank. Annex 1 (Table A2) provides actual disbursements by country; and Annex 1 (Table A3) gives disbursement estimates and projections until the end of 2010 based on current allocations only.

- ***Cash receipts from donors***. Since the inception of the CF trust fund, cumulative cash receipts from donors have reached US$1,159 million to date. As noted above, total disbursements stand at US$491 million; this leads a current liquidity situation of US$668 million. Estimates and projections suggest that this excess cash position may remain substantial until the end of 2010.

- ***Need for increased predictability: A Replenishment Mechanism.*** As stated in previous CF Status Reports, there is an urgent need for increased predictability and firm commitment in donor pledges to match recipient countries' longer planning cycles. A replenishment task team was set up at the last CFC meeting in December 2008 (Oslo, Norway), and recommendations are expected to be discussed in Copenhagen (Denmark).

- ***Prioritization of CF resources among eligible countries***. In response to the increased financial pressure on the CF trust fund, it was also agreed in December 2008 that limited resources should be prioritized among eligible countries. In particular, it was agreed in April 2008 (Tokyo, Japan) that CF access should be restricted to the poorest FTI members (i.e. those classified as IDA I and II categories as updated each year). Among these countries, priority should be given to IDA I countries. A prioritization task team was set up at the last CFC meeting in December 2008 (Oslo, Norway), and recommendations are expected to be discussed in Copenhagen (Denmark).

A. INTRODUCTION

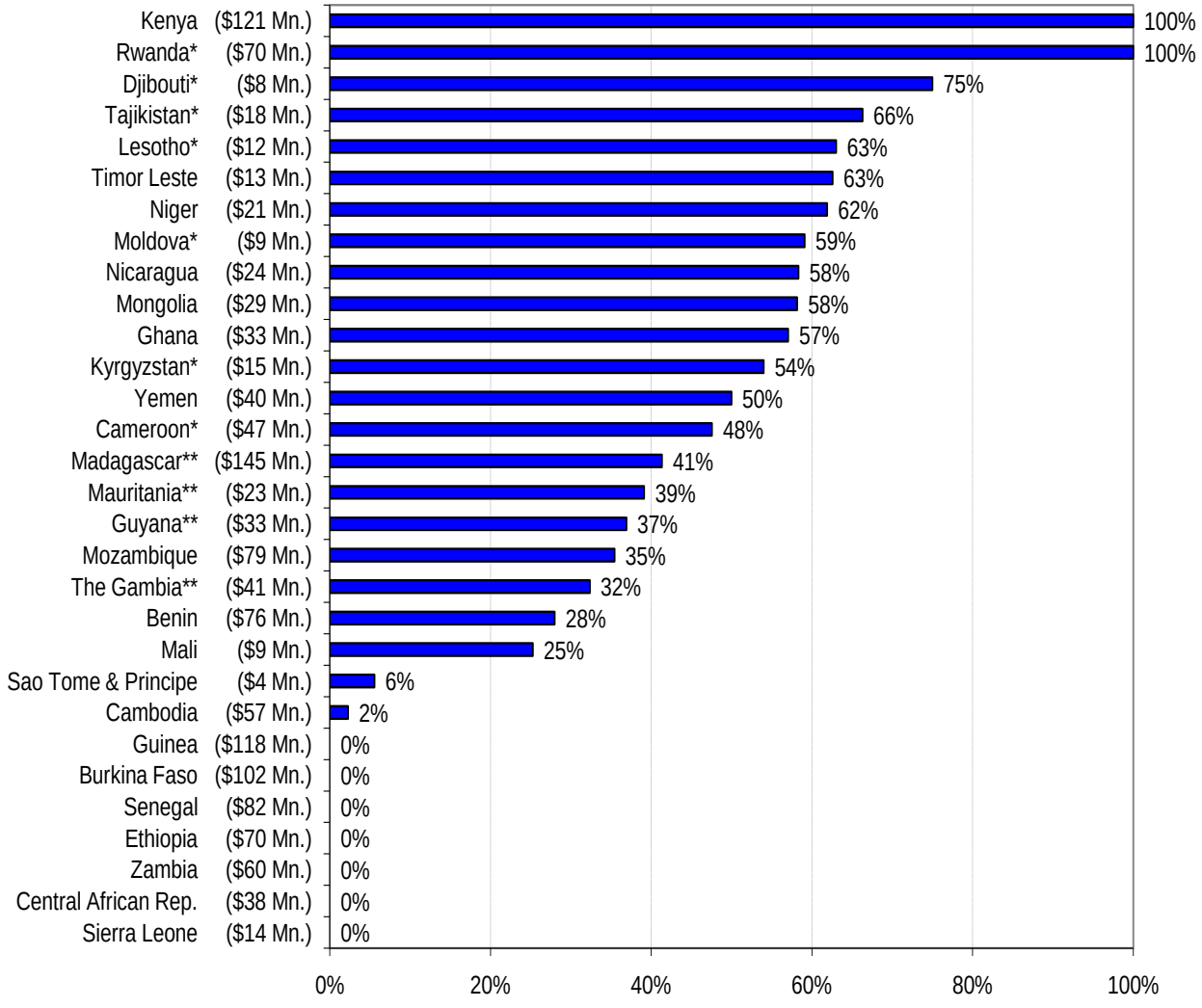
1. **Introduction and background.** Established in 2003, the FTI Catalytic Fund (CF) is a multi-donor, multi-recipient trust fund originally designed to provide transitional funding to low income countries for up to three years. Such support was expected to enable countries to scale up their Education 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 country plans with insufficient resources. On donors' side and although overall disbursements continue to improve, higher CF performance expectations have not been met. Especially donors with specific maximum cash balance requirements have problems. On recipients' side, the lack of predictability driven by the lack of a replenishment mechanism has lead to difficulties in planning, and thus their inability to adopt more ambitious policy reform agendas necessary to achieve FTI goals in a timely fashion.

B. FUND OVERVIEW AND STATUS

2. **CF Trust Fund Status**. Overall, donors have pledged totaling US$1,620 million; of which US$1,492 million are firm pledges backed up by signed agreements. Only these signed pledges are counted when estimating the commitment balance available for allocations

3. **Allocations, grant processing, and disbursement**. To date, 95 percent of signed pledges (i.e. US$1,411 million) has been allocated to 30 countries. Progress in the processing and signing recent allocations are as follows: (i) Three out of four allocations made in December 2007 (Dakar meeting) have been signed, and only Senegal remains; (ii) Out of the five allocations made in December 2008 (Oslo Meeting), only Timor Leste has signed its grant agreement with the World Bank. In countries where the IDA Project-type modality is used, the signing of grant agreements has not always led to any substantial disbursement of funds to countries. Chart 1 below provides country allocations and disbursements to date.

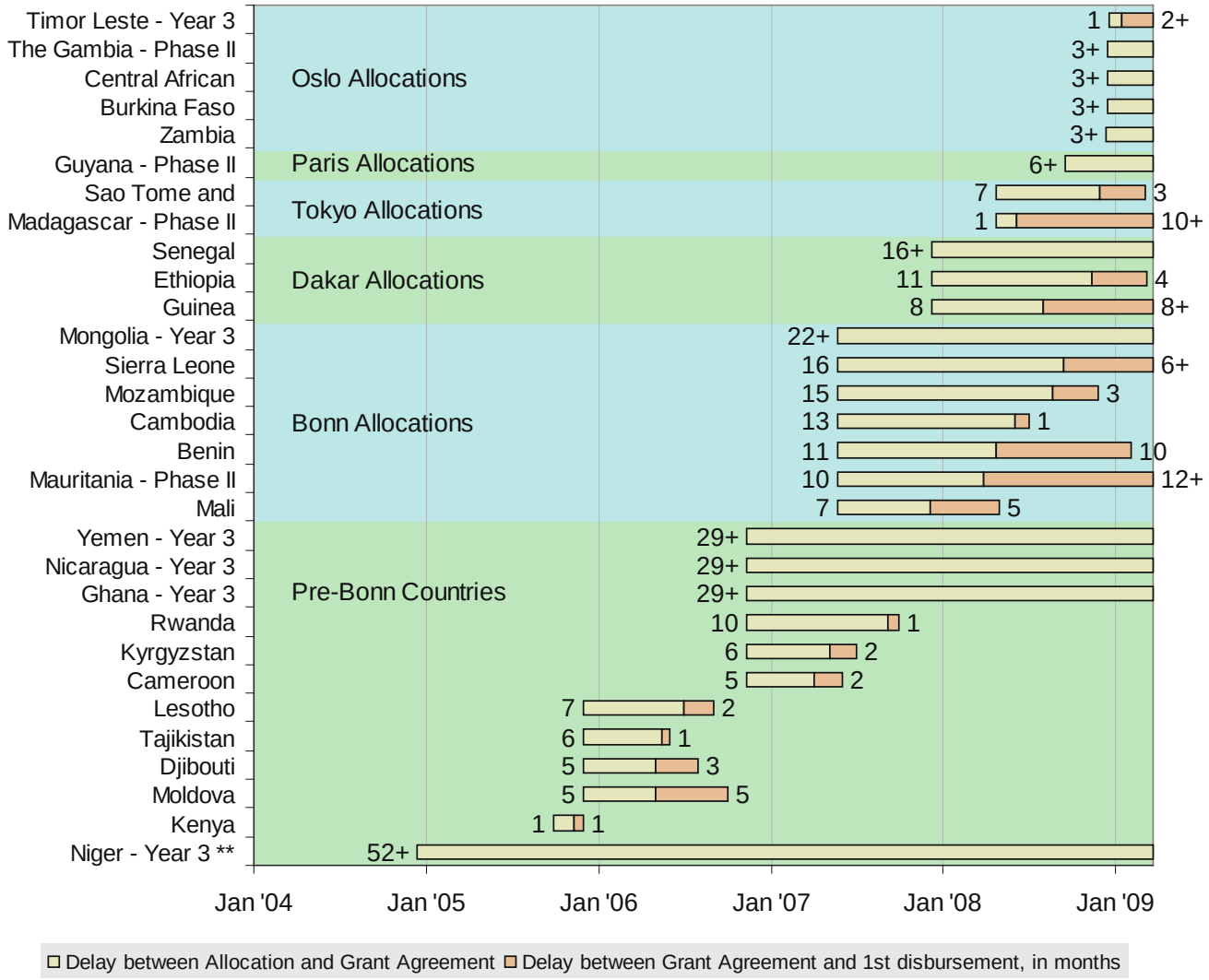
Chart 1: FTI Catalytic Fund – Grant Allocations and Disbursements



*: Amounts allocated for two years.
**: Amounts allocated for two phases (six years).

4. **Performance and service delivery standards**. As background, it is worth stating that proposals for setting up performance and service delivery standards have been made over the past year. First, the CF Annual Report for 2008 mentioned an overall disbursement performance of at least 90 percent within the original three-year period. Second, a high-level correspondence took place between World Bank and the Dutch Ministry of Foreign Affairs, which suggested two performance indicators: (i) all grant agreements are signed within a 21-45 days window after allocation; and (ii) an initial disbursement is made within 28-75 days window from allocation. These performance benchmarks should be discussed further and formalized within the context of the FTI replenishment. Chart 2 below presents the processing and disbursement delays in months for current CF beneficiaries. Figures for allocations made before May 2007 (Bonn meeting) should be interpreted differently. As compared to the new three-year allocations currently in force, these earlier grants were yearly with a built-in implementation delay of 12-24 months before accessing subsequent allocations.

Chart 2: FTI Catalytic Fund – Grant Processing and Disbursements (in months)



Notes: (i) A number followed by a plus (+) sign indicates an on-going process, i.e. grant agreement not yet signed, or a first disbursement that has not yet occurred; and (ii) Niger's program was suspended for two years.

5. **Projected financial pressure on the fund**. As noted in previous years, the move towards enhanced predictability for a larger number of partner countries has not yet been matched by predictability in terms of donor contributions. 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 after 2009. The projected deficits are about US$324 million by fall 2009, or US$197 million if unsigned pledges are taken into account.

6. **Looking forward to the CFC meeting in April 2009**. The FTI Secretariat has received only one request from Rwanda for a one-year bridge funding amounting to US$35 million. As shown in Table 1 below, current resources available for allocations are approximately US$81 million, which are sufficient to cover this allocation request, if they were all approved.

7. **Looking forward to the CFC meeting in fall 2009.** The Secretariat projects that about 8-10 countries will apply for support at the CFC meeting in fall 2009 for a total amount of about US$370 million. Detailed country-by-country need estimates are still tentative, and these are revealed to the FTI Secretariat only a couple of months before the actual meetings. Based on current information, 5-6 countries in transition would come forward for one-year bridge funding; 1-2 other countries would be first time CF applicants; and one country would apply for a top up funding (Ethiopia).

Table 1. Overview of the EFA-FTI Catalytic Trust
Pledges Required for Allocations in 2009 (US$ million)

	Availability
1. Total signed pledges to date	1,492
2. Less cumulative allocations to date	1,411
3. Balance available for allocation	**81**
Less : Projected allocation requests :	
4. Request for the April 2009 meeting	35
5. Projected requests for the Fall 2009 meeting	370
6. Projected deficit by end-2009 1/	**(324)**

Source: Estimates and projections by the FTI Secretariat.
1/ Please note that projected deficits assume that all requests would be approved by the CFC.

C. ITEMS FOR DISCUSSION AND DECISION

8. **Proposals on Resource Mobilization**. At its previous meetings in Oslo, the Committee endorsed a proposal to development a replenishment mechanism for the FTI funds in general, and the CF in particular. A summary document has been prepared by the replenishment task team; and agreement is sought in Copenhagen on key recommendations and next steps.

9. **Proposals on Prioritization of Beneficiary Countries**. At its previous meetings in Oslo, the Committee endorsed a proposal to development a prioritization mechanism for allocating the limited CF resources among eligible countries. A summary document has been prepared by the prioritization task team; and agreement is sought in Copenhagen on key recommendations and next steps.

10. **Rwanda CF Grant Proposal**. On behalf of the government, the Coordinating Agency (The United Kingdom) is presenting a one-year bridge funding request for US$35 million for the year 2009. The government and its local donor partners have agreed on budget-support modality to be supervised by the World Bank (i.e. DPO-type instrument). An allocation decision is expected in Copenhagen.

Annex 1: Catalytic Fund--Overview and Status
Table A1. Pledges and Receipts (US$ million)
(As of March 20, 2009)

	CF Donor Countries	Total 2004-07	Calendar Years 2008	2009	2010	2011	2012	2013	Total 2003-2013	CF Donor Receipts
	A. SIGNED PLEDGES									
1	Australia	-	1.4	10.6	10.0	10.0	-	-	32.0	1.4
2	Belgium	6.5	1.3	1.3	1.3	1.3	-	-	11.7	7.8
3	Canada	17.0	-	-	-	-	-	-	17.0	17.0
4	Denmark	4.9	14.4	-	-	-	-	-	19.3	19.3
5	EC-ACP Window Part 1	40.3	24.7	18.8	-	-	-	-	83.8	65.0
6	EC-Germany Window Part 2	13.7	13.7	5.5	-	-	-	-	32.9	13.7
7	France	-	14.5	7.3	-	-	-	-	21.8	14.5
8	Germany	-	6.2	3.7	-	-	-	-	9.9	6.2
9	Ireland	19.2	21.0	-	-	-	-	-	40.2	29.1
10	Italy	10.4	4.2	13.0	-	-	-	-	27.6	27.6
11	Japan	-	1.2	1.2	-	-	-	-	2.4	2.4
12	Netherlands	430.5	45.0	-	-	-	-	-	475.5	430.5
13	Norway	61.2	8.5	-	-	-	-	-	69.7	69.7
14	Romania	0.5	-	-	-	-	-	-	0.5	0.5
15	Russia	3.0	1.0	2.0	2.0	2.0	-	-	10.0	4.0
16	Spain	80.3	76.9	76.9	76.9	-	-	-	311.0	157.2
17	Sweden	15.7	14.6	5.0	10.0	12.5	-	-	57.8	30.3
18	Switzerland	-	2.3	-	-	-	-	-	2.3	1.3
19	United Kingdom	129.1	137.9	-	-	-	-	-	267.0	261.1
	SUB-TOTAL - 1	**832.3**	**388.8**	**145.3**	**100.2**	**25.8**	**-**	**-**	**1,492.4**	**1,158.6**
	B. UNSIGNED PLEDGES									
1	Canada	-	-	8.0	8.0	8.0	8.0	8.0	40.0	-
2	Germany	-	-	2.6	6.4	6.4	-	-	15.4	-
3	United Kingdom	-	-	72.0	-	-	-	-	72.0	-
	SUB-TOTAL - 2	**-**	**-**	**82.6**	**14.4**	**14.4**	**8.0**	**8.0**	**127.4**	**-**
	OVERALL TOTAL	**832.3**	**388.8**	**227.9**	**114.6**	**40.2**	**8.0**	**8.0**	**1,619.8**	**1,158.6**

Annex 1: Catalytic Fund – Overview and Status
Table A2. Actual Disbursements to Date (US$ million)
(As of March 20, 2009)

	Beneficiary Countries	Total 2004-06	Annual Disbursements 2007	2008	2009	Total 2004-09
1	Benin	-	-	-	21.3	21.3
2	Cambodia	-	-	1.0	0.3	1.3
3	Cameroon		11.3	11.2	-	22.5
4	Djibouti	3.0	3.0	-	-	6.0
5	Ghana	14.0	5.0	-	-	19.0
6	Guyana	8.0	4.0	-	-	12.0
7	Kenya	24.2	48.4	48.4	-	121.0
8	Kyrgyz Republic	-	0.5	6.3	1.3	8.1
9	Lesotho	1.8	2.4	3.3	-	7.5
10	Madagascar	17.0	10.0	33.0	-	60.0
11	Mali	-	-	2.2	-	2.2
12	Mauritania	8.0	1.0	-	-	9.0
13	Moldova	0.3	1.3	3.4	0.3	5.3
14	Mongolia	-	8.2	8.9	-	17.1
15	Mozambique	-	-	28.0	-	28.0
16	Nicaragua	10.5	3.5	-	-	14.0
17	Niger	9.0	-	4.0	-	13.0
18	Rwanda	-	13.0	57.0	-	70.0
19	Sao Tome & Principe	-	-	-	0.2	0.2
20	Tajikistan	3.1	6.0	3.1	-	12.2
21	The Gambia	8.0	5.4	-	-	13.4
22	Timor Leste	1.5	2.6	4.1	-	8.2
23	Yemen	20.0	-	-	-	20.0
	TOTAL	**128.4**	**125.6**	**213.9**	**23.4**	**491.3**

Annex 1: Catalytic Fund--Overview and Status

Table A3. Estimated and Projected Disbursements (US$ million)

(As of March 20, 2009)

	Beneficiary Countries	Total Allocations	Acutal Disburs.	Undisbursed Balance	Projected Disbursements	
					2009	2010
					Q2-Q4	
1	Benin	76.1	21.3	54.8	-	27.4
2	Burkina Faso	102.0	-	102.0	34.0	34.0
3	Cambodia	57.4	1.3	56.1	12.9	17.2
4	Cameroon	47.3	22.5	24.8	12.4	12.4
5	Central African Republic	37.8	-	37.8	8.6	11.3
6	Djibouti	8.0	6.0	2.0	2.0	-
7	Ethiopia	70.0	-	70.0	70.0	-
8	Ghana	33.3	19.0	14.3	7.2	7.2
9	Guinea	117.8	-	117.8	39.3	39.3
10	Guyana (Phase I & II)	32.5	12.0	20.5	6.8	6.8
11	Kenya	121.0	121.0	-	-	-
12	Kyrgyz Republic	15.0	8.1	6.9	3.5	3.5
13	Lesotho	11.9	7.5	4.4	4.4	-
14	Madagascar (Phase I & II)	145.1	60.0	85.1	28.4	28.4
15	Mali	8.7	2.2	6.5	4.3	2.2
16	Mauritania (Phase I & II)	23.0	9.0	14.0	4.7	4.7
17	Moldova	8.8	5.2	3.6	2.0	0.6
18	Mongolia	29.4	17.1	12.3	6.2	6.2
19	Mozambique	79.0	28.0	51.0	25.5	25.5
20	Nicaragua	24.0	14.0	10.0	5.0	5.0
21	Niger	21.0	13.0	8.0	8.0	-
22	Rwanda	70.0	70.0	-	-	-
23	Sao Tome & Principe	3.6	0.2	3.4	0.6	1.6
24	Senegal	81.5	-	81.5	24.5	27.2
25	Sierra Leone	13.9	-	13.9	4.6	4.6
26	Tajikistan	18.4	12.2	6.2	2.1	2.1
27	The Gambia (Phase I & II)	41.4	13.4	28.0	9.3	9.3
28	Timor Leste	13.1	8.2	4.9	5.0	-
29	Yemen	40.0	20.0	20.0	10.0	-
30	Zambia	60.0	-	60.0	30.0	30.0
	TOTAL	**1411**	**491**	**920**	**371**	**306**
	CUMULATIVE	**-**	**-**	**-**	**862**	**1,169**

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Annex 2: Country Endorsement Schedule
(As of March 2009)

<table>
<tr><th colspan="3">FTI Developing Country Partners with An endorsed Education Sector Plan (ESP)</th><th colspan="3">Countries expected to have an endorsed Education Sector Plan by end-2011</th><th>Countries with UPE achieved (14)</th></tr>
<tr><th>2002 (7)</th><th>2005 (6)</th><th>2008 (3)</th><th>2010 (7)</th><th>2011 (9)</th><th>Others (10)</th><th></th></tr>
<tr><td>-Burkina Faso
-Guinea
-Guyana
-Honduras
-Mauritania
-Nicaragua
-Niger</td><td>-Kenya
-Lesotho
-Madagascar
-Moldova
-Tajikistan
-Timor Leste</td><td>-Central African Republic
-Haiti
-Zambia</td><td rowspan="5">-Chad
-Comoros
-Nepal
-Nigeria (3-4 states)
-Papua New Guinea
-Tanzania
-North Sudan</td><td rowspan="5">-Bangladesh
-Congo, DRC
-Cote d’Ivoire
-Guinea Bissau
-Pakistan
-Solomon Islands
-Tonga
-Vanuatu
-Zimbabwe</td><td rowspan="5">-Afghanistan
-Angola
-Congo, Rep.
-Eritrea
-India
-Indonesia
-Kiribati
-Myanmar
-Nigeria (other states) **
-Somalia
-Sri Lanka
_____
** Not counting Nigeria twice.</td><td rowspan="5">-Armenia
-Azerbaijan
-Bolivia
-Bosnia & Herzegovina
-Cape Verde
-Dominica
-Grenada
-Maldives
-Montenegro
-Samoa
-Serbia
-St. Lucia
-St. Vincent
-Uzbekistan</td></tr>
<tr><th>2003 (4)</th><th>2006 (9)</th><th>2009 (7)</th></tr>
<tr><td>-Mozambique
-The Gambia
-Vietnam
-Yemen</td><td>-Albania
-Cambodia
-Cameroon
-Djibouti
-Kyrgyz Rep.
-Mali
-Mongolia
-Rwanda
-Senegal</td><td><u>Endorsed ESP</u> (1):
-Lao PDR

<u>Expected</u> (6):
-Bhutan
-Burundi
-Malawi
-Uganda
-South Sudan
-Togo</td></tr>
<tr><th>2004 (2)</th><th>2007 (5)</th></tr>
<tr><td>-Ethiopia
-Ghana</td><td>-Benin
-Georgia
-Liberia
-Sao Tome & Principe
-Sierra Leone</td></tr>
</table>

<u>Source</u>: FTI Secretariat.