Education for All – Fast Track Initiative

Accelerating progress towards quality universal primary education

CATALYTIC FUND

STATUS REPORT

OCTOBER 2006

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Table of Contents

	Executive Summary	1
A.	Introduction	3
B.	Meeting the financial needs of FTI countries	5
	Annex 1: Recommendations for CF allocations	7
	A. Newly endorsed and CF-eligible countries	7
	B. Topping up the allocations for existing CF beneficiaries	8
	Annex 2: Achievements in some CF beneficiary countries	12
	Annex 3: Facts and figures in graphs	15
	Annex 4: Catalytic Fund Financial Statements	16
	Annex 5: Schedule of FTI Country Endorsements	17

EFA-FTI Catalytic Fund Status Report
Executive Summary

1. **Brief overview**. Since its inception in 2003, the Catalytic Fund (CF) has received a cumulative amount of US$231 million from donors. These funds have been fully allocated to the 14 FTI-endorsed that are CF-eligible. Grant agreements have been signed for US$148 million, of which US$110 million has been disbursed to date. Grant agreements to be signed in coming months will account for all the remaining funds in hand; much more will be needed as new countries come on board (Annex 5).

2. **Trust Fund financial needs**. Overall, donors have pledged a total of US$1.1 billion through 2008, of which US$894 million represent future commitments. This is a significant ramping up of donor pledges, amounting to about 10% of ODA commitments to basic education in low-income countries in the 2006-08 period. Yet, it is projected that even more support will need to be provided through the CF as FTI expands. For instance, five additional CF-eligible countries are expected to join in 2006 with financial needs totaling US$136 million per annum. In 2007, ten more CF-eligible countries are expected with financial needs totaling US$291 million per annum. The estimated financing needs for current and expected CF-eligible countries over the next few years are summarized in Annex 1, Table 8.

3. **Main progress since Moscow**. Since the last CF Strategy Committee meeting in Moscow in March 2006, donor disbursements and grants disbursements into country programs have both increased substantially. Highlights include:

- Grant disbursements of $US26 million, for a cumulative total to date of US$109.5 million;
- Donor payments of US$66 million, for a cumulative total to date of US$231 million; and
- Establishment of the US$80 million (EUR 63 million) EFA FTI Catalytic Fund –European Union for grants to African, Caribbean and Pacific (ACP) countries.

4. **The proposed Expanded Catalytic Fund**. The proposed Expanded Catalytic Fund (ECF) would permit long-term commitments. Since the resource allocation decisions currently proposed cover a more reduced time frame, the transition to ECF will require careful consideration. It will be particularly important to ensure that treatment of current beneficiaries of the CF is consistent with treatment of new countries under the ECF.

5. **Recommendations and decision points for the Strategy Committee** (see Annex 1 for details**)**. There are four decision points that have been submitted to members of the CF Strategy Committee. In each case, the FTI Secretariat has made recommendations based on consultations with the in-country Donor Groups. These are as follows:

- **Decision point 1 concerns the newly endorsed and CF eligible countries: Mongolia and Cameroon**. The FTI Secretariat recommends that CF donors allocate the amounts indicated in Table 5 for 2006/07 and 2007/08. Moreover, the FTI Secretariat recommends that Cameroon's allocation be drawn from the EC's Window of the Catalytic Fund. In-country donors have confirmed that both countries have the absorptive capacity to use the additional funds efficiently. For Cameroon, the grant

modality will address the need to strengthen fiduciary checks and balances as noted in Annex 1.

- ***Decision 1****: Does the Strategy Committee agree with the recommendation to allocate Catalytic Fund resources to Mongolia and Cameroon as per Table 5? Furthermore, does the Strategy Committee agree with the recommendation that Cameroon's allocation be drawn from the EC's Window of the Catalytic Fund?*
- **Decision point 2 is a proposal to top up Year 3 allocations for four countries: Ghana, Guyana, the Gambia, and Yemen**, as confirmation is obtained by the FTI Secretariat from the in-country donors that both the needs and the capacity exist to absorb additional funds effectively.
- ***Decision 2.*** *Subject to confirming need and capacity by local donors, does the Strategy Committee agree with the recommendation to increase the third year allocation to Ghana, the Gambia and Yemen as shown in the Table 6 (column 5)?*
- **Decision point 3 is a proposal to top up Year 2 allocations for three countries**, as confirmation is obtained by the FTI Secretariat that both the needs and the capacity exist to utilize additional funds effectively.
- ***Decision 3.*** *Subject to confirming by local donors that both the need and the capacity exist to utilize the additional funds, does the Strategy Committee agree with the recommendation to increase the third year allocation for Madagascar*[1]*, Nicaragua, Tajikistan and Timor Leste shown in Table 7 (column 5)?*
- **Decision point 4 concerns Kenya**. In the case of Kenya, filling the estimated annual financial gap of US$85.4 million would more than triple its current yearly allocation, raising implementation capacity concerns. Based on discussions with in-country donors, the FTI Secretariat recommends that instead the Strategy Committee double Kenya's Year 2 allocation to US$48.4 million.
- ***Decision 4.*** *Does the Strategy Committee agree with the recommendation to double the allocation to Kenya's Year 2 allocation under the Catalytic Fund to bring it up to US$48.4 million?*

[1] Due to absorptive capacity constraints in the short-term, in-country donors have recommended that Madagascar's Year 2 allocation remain unchanged for now; although the case for topping up could be re-examined in the future.

EFA-FTI Catalytic Fund
October 2006 Status Report

A. Introduction

1. Since its inception in 2003, the CF has received a cumulative amount of US$231 million from donors. The US$231 million received has been fully allocated to the 14 FTI-endorsed countries that are CF-eligible. Grant agreements have been signed with all beneficiaries for US$148 million, of which US$109.5 million has been disbursed to date (a disbursement rate of about 74%). Grant agreements to be signed in coming months will account for all the remaining funds in hand; much more will be needed as new countries come on board (see Annex 5).

2. Donors have pledged a total of $1.1 billion through 2008, of which US$894 million in commitments and US$231 million in current receipts. This is a significant ramping up of donor pledges, amounting to about 10% of ODA commitments to basic education in low-income countries in the 2006-08 period. Yet, it is projected that even more support will need to be provided through the CF as FTI expands (cf. Table 1 and Figure 1, Annex 3). Moving forward, key challenges are to increase disbursement rates and to reduce the lag time between allocation and first tranche disbursement. Streamlined procedures with donors such as automated calls of funds and pre-allocation meetings with beneficiary country teams have been adopted by the FTI Secretariat to address this second challenge.

3. **Progress since Moscow**. Since the last CF Strategy Committee meeting in Moscow, donor disbursements and grants disbursements into country programs have both increased substantially. Two FTI partners (Russia and Canada) have also become donors to the CF since Moscow. Highlights since the last FTI Meetings in March 2006 include:

- Grant disbursements of $US26 million, for a cumulative total to date of US$109.5 million;
- Donor payments of US$66 million, for a cumulative total to date of US$231 million; and
- Establishment of the US$80 million (EUR 63 million) EFA FTI Catalytic Fund –European Union for grants to African, Caribbean and Pacific (ACP) countries.

Table 1. Catalytic Fund Pledges made and payments by donor (in US$ millions equivalent)

Country	2003-2004	2005	2006	2007	2008	Total pledges 2003-08	Total Payments	Pledges Outstanding
Belgium	1.2	2.5	1.2	1.2		6.1	3.7	2.4
Canada			20			20	0	20.0
EC 1/	-	-	40.3	20.2	20.2	80.7	0	80.7
Ireland	-	1.5	4.5	11.8	19.2	37.0	1.5	35.5
Italy	2.4	2.4	1.2	-		6.0	4.8	1.2
Netherlands	39.5	54.3	192	168	168	621.8	158.6	463.2
Norway	6	8.1	25.6	-		39.7	39.7	0.0
Russia			1	2	1	4	1	3.0
Spain	-	6.0	8.9	6.4	6.4	27.7	6.0	21.7
Sweden	-	5.3	10.4	0	0	15.7	15.7	0.0
UK	-	-	125.3	124.4	16.8	266.5	0.0	266.5
TOTAL	49.1	80.1	430.4	334.0	231.6	1,125.2	231.0	894.2

1/ Please note that the accounts for the EC contribution to the Catalytic Fund (known as EFA-FTI CF-EC) are held separately; however and for reporting purposes, they are treated as one fund in this report.
Norway has announced an additional US$32 million for CY06; however, the breakdown between the Catalytic Fund and the EPDF is not yet finalized.

4. **Details of resource flows into existing beneficiary countries.** A cumulative total of US$109.5 million has been disbursed into 14 country programs (see Table 2) out of total receipts of US$231.0 million. Projected disbursements to current beneficiaries for 2006 amount to US$78 million, excluding newly endorsed and CF-eligible countries such as Mongolia and Cameroon. Table 3 provides a planned disbursement schedule against existing allocations over the next 12 months. Figure 2 (Annex 3) presents the cumulative commitments and disbursements over time. A Catalytic Fund Status Report providing more details by country will be prepared for the full Partnership Meeting in Cairo next fall.

Table 2: Summary of disbursements to date - (In US$ millions)

	Allocations 2003-2006	Grant Agreements signed to date	Cumulative Disbursements till date
Djibouti	6.0	6.0	3.0
Ghana	19.0	19.0	8.0
Guyana	12.0	8.0	8.0
Kenya	48.4	24.2	24.2
Lesotho	7.2	7.2	1.8
Madagascar	35.0	10.0	10.0
Mauritania	9.0	9.0	8.0
Moldova	4.4	4.4	0.0
Nicaragua	21.0	7.0	7.0
Niger	21.0	13.0	9.0
Tajikistan	9.2	9.2	1.0
The Gambia	12.0	8.0	8.0
Timor Leste	3.0	3.0	1.5
Yemen	30.0	20.0	20.0
Total	**237.2**	**148.0**	**109.5**

Table 3 Projected disbursements over next 12 months **In US$ millions**

Countries	Undisbursed balance from Grant agreements already signed	Grant agreements expected to be signed by September 2007	Projected disbursements over next 12 months				
			Oct.- Dec. 2006	Jan. – March 2007	April- June 2007	July - September 2007	Total Projected disbursements from Oct. 06- Sept. 07
1. Djibouti	3.0	2.0	-	3.0	-	1.0	4.0
2. Ghana	11.0	11.0	6.0	-	5.0	6.0	17.0
3. Guyana	-	4.0	-	4.0	-		4.0
4. Kenya	-	24.2	24.2	-	-		24.2
5.Lesotho	5.4	4.7	1.8	3.6	-	3.0	8.4
6.Madagascar	-	25.0	-	15.0	-	10.0	25.0
7.Mauritania	1.0	-	1.0	-	-		1.0
8.Moldova	4.4	-	3.0	-	1.4		4.4
9.Nicaragua	-	7.0	4.0	-	3.0		7.0
10.Niger	4.0	8.0	-	4.0	-	4.0	8.0
11.Tajikistan	8.2	0.0	3.6	-	4.6		8.2
12.The Gambia		4.0	-	2.5			2.5
13.Timor-Leste	1.5	3.0	-	1.5	-	1.5	3.0
14.Yemen	0.0	10.0	-	7.0	-	3.0	10.0
Total	**38.5**	**102.9**	**43.6**	**40.6**	**14.0**	**28.5**	**126.7**

Note: These projections concern allocations made to date; excluding potential allocations to in-coming countries and to existing countries (see topping-up in section B).

B. Meeting the financial needs for CF countries

5. Background. Due to limited funding, the Catalytic Fund Strategy Committee decided to allocate to most countries less than their estimated needs over the 2004-06 period. Table 4 summarizes each country's unmet financial needs. As indicated earlier, the financial position of the CF Trust Fund has strengthened over the past year with donors such as the Netherlands and UK more than doubling their commitments. We have therefore made recommendations in this report which would allow the Strategy Committee to meet in full the financing needs for almost all the FTI-endorsed and CF-eligible countries[2]. This is in addition to allocation recommendations to the two new countries – Cameroon and Mongolia – that have recently joined. We anticipate that a further meeting of the SC will be required in Cairo to make allocations to new countries due to complete their endorsement process in the next few weeks.

6. **These recommendations are** subject to confirmation by the donor groups that the additional finance is still required. These increased allocations will increase the pressure on the CF in the future, particularly if the proposal is agreed to extend the Fund to a larger number of countries and over a longer period of time.

7. The recommendations on CF allocation are summarized in Annex 1. Major achievements in CF beneficiary countries are outlined in Annex 2. Annex 3 provides details of pledges and receipts from donors. Finally, the un-audited CF financial statements are provided in Annex 4.

[2] We have recommended, on the advice of the in-country donors and the World Bank task team leader, that the allocations for Kenya and Yemen should be substantially increased but that the full financing gap should not be filled because of absorptive constraints (see Annex 1).

Table 4. Estimated financing needs for FTI countries

Countries		US$ millions 2006	2007	2008
Djibouti	Financing gap pre-CF	6.4	1.7	5.9
	Catalytic fund allocation	6	2	0
	Financing gap post-CF	0	0	6
Gambia	Financing gap pre-CF	5.4	5.3	5.3
	Catalytic fund allocation	4	0	0
	Financing gap post-CF	1.4	5.3	5.3
Ghana	Financing gap pre-CF	14.2	14.2	3.2
	Catalytic fund allocation	11	11	0
	Financing gap post-CF	3.2	3.2	3.2
Guyana	Financing gap pre-CF	4	4	4
	Catalytic fund allocation	4	0	0
	Financing gap post-CF	0	4	4
Kenya	Financing gap pre-CF	85.4	144.5	133.1
	Catalytic fund allocation	24.2	24.2	0
	Financing gap post-CF	61.2	120.3	133.1
Lesotho	Financing gap pre-CF	7.2	4.7	6.9
	Catalytic fund allocation	7.2	4.7	0
	Financing gap post-CF	0	0	6.9
Madagascar	Financing gap pre-CF	35.0	35.0	84.3
	Catalytic fund allocation	25	25	0
	Financing gap post-CF	10.0	10.0	84.3
Mauritania	Financing gap pre-CF	6.2	6.2	6.2
	Catalytic fund allocation	0	0	0
	Financing gap post-CF	6.2	6.2	6.2
Moldova	Financing gap pre-CF	4.4	4.4	4.4
	Catalytic fund allocation	4.4	4.4	-
	Financing gap post-CF	-	-	4.4
Nicaragua	Financing gap pre-CF	31.4	24.4	24.4
	Catalytic fund allocation	7	0	0
	Financing gap post-CF	24.4	24.4	24.4
Niger	Financing gap pre-CF	7.7	49.6	79.5
	Catalytic fund allocation	0	0	0
	Financing gap post-CF	7.7	49.6	79.5
Timor-Leste	Financing gap pre-CF	3	6.7	8.2
	Catalytic fund allocation	3	3	0
	Financing gap post-CF	0	3.7	8.2
Tajikistan	Financing gap pre-CF	9.2	25.9	34.3
	Catalytic fund allocation	9.2	9.2	0
	Financing gap post-CF	0	16.7	34.3
Yemen	Financing gap pre-CF	47.2	37.2	37.2
	Catalytic fund allocation	10	-	-
	Financing gap post-CF	37.2	37.2	37.2
TOTAL	Financing gap pre-CF	267	363	436
	Catalytic fund allocation	**115**	**83**	**0**
	Financing gap post-CF	**152**	**280**	**436**

Source: National Education Sector Plans

Annex 1: Recommendations for CF Allocations

A. Newly endorsed and CF-eligible countries: Mongolia and Cameroon

8. **Mongolia.** In the case of Mongolia, the FTI Secretariat met with the World Bank team in Washington before its departure on a field mission. The key finding was that all existing reports on the country's national systems found that these systems could be relied upon for CF grant implementation. Since then, the Bank team has been in touch with the Secretariat to learn more about FTI experience in other countries in terms of aid modality, grant agreement and implementation. Furthermore, partners have firmed up the estimates of unfilled financial need for Mongolia over the next 3 years, amounting to US$29.5 million, increasing from US$7.2 million in 2006/07 to US$11.9 million in 2008/09. They have also confirmed that the necessary absorptive capacity is present to use these funds efficiently.

9. **Cameroon.** In the case of Cameroon, a Video-Conference was organized with the FTI Secretariat and the WB Country team in Washington and in the country. The key finding was that existing reports and studies found problems regarding the country's national systems. In terms of procurement and budgetary processes, there are issues of fiduciary checks and balances. It was agreed that a two-track (or two components) grant agreement could be envisaged for (a) recurrent costs such teachers' salaries; and (b) investment expenditures such as school construction. In case (a), a maximum flexibility could be allowed in terms of budget support via a Special Account. In case (b), more stringent financial management and audit clauses would be required to ensure that funds are used for the intended purposes.

10. **Moving forward**, the team will continue to work with other donors such as the AFD (a major donor) with the aim of harmonizing aid. Over the past few weeks, the team has also been in touch with the Secretariat to learn more about FTI experience in other countries in terms of aid modality, grant agreement and implementation. Furthermore, partners have confirmed the unfilled financial need for Cameroon over the next 3 years, which amount to US$75.7 million. In addition, they have given their best assessment that the necessary absorptive capacity is present to use these funds efficiently. A final decision along with an official request for grant preparation is expected to reach the Bank by end-October at the latest. Finally, it should be noted that the two-track approach proposed here entails some risks.

11. **Summary of financial needs for Mongolia and Cameroon**. As result of the above meetings, the financial needs for both Mongolia and Cameroon over the next three years are summarized as follows:

Table 5. Estimated Financial Needs (in millions of US dollars)

Country	2006/07	2007/08	2008/09	TOTAL
Mongolia	7.2	10.4	11.9	29.5
Cameroon	22.9	25.2	27.6	75.7
TOTAL	30.1	35.6	39.5	105.2

12. ***Decision point 1:*** In line with: (i) the financial position of the CF trust fund, (ii) the confirmation that both countries have the absorptive capacity to use the additional funds efficiently and (iii) the decision to allocate CF funds for two consecutive years for more aid predictability, the FTI Secretariat recommends that CF donors allocate the amounts indicated in Table 5 above for the two periods 2006/07 and 2007/08. Given that Cameroon is an ACP country, the FTI Secretariat recommends that Cameroon's allocation be taken out of the EC's Window to the CF which is specifically earmarked for ACP countries. This recommendation is consistent with the decision made in Moscow in March 2006 (Decision point 2). As usual, the extension of these allocations to a third and final year under the current CF operating rules and procedures will depend upon the implementation outcome for allocations already made.

13. Decision 1: *Does the Strategy Committee agree with the recommendation to allocate Catalytic Fund resources to Mongolia and Cameroon as per Table 5? Furthermore, does the Strategy Committee agree with the recommendation that Cameroon's allocation be drawn from the EC's Window of the Catalytic Fund?*

B. Topping up the allocations for existing CF beneficiaries

14. **Country updates**. Table 4 (page 6) shows that estimated financial needs for all 14 countries amount to US$267 million in 2006/07; US$363 million in 2007/08; and US$436 in 2008/09. The Strategy Committee has already allocated US$115 million for 2006 and US$83 million for 2007; leaving unmet needs in the next two years of US$152 million for 2006/07 and US$280 million for 2007/08. This section of the CF Status Report and its recommendations aim at helping the Strategy Committee to fill the funding gaps for the existing CF countries.

15. Current CF beneficiaries can be divided into three sub groups as follows:

- **Category 1: Countries that have already signed their third and final year grant agreement**: There is only one country in this category, i.e. Mauritania. The Closing Date for its final allocation is June 30, 2007. Mauritania is not eligible for an additional CF allocation under existing Catalytic Fund guidelines, but it is expected that the proposed Expanded Catalytic Fund (ECF) will be effective at that time; and this country may be a good candidate for ECF funding.

- **Category 2: Countries that have signed their second year grant agreement**: A summary of the financing needs for countries in the second year of their grant agreement is provided in Table 6 below. Confirmation of the absorptive capacity of these countries is being sought and will be obtained no later than the Cairo meeting. For this category, the FTI Secretariat recommends that the Strategy Committee consider allocating additional resources for their third year, provided that needs are still present and the capacity exists to utilize funds over and above existing allocations.

Table 6. Third Year Allocations and Unmet Financing Needs
(In millions of US dollars)

Country	Current Year 3 allocations	Unmet financing needs	Total financing needs	Proposed amounts for Year 3 allocations
1. Ghana	11.0	3.2	14.2	14.2
2. Guyana	4.0	0.0	4.0	4.0
3. The Gambia	4.0	1.4	5.4	5.4
4. Yemen	**10.0**	**37.2**	**47.2**	**20.0**
SUB-TOTAL	**29.0**	**41.8**	**70.8**	**43.6**
Memo: Niger 1/	8.0	7.7	15.7	15.7
Total (incl. Niger)	37.0	49.5	86.5	59.3

1/ Note: For Niger, we suggest that its case be re-examined during the Cairo meeting as good progress is expected to have been made by then in resolving the financial irregularities.

16. **Results of country updates**. Beginning in mid-September, the FTI Secretariat has worked with Lead Donors, the World Bank Task Team Leaders and other key partners in an attempt to find answers to the two questions posed in paragraph 5 of the report. For most countries in this category, teams have confirmed that the financial needs are still present, and that the capacity exists to absorb efficiently CF funds as shown in the fourth column of Table 6.

17. **Decision point 2**. The FTI Secretariat recommends that the Strategy Committee give its approval for topping up individual country allocations for Ghana, the Gambia and Yemen as shown in Table 6 (column 4) subject to confirmation by all Local Donor Groups that both the needs as well as the capacity exist to use the additional funds.

18. **Decision 2**: *Subject to confirming that both the need and the capacity exist to absorb the additional funds, does the Strategy Committee agree with the recommendation to increase the third year allocation for Ghana, the Gambia and Yemen as shown in Table 6 (column 5) above?*

- **Category 3: Countries that have signed their first year grant agreement:** For these countries, the FTI Secretariat recommends that the Strategy Committee consider allocating additional resources for their Year 2 allocations, provided that the needs are still present and the capacity exists to absorb funds. These countries include: Kenya, Madagascar[3], Nicaragua, Tajikistan and Timor Leste. Current Year 2 allocations as well as their unmet financing needs are summarized below.

[3] Due to absorptive capacity constraints in the short-term, in-country donors have recommended that Madagascar's Year 2 allocation remain unchanged for now; although the case for topping up could be re-examined in the future.

Table 7. Second Year Allocations and Unmet Financing Needs
(In millions of US dollars)

Country	Current Year 2 allocations	Unmet financing need	Total financing needs	Proposed amounts for Year 2 allocations
1. Djibouti	2.0	0.0	2.0	2.0
2. Kenya	**24.2**	**61.2**	**85.4**	**48.4**
3. Lesotho	4.7	0.0	4.7	4.7
4. Madagascar	**25.0**	**10.0**	**35.0**	**25.0**
5. Moldova	4.4	0.0	4.4	4.4
6. Nicaragua	7.0	24.4	31.4	31.4
7. Tajikistan	9.2	16.7	25.9	25.9
8. Timor Leste	3.0	3.7	6.7	6.7
TOTAL	**79.5**	**116.0**	**195.5**	**148.5**

19. **Decision point 3.** The FTI Secretariat recommends that the Strategy Committee give its approval for topping up individual country allocations as shown in Table 7 above (column 5) subject to confirmation by the Local Donor Group that both the needs as well as the capacity exist to use the additional funds. However, the FTI Secretariat recommends that the Kenya case be treated separately as explained below.

20. ***Decision 3.*** *Subject to confirming that both the need and the capacity exist to absorb the additional funds, does the Strategy Committee agree with the recommendation to increase the Year 2 allocation for Nicaragua, Tajikistan and Timor Leste as shown in the Table 7 (column 5) above?*

21. **In the case of Kenya**, completely meeting the estimated annual financial gap of US$85.4 million would more than triple its current yearly allocation of US$24.2 million. The lead donor and the Bank team have raised implementation and absorptive capacity concerns. The FTI Secretariat therefore recommends that the Strategy Committee increase Kenya's allocation for Year 2 to US$48.4 million (a doubling from 2005 allocation). This would send a strong signal that good performance will be rewarded, while reducing the risk of overwhelming the system.

22. **Decision 4:** *Does the Strategy Committee agree with the recommendation to double the allocation to Kenya's Year 2 allocation under the Catalytic Fund to bring it up to US$48.4 million?*

23. **Estimated financing needs for CF countries**. Table 8 presents the current and projected financing needs for CF countries over the next few years. These figures show that the CF is expected to have a surplus of about US$133 million in donor pledges this year. But as FTI expands over the next 2-3 years, the Fund will come under strong financial pressure, with expected shortfalls of US$492 million and US$671 million in 2007 and 2008, respectively, based on current pledges.

Table 8. Estimated financing needs for CF countries [4]

US$ millions	2006	2007	2008
Financing needs			
Current CF countries	267	363	436
Countries endorsed in 2006	30	36	40
Countries pending for 2006		136	136
Countries pending for 2007		291	291
Total	**297**	**826**	**903**
Pledges and commitments	430	334	232
Remaining Gap	**-133**	**492**	**671**

Note: For the countries currently endorsed, the financing gaps were extracted from the endorsed plans and endorsement documents. For the other countries, the figures are based on FTI Secretariat calculations of country-by-country breakdown of the US$ 7 billion annual global financing gap estimate. Negative numbers denote a surplus.

[4] Current estimates of the CF trust fund operations show a surplus (net) of about US$3.3 million which are automatically added to the pool of funds: (i) Accrued investment income reached US$4.4 million; (ii) Less US$700,000 in supervision budget allocated to World Bank teams; and (iii) Less administrative fees amounting to US$400,000.

Annex 2: Achievements in some CF beneficiary countries

24. As highlighted in the recent Development Committee Report, the Education for All – Fast Track Initiative has helped achieve strong results and improved education outcomes in many FTI-endorsed countries. With its emphasis on aid harmonization for added efficiency, FTI has used its modest funding (Catalytic Fund and EPDF) to supplement both donors as well government funding for education. Over the past few years, these are some of the major achievements in a few of Catalytic Fund beneficiary countries.

- **The Gambia**: Despite the relatively small size of the country and its program, many important lessons have been learned and disseminated to other partners: (a) relatively small financial incentives were effective in attracting teachers to remote areas and in reducing requests for mobility out of those regions; (b) the absorptive capacity of the system was higher than was anticipated, as the Department of State for Education (DOSE) was able to program and execute all planned activities measures within the planned time period; and (c) the importance of addressing priority logistical problems (including lack of electricity or fuel for vehicles) as a means of attaining quality and management objectives, and of motivating staff through improving working conditions.

  Expenditures and results. To date the Gambia has disbursed US$8 million. The funds were used for the following purposes : -Expansion of the Child/Girl Friendly School Initiative in regions where the cost burden on the parents has been greatly minimized through the purchase of uniforms, stationary and variety of teaching and learning materials for the girls in those schools. -Strengthening management and institutional capacity at the central and regional levels: The focus of this program is to strengthen the management and institutional capacities of the central and regional structures. The activities supported under this component range from capacity building in planning and implementation strategies for educational programs, data collection, analysis and validation, and Senior Management Team and Coordinating Committee meetings. Improving the quality of teaching and learning: Teaching and learning materials have been purchased and distributed to schools across the country.

- **Djibouti:** Thanks in part to FTI principles and the country's open dialogue with Civil Society in the context of its education reform Program, Djibouti has a strong and effective partnership with national stakeholders and the donor community. The result of the EFA-FTI program has led to stronger commitment by donors and an additional increase in financial resources for implementing the education reform agenda to achieve the educational MDGs. The EFA-FTI has been instrumental in promoting closer donor coordination in the area of measuring results and identifying a common set of indicators to satisfy donor and Government reporting requirements.

- **Guyana**: Its program became effective in October 2004, and by early 2006, with support from EFA-FTI, the Government has already provided over US$2.9 million worth of textbooks nationwide to all primary school children. This year another US$1.8 million worth of textbooks are being procured, including selected culturally relevant books for Amerindian students and books for good health promotion (HIV/AIDS, etc.) To attract and retain teachers in hardship areas, FTI funds support the remote areas incentives (RAI) monthly stipend for primary teachers.

As a result, the government enacted a policy for all levels of teachers (nursery and secondary) working in the same hardship areas to receive the benefit and it is now a line item in the budget. In 2005, sixteen schools serving nearly 1,800 children received upgrading of sanitary facilities, electricity and water and another 12 schools are being upgraded this year. Teachers indicate that student attendance has improved as a result. Through FTI program support, this year the Government has launched a major effort to garner local support for a community-based school feeding program in the four hinterland regions. Over 25 school communities serving about 4,000 students are ready with proposals to be funded this school year.

- **Madagascar**: In this country, the FTI has led to a better donors' coordination under the leadership of the MOE. All donors' financial and technical assistance are aligned to the National EFA Plan and integrated in a comprehensive implementation plan. In terms of monitoring and evaluation, the FTI has pushed the process of joint donors' review with agreed indicators and assessment arrangements. Following donors' endorsement of the Madagascar EFA Plan in May 2005, the GOM received a grant of US$10million from the Steering committee of the EFA-FTI for the year 2005. . The grant, which covers the school year 2005/2006, finances the following main activities:

  Reducing the teacher-student ratio and families' charges for primary education. The FTI funds support the increase of public contribution to monthly salary of about 25,800 primary community teachers, who were paid formerly by Student Parents' Association. As a result, the ratio improved from 1 to 60 to about 1 to 52 in 2005/06.

  Expenditures and results. The FTI funds finance (i) jointly with the Norwegian cooperation the publication and provision of new bilingual textbooks for 0.6million over 1,2million students at grade 3 at the rate of 1 textbook per student per subject, that is to address the issues on language of instruction, (ii) the provision of pedagogical kits to all the primary teachers (about 58,000 teachers), (iii) 16 community based sub-projects -- for 166 schools serving around 44,300 students – which aim at increasing student enrollment, improving students' nutritional status and reducing drop out and repetition rates, (iv) the contracting with external contractor (the national mail company) for regular and faster payment of community teachers' salaries, that will reduce teachers' absenteeism and (ii) the in-service training of all primary teachers in themes that are key in the context of Madagascar (big size classes and multigrades classes).

- **Mauritania:** As one of the first FTI-endorsed countries, the country has achieved important progress in view of reaching its development objectives as outlined in the Education Sector Development Program (PNDSE). These include:-Improving the knowledge level of teaching staff and supervision personnel for the generalization of new programs, through the printing and distribution of teaching material, and printing of textbooks and manuals and -Increasing enrollment capacity and improving the school learning environment by facilitating the renovation of classrooms and providing basic educational material.

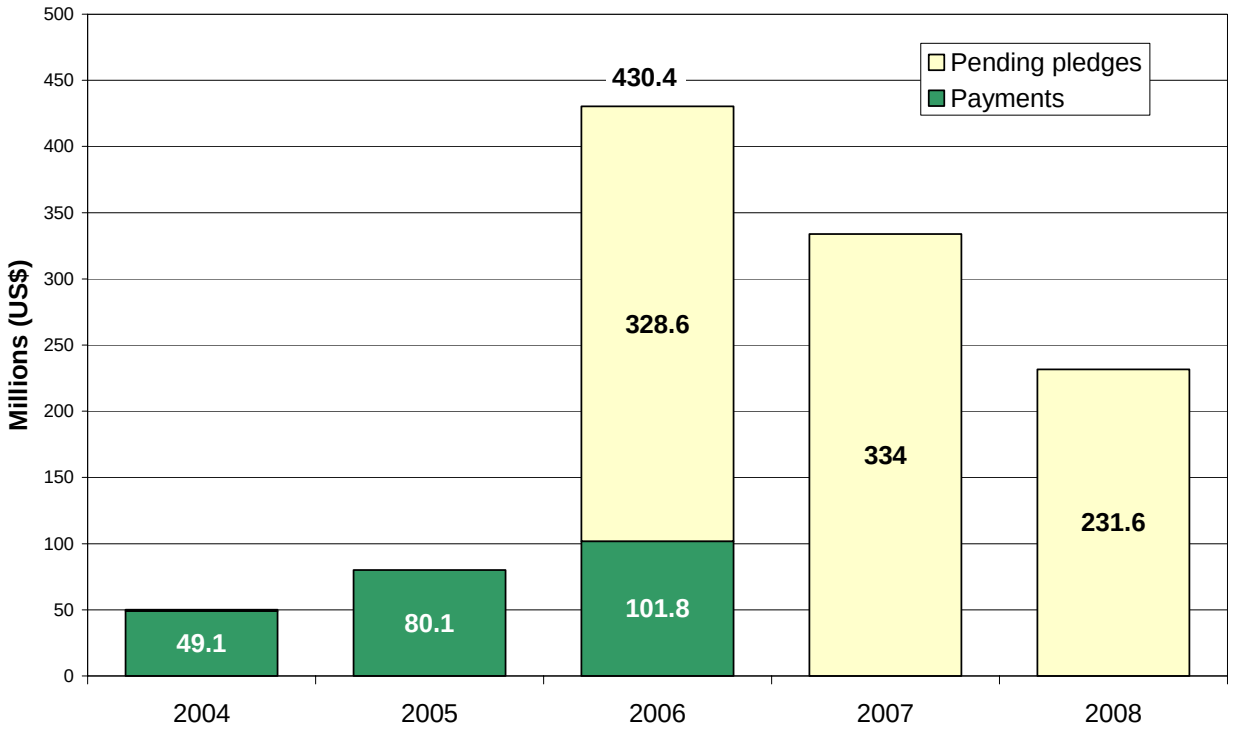
  Activities and results. All activities financed under the Grant either have been completed or are in good progress, leading to an improvement of the quality and relevance of the system. Between 2004 and 2005, students/teachers ratios decreased

from 42.5 to 40.3 students per teacher. In terms of in-service teachers' training, 13,711 trainings were performed from 2002 to 2006 as follows: (i) 20,777 teachers benefited from training in "*reconversion linguistique"*; (ii) 2,222 teachers were trained in managing multi-grade classes, (iii) 9,344 teachers were trained in teaching the new program, 175 teachers and directors attended courses on library management and 794 inspectorates. In addition, 2 million textbooks and 10,400 teacher's guides were procured as planned and the process for procuring 4.5 million additional books is underway to cover the needs of the next two school years. In that context, 833,000 textbooks are financed by the grant.

- **Nicaragua**: One of the main benefits from the EFA FTI in Nicaragua is that it has stimulated donor coordination and harmonization in country. All the FTI activities are programmed, costed and implemented within the overall Ministry's framework for planning and financing the education sector program. This is an important step forward in a country like Nicaragua, which for many years relied on a variety of project planning and implementation units with little coordination in their approach and limited synergy in the activities implemented. While there is some way to go before achieving a full SWAP, where FTI is lodged, the Government and the international community are moving in the right direction. Nicaragua was allocated US$ 7 million for its first year. Most of these funds were assigned to extend the coverage and extension of the Integral Program of School Nutrition.

Annex 3: Facts and Figures in Graphs

Figure 1: Pledges and receipts from donor, 2004-2008



Note Out of the pending pledges for 2006, pledges worth US$131.7 million were announced in September 2006.

Annex 4 –Catalytic Fund Financial Statements

CATALYTIC FUND MULTI-DONOR TRUST FUND ACCOUNT
SUMMARY OF CONTRIBUTIONS, DISBURSEMENTS AND FUND BALANCE
For the period November 21, 2003 (inception) to September 30, 2006
Expressed in U.S. dollars

	UNAUDITED
	November 12,2003 to September 30, 2006
Receipts	
Contributions	$
Belgium	3,757,190
Ireland	1,511,000
Italy	4,810,200
Netherlands	158,606,628
Norway	39,630,564
Russia	1,000,000
Spain	5,942,500
Sweden	15,665,822
Total contributions	230,923,904
Investment income	4,450,743
Total receipts	235,374,647
Disbursements	
Project disbursements	
Djibouti	3,000,000
Ghana	8,000,000
Guyana	8,000,000
Kenya	24,200,000
Lesotho	1,800,000
Madagascar	10,000,000
Mauritania	8,000,000
Nicaragua	7,000,000
Niger	9,000,000
Tajikistan	1,000,000
The Gambia	8,000,000
Timor Leste	1,500,000
Yemen	20,000,000
Supervision costs for grants to MENA countries	105,941
Supervision costs for grants to AFRICA countries	454,869
Supervision costs for grants to ECA countries	12,655
Supervision costs for grants to LAC countries	217,223
Total project disbursements	110,290,688
Administration fee	382,906
Total disbursements	110,673,594
Excess of receipts over disbursements	124,701,053
Fund balance, beginning of period	-
Fund balance, end of period	124,701,053

The above unaudited financial statement was prepared by the FTI Secretariat

Annex 5 –Schedule of FTI Country Endorsements

Countries currently endorsed (23)	Countries expected by end 2006 (8)	Countries expected by end 2007 (13)	Countries expected by end 2008 (15)
Burkina Faso	Albania	Angola	Bolivia
Cameroon	**Benin**	Bangladesh	**Central African Rep.**
Djibouti	**Bhutan**	**Burundi**	Congo (DRC)
Ethiopia	Cambodia	**Chad**	**Eritrea**
Gambia	**Kyrgyz Rep.**	**Congo, Republic**	India
Ghana	Mali	**Georgia**	Indonesia
Guinea	**Rwanda**	**Guinea-Bissau**	**Lao PDR**
Guyana	**Sao Tome & Principe**	**Haiti**	**Liberia**
Honduras		**Kiribati**	Malawi
Kenya		**Sierra Leone**	Nigeria
Lesotho		**Solomon Islands**	Pakistan
Madagascar		**Vanuatu**	**Sri Lanka**
Mauritania		Zambia	Tanzania
Moldova			**Togo**
Mongolia			Uganda
Mozambique			
Nicaragua			
Niger			
Senegal			
Tajikistan			
Timor Leste			
Vietnam			
Yemen			

Note: Countries in bold are current recipients of Catalytic Fund support, or have been identified as eligible based on current eligibility criteria.