

Education for All – Fast Track Initiative

Accelerating progress towards quality universal primary education

FTI EXPANDED CATALYTIC FUND

STATUS REPORT

**BONN, GERMANY
MAY 2007**

Prepared by the FTI Secretariat for the ECF Strategy Committee Meeting

Abbreviations and Acronyms

| | |
|------|---------------------------------------|
| CF | Catalytic Fund |
| EC | European Commission |
| ECD | Early Childhood Development |
| ECF | Expanded Catalytic Fund |
| EFA | Education For All |
| EPDF | Education Program Development Fund |
| ESP | Education Sector Plan |
| FTI | Fast Track Initiative |
| GER | Gross Enrollment Ratio |
| IDA | International Development Association |
| ODA | Official Development Assistance |
| SWAP | Sector-Wide Approach |

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Expanded Catalytic Fund Status Report

A. INTRODUCTION

1. Established in 2003, the Fast Track Initiative Catalytic Fund (CF) is a multi-donor, multi-recipient trust fund originally designed to provide transitional short term funding for a maximum of three years. Such support enables low-income countries to scale up their Education Sector Program (ESP) with the aim of establishing a performance record that could attract longer-term support through regular channels. However, experience has shown that donors have not stepped in to transit countries from the CF to more sustainable and predictable financing to the extent anticipated. In response, the FTI Partnership endorsed a proposal put forward by the Netherlands to explore the possibility of creating a mechanism that could provide long term predictable financing to FTI-endorsed plans with insufficient domestic or external aid resources. After several rounds of consultations, the Concept Note for the Expanded Catalytic Fund (ECF) was finalized in April 2007. This instrument is now operational and replaces the CF upon which it is built. The ECF is consistent with the guiding principles of the Fast Track Initiative in terms of country ownership, benchmarking, support linked to performance, lower transaction costs and transparency. For more information, please refer to the Concept Note of the Expanded Catalytic Fund.

B. FUND OVERVIEW AND STATUS ¹

2. Since its inception, the ECF has received a cumulative amount of US\$571 million from donors. Out of the amount received, US\$534 million has been allocated to the 18 FTI-endorsed countries that are ECF-eligible. Grant agreements have been signed for US\$286 million, of which US\$182.3 million has been disbursed to date. The remaining balance is projected to be disbursed over the next 12-18 months. With its emphasis on aid harmonization and the use of government systems to build capacity, FTI complements both government and donor funding to deliver results. In Kenya, for instance, Catalytic Fund resources were used to: purchase books and other learning materials which have helped to: (i) increase by more than 50% the average textbook/pupil ratio in math and sciences; (ii) train 3,500 ECD teachers and 1,500 head-teachers in health promotion; and (iii) immunize and de-worm 493,000 and 560,000 primary school pupils, respectively. In Tajikistan: (i) some 27 primary schools were renovated to benefit 14,000 students; (ii) about 1,370 classrooms were fully equipped to serve 35,000 pupils; and (iii) training modules were upgraded and have been used by 4,000 teachers, principals and curriculum developers in 330 schools. Other country examples are found in Annex 2.

3. **ECF Trust Fund Status.** Overall, donors have pledged a total of US\$1.2 billion; of which US\$637 million represent financial pledges for the period 2007-09 (see details in Annex 1). This is a significant increase of donor pledges, amounting to about 10-15 percent of ODA commitments to basic education in low-income countries in the same period. Fifteen countries are expected to join FTI in 2007 with additional financial needs of US\$305 million per annum. In 2008, fifteen more countries may join FTI, with projected financial needs amounting to US\$3.1 billion per annum (see Annex 5 for country endorsement schedule). Under the assumption that ECF funding as a share of global aid to basic education in low income countries is maintained at its current level, its resource flow would need to increase gradually to average about US\$1 billion per year.

¹ Overview and projected status of the Trust Fund as of end-May 2007.

4. **Ensuring that ECF complements regular funding channels.** Under the expansion agenda, both the number of beneficiary countries and the amount of FTI resources have increased. As a result, there is an increased risk of competition or substitution. All donor partners agree that FTI funding is intended to be used as a last resort, after all bilateral and multilateral channels have been explored. To strengthen the in-country process, the World Bank and ECF donors are working together to monitor country-specific cases and overall financial trends, especially in countries with limited donor presence and where IDA has no project. This is the case in many fragile states.

5. **Projected financial pressure on the ECF.** In the short term, the financial picture of the ECF Trust Fund is good. But within the next year or so, this picture could deteriorate sharply unless there are new pledges to cover the period 2009-2010. A large number of countries are becoming ECF beneficiaries for longer periods of time (three-year grant agreements). However, current donor pledges dropped sharply in 2008, and very few cover the period 2009-2010 under which grant commitments are being made to beneficiaries. As a result, financial pressure is likely to build by the time of the next Committee in Fall 2007. For instance, it is projected that US\$600 million may be required for the Fall 2007 ECF Strategy Committee to fund financing needs – on the basis of the three-year grant agreement – to benefit the 15 additional countries expected to join FTI, but based on current pledges, only about US\$300 million will be available.

6. **Progress since the Cairo meeting.** Since the ECF Strategy Committee in November 2006 meeting in Cairo, donor receipts and grant disbursements into country programs have both increased substantially. Highlights include:

- ❖ Grant disbursements of US\$72 million, for a cumulative total to date of US\$182.3 million;
- ❖ Donor payments of US\$340 million, for a cumulative total to date of US\$571 million; and
- ❖ Finalization of the Concept Note and establishment of the Expanded Catalytic Trust Fund.

7. **Resource flows into existing beneficiary countries.** It is anticipated that a cumulative total of US\$182.3 million will have been disbursed by May end to 17 countries (Annex 1; table 2) out of total receipts of US\$571.1 million. Table 3 of the Annex 1 provides a disbursement schedule against existing allocations over the next 12 months.

C. PROGRESS ON DECISIONS MADE IN CAIRO

- ❖ **Decision 1 -Allocations were made to four newly endorsed countries; Cameroon, Kyrgyzstan, Mongolia and Rwanda.**
 - (a) **Cameroon:** The grant agreement for US\$22.5 million was signed in May 2007 and the first tranche of US\$11.25 million was disbursed on [May __ 2007].
 - (b) **Mongolia:** The grant agreement for Mongolia was signed in March 2007. The first tranche of US\$3 million was disbursed on May 10, 2007. A recommendation to adjust the country's allocation for Year 2; as well as to make a Year 3 allocation has been put forward for this Committee meeting in Bonn (Germany).
 - (c) **Kyrgyzstan:** The grant agreement for Kyrgyzstan was signed on [May __ 2007] and the first tranche disbursement is expected to take place by the end of May 2007.

(d) **Rwanda:** The grant agreement for US\$26 million was signed on [May __ 2007] and the first tranche of US\$13 million was disbursed on [May __ 2007].

❖ **Decision 2 - Supplemental allocations were made to existing Catalytic Fund countries Ghana, the Gambia, Nicaragua, Timor Leste and Yemen. A decision on a supplemental allocation to Kenya was deferred pending additional information:**

Status: All countries which received supplemental allocations in Cairo will access them as soon as they have exhausted their previous year's allocations. The decision on topping up Kenya's Year 2 allocation to reach US\$48.4 million has been made. The grant agreement was signed in March 2007. The first tranche of US\$ 24.2 million was disbursed on [May __ 2007].

❖ **Decision 3 on the Expanded Catalytic Fund – The ECF Strategy Committee agreed on the extension of the period of financial support from the CF and to replace the existing guideline for allocation based on donor orphan status with a new guideline based on the size of the funding gap as a proportion of existing donor funding. The FTI Secretariat was asked to do further work on the guideline for allocations with a view to finalizing the concept note by early 2007.**

Status: Both the ECF Concept Note and its Allocation Guidelines have been finalized and approved. Therefore, this financing instrument is now effective; and it replaces the old Catalytic Fund.

Annex 1: Expanded Catalytic Fund: Pledges, allocations and disbursements**Table 1 ECF Contributions and pledges****In US\$ million**

| Country | 2003/04- 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | Total pledges 2003/4-2009/10 | Total Payments |
|----------------|---------------------|--------------|--------------|--------------|--------------|---------------------------------|-------------------|
| Belgium | 3.9 | 1.2 | 1.3 | - | - | 6.4 | 5.1 |
| Canada | - | 17 | - | - | - | 17 | 17 |
| Denmark | | | 4.5 | | | 4.5 | |
| EC 1/ | - | 40.3 | 20.2 | 20.2 | - | 80.7 | 40.3 |
| France | - | - | 6.5 | 6.5 | 7.74 | 20.74 | 0 |
| Ireland | 1.5 | 4.5 | 11.8 | 19.2 | - | 37 | 6 |
| Japan | | | 1.2 | | | 1.2 | |
| Germany | | | 3.9 | 2.6 | 3.9 | 10.4 | |
| Italy | 4.8 | 1.3 | - | - | - | 6.1 | 6.1 |
| Netherlands 2/ | 93.8 | 185 | 185 | 185 | - | 648.8 | 279.1 |
| Norway | 14.1 | 40.6 | - | - | - | 54.7 | 54.7 |
| Russia | - | 1 | 2 | 1 | - | 4 | 3 |
| Spain | 6 | 9 | 6.5 | 6.5 | - | 28 | 15 |
| Sweden | 5.3 | 10.4 | - | - | - | 15.7 | 15.7 |
| UK | - | 129.1 | 124.4 | 16.8 | - | 270.3 | 129.1 |
| TOTAL | 129.4 | 439.4 | 367.3 | 257.8 | 11.64 | 1,205.54 | 571.1 |

1/Note: The accounts for the EC contribution to the Catalytic Fund (known as EFA-FTI CF-EC) are held separately; however, for reporting purposes, they are treated as one fund in this report.

2/Note: The funds for 2008 have been reserved by the Netherlands but they have not been formally approved.

Table 2 Summary of disbursements as of end May 2007²**US\$ millions**

| | Cumulative signed grant agreements by May 2007 | Disbursement in 2006 | Disbursement in 2007 | Cumulative disbursements till May end |
|--------------|---|---------------------------------|---------------------------------|--|
| Cameroon | 22.5 | - | 11.25 | 11.25 |
| Djibouti | 6 | 3 | - | 3 |
| Ghana | 19 | 10 | - | 14 |
| Guyana | 8 | 4 | - | 8 |
| Kenya | 72.6 | - | 24.2 | 48.4 |
| Kyrgyzstan | 9 | - | - | 0 |
| Lesotho | 7.2 | 1.8 | - | 1.8 |
| Madagascar | 27 | 11 | - | 17 |
| Mauritania | 9 | 1 | 1 | 9 |
| Moldova | 4.4 | 0.25 | 0.37 | 0.62 |
| Mongolia | 8.2 | - | 3 | 3 |
| Nicaragua | 14 | 3.5 | - | 10.5 |
| Niger | 13 | - | - | 9 |
| Rwanda | 26 | - | 13 | 13 |
| Tajikistan | 9.2 | 3.1 | 1.5 | 4.6 |
| The Gambia | 8 | 4 | - | 8 |
| Timor Leste | 3 | 1.5 | - | 1.5 |
| Yemen | 20 | 10 | - | 20 |
| Total | 286.1 | 53.15 | 54.32 | 182.67 |

² Note Cumulative signed agreements and disbursements reflect the expected situation at end May 2007 and not actual figures as of today. The projections Table 3 are based on the assumption that the disbursements are made as per the expected situation at end May 2007.

Table 3 Projected disbursements until March 2008

In US\$ millions

| Countries | Undisbursed balance from Grant agreements already signed | Grant agreements expected to be signed by March 2008 | Projected disbursements over next 12 months | | | | |
|--------------|--|--|---|-----------------------|-----------------------|--------------------|--|
| | | | April-June 2007 | July - September 2007 | October-December 2007 | January-March 2008 | Projected disbursements from April 07-March 08 |
| Cameroon | 11.25 | | | | 11.25 | | 11.25 |
| Djibouti | 3 | 2 | 3 | | 1 | | 4 |
| Ghana | 5 | 14.2 | 5 | 7.1 | | 7.1 | 19.2 |
| Guyana | - | 4 | 4 | | | | 4 |
| Kenya | 24.2 | 48.4 | | 24.2 | | 24.2 | 48.4 |
| Kyrgyzstan | 9 | | 4.5 | | 4.5 | | 9 |
| Lesotho | 5.4 | 4.7 | 1.8 | 3.6 | 3 | | 8.4 |
| Madagascar | 10 | 33 | 10 | 4 | 4 | 10 | 28 |
| Mauritania | | - | - | | | | 0 |
| Moldova | 3.73 | 4.4 | 2.33 | 1.4 | 2.2 | | 5.93 |
| Mongolia | 5.2 | | | | 5.2 | | 5.2 |
| Nicaragua | 3.5 | 10 | 3.5 | | 5 | | 8.5 |
| Niger | 4 | 8 | 4 | | 4 | | 8 |
| Rwanda | 13 | | | | 13 | | 13 |
| Tajikistan | 4.6 | 9.2 | 4.6 | 4.6 | | 4.6 | 13.8 |
| The Gambia | | 5.4 | 2.7 | | 2.7 | | 5.4 |
| Timor-Leste | 1.5 | 5.2 | 1.5 | 2.6 | | 2.6 | 6.7 |
| Yemen | 0 | 20 | 10 | 10 | | | 20 |
| Total | 103.38 | 168.5 | 56.93 | 57.5 | 55.85 | 48.5 | 218.78 |

Note: These projections relate to allocations made to date; but do not include potential allocations to these countries or to those that are newly endorsed.

Annex 2: Achievements in some ECF beneficiary countries

1. The Education for All – Fast Track Initiative (FTI) is helping to improve education outcomes in many FTI-endorsed countries. The expansion agenda endorsed in Beijing (China) is in full gear. The number of low-income countries whose Education Sector Plans have been endorsed by FTI partners has increased by about two and half times over the past two years. With its emphasis on aid harmonization for added efficiency, FTI Trust Funds (Catalytic Fund and EPDF) have leveraged additional external donor as well government funding for education. Over the past few years, the following are among the achievements in Expanded Catalytic Fund beneficiary countries.

2. **Kenya.** The country's Education Sector Support Program (KESSP) is a comprehensive sector program focusing on identified priorities developed through an extensive consultative process. The goal of the KESSP is to provide basic education and improve the quality of education to all children by 2010. There are four program objectives of the KESSP including: (i) ensuring equity of access to basic education; (ii) enhancing quality and learning achievement; (iii) providing opportunities for further education and training; and (iv) strengthening education sector management. Kenya received an initial grant of US\$24.2 million in 2005. The country has subsequently received two more allocations for US\$ 48.2 million each; these will be implemented over the 2007-08 period.

3. **Achievements:** 12 Districts have been prioritized under Phase 1 of the School Infrastructure Grants Programme and 436 schools in 5 of these districts have been identified for funding. Thirteen District Infrastructure Coordinating Teams, 36 area education officers and 1,041 school management and infrastructure committees have been trained. School selections have been verified in 12 districts and all the identified schools have prepared infrastructure development plans. Management and technical handbooks have been prepared and distributed. The draft National ECD policy framework, guidelines and syllabi has been developed. 1,500 ECD management committees have been inducted on community support grants and 3,500 ECD teachers have been trained. Mid-day meals have been provided to 1.1 million children in pre-primary and primary schools in targeted 29 ASAL districts and Nairobi slums. 493,000 pupils in primary schools have been immunized against tetanus. The provision of mid-day snacks to 50,000 ECD learners in Turkana and Marsabit has been made. An additional 500,000 children were supported through the expanded school programme. 560,000 children have been de-wormed and 70 district and city programme managers have been trained. 1,500 head-teachers and School Management Committee were trained in health promotion.

4. **Mauritania.** As one of the first FTI-endorsed countries, the country has achieved important progress toward its development objectives as outlined in the Education Sector Development Program (PNDSE). The country is the first FTI grant recipient to be considered for the second phase of funding. Mauritania is on track to achieve universal primary education with the increase of its Gross Enrollment Ratio (GER) at the primary level from 87% in 2002 to 96.7% in 2005.

5. **Achievements.** Gender parity has already been reached at the primary school level; the proportion of girls' enrollment at the same level increased from 48% to 50% over the period 2002-2005; and at 99.2%, the GER for girls has surpassed that for boys (94.6%). In addition, between 2004 and 2005, the rate of primary school completion increased significantly for both girls and boys as the curriculum was revamped and more schools were constructed with fully equipped classrooms. Over 2,678 classrooms were built to accommodate approximately 133,900 children. Out of the 2,678 new classrooms, the FTI grant supported the construction of 900. Another key area of focus has been strengthening the administrative, financial and educational management skills in the Ministry of Education. Between 2002 and 2005, an emphasis was put on education quality; and the average students/teacher ratio decreased from 42.5 to 40.3; while grant resources were used to train some 10,772

teachers. Overall, the national program provided 3.1 million textbooks and over 800,000 teacher guides, with about 850,000 textbooks or guides financed by the FTI grant.

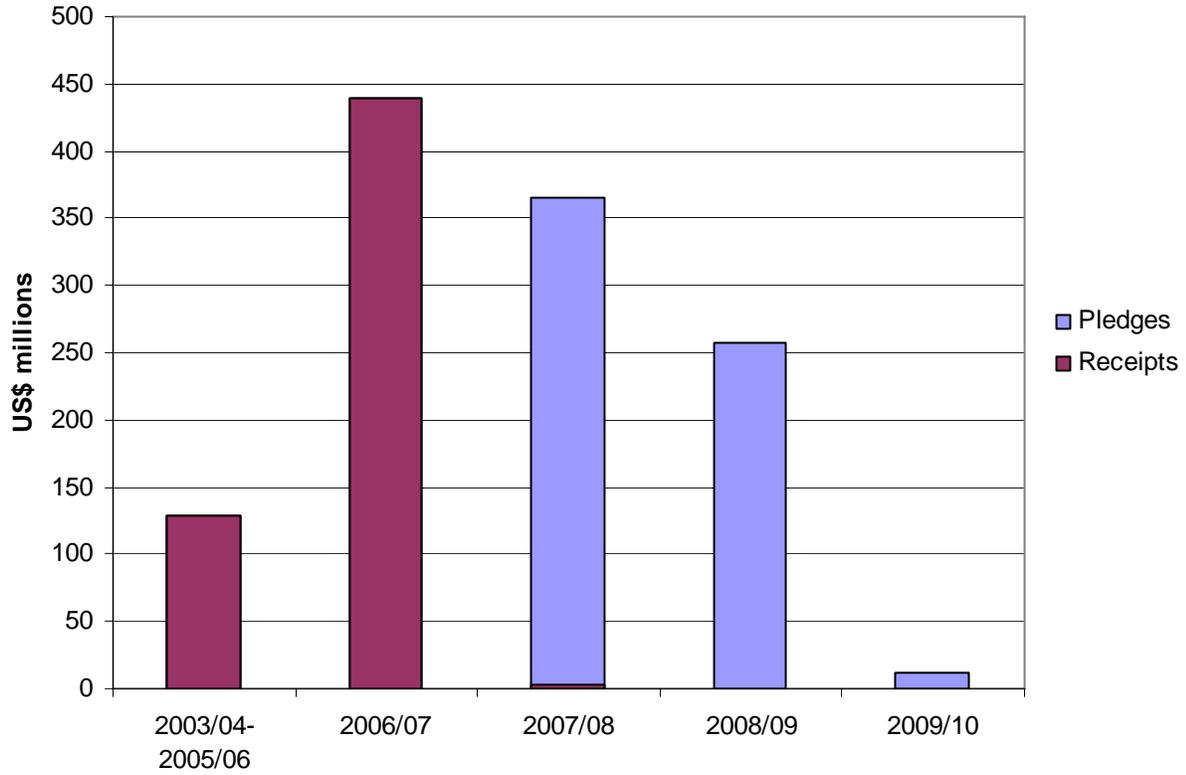
6. **Tajikistan.** The country received a grant of US\$9.2 million from the ECF in November 2005 to support the implementation of the National Strategy of Education Development (NSED) following its endorsement by in-country donors. The grant objectives are in line with the priority areas defined by the NSED and the country's Poverty Reduction Strategy. Key objectives follow: (i) strengthening managerial capacity; (ii) improving quality of teaching force; (iii) reducing the shortage of the textbooks and other learning materials; and (iv) improving school infrastructure.

7. **Achievements:** Activities are on track to enable the construction/rehabilitation of 27 schools benefiting over 14,000 students and the provision of furniture and equipment to 1,370 classes benefiting over 35,000 students. The FTI grant supports provision of methodological manuals and textbooks at the national scale. Overall, the provision of one million copies of textbooks is expected to eliminate the shortage of textbooks in the country. The Grant supports the Republican Institute for In-Service Teacher Training (RIITT) in reviewing existing training modules and packages; to test them and to eventually have them as training packages for RIITT and its sub divisions for regular training activities. It is planned to start use of those upgraded modules by training of approximately 4,000 teachers, principals and methodologists from 330 schools across the country.

8. **Yemen.** Yemen was one of the first 10 countries to meet the two criteria for the Education For All- Fast Track Initiative (EFA-FTI): a complete Poverty Reduction Strategy Paper and a sound education sector plan called the Basic Education Development Strategy (BEDS). Yemen was granted US\$10 million during the launch of the FTI Catalytic Fund in Oslo, Norway in November 2003. Following successful implementation of the first phase, Yemen was allocated 2 successive phases of US\$10 million and US\$20 million for a total of \$ 40 million from the Catalytic Fund.

9. **Achievements:** Education remains one of the main priorities of the government's successive five-year plans as the Yemen Constitution states that basic education is compulsory. As a result, the government maintains high financial commitment to education. Because of the successful execution of the various plans and policies in this direction, enrollments at all levels continue to increase and notably, the share of girls in total enrolments at all levels increased. Between 1997 and 2004, basic education enrollment grew at 5 percent annually, with girls' enrollment growth rate at 12 percent. The first grant from the CF helped in successfully constructing and equipping 110 schools and 26 multi-grade classrooms. The program also has added facilities (boundary walls, toilets, ramps, and administration rooms) for 40 existing schools in order to improve the school environment, particularly for girls. FTI supported activities have led to greater ownership of the schools among community members. The small and remote communities have donated the land for each new school and classroom.

Annex 3: Pledges and receipts from donors



Note: Pledged funds are called in from donors following allocation decisions and based on the liquidity situation of the ECF Trust Fund.

Annex 4: Expanded 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 May 31, 2007 | |
| Expressed in thousands of U.S. dollars | |
| | November 12, 2003 to May 31, 2007 |
| Receipts | |
| Contributions | \$'000s |
| Belgium | 5,100 |
| Canada | 17,000 |
| European Commission | 40,300 |
| Ireland | 6,000 |
| Italy | 6,100 |
| Netherlands | 279,100 |
| Norway | 54,700 |
| Russia | 3,000 |
| Spain | 15,000 |
| Sweden | 15,700 |
| United Kingdom | 129,100 |
| Total contributions | 571,100 |
| Investment income | 10,170 |
| Total receipts | 581,270 |
| Disbursements³ | |
| Cameroon | 11,250 |
| Djibouti | 3,000 |
| Ghana | 14,000 |
| Guyana | 8,000 |
| Kenya | 48,400 |
| Lesotho | 1,800 |
| Madagascar | 17,000 |
| Mauritania | 9,000 |
| Moldova | 620 |
| Mongolia | 3,000 |
| Nicaragua | 10,500 |
| Niger | 9,000 |
| Rwanda | 13,000 |
| Tajikistan | 4,600 |
| The Gambia | 8,000 |
| Timor Leste | 1,500 |
| Yemen | 20,000 |
| Supervision costs for grants to Middle East & North Africa | 147 |
| Supervision costs for grants to Africa countries | 680 |
| Supervision costs for grants to Europe and Central Asia | 68 |
| Supervision costs for grants to East Asia and Pacific | 17 |
| Supervision costs for grants to Latin America & Caribbean | 256 |
| Total project disbursements | 183,838 |
| Administration fee | 950 |
| Total disbursements | 184,788 |
| Excess of receipts over disbursements | 396,852 |
| Fund balance, beginning of period | - |
| Fund balance, end of period | 396,482 |

³ Disbursements reflect the expected situation as of end May 2007.

Annex 5 Countries with Endorsed Sector Plan and Estimated Schedule of Endorsements – April 2007

| Endorsed Countries (31) | | | Countries pending for 2007 (15) | Countries expected in 2008 (15) |
|-------------------------|--------------|-------------|---------------------------------|---------------------------------|
| 2002 | Burkina Faso | Mauritania | CAR | Angola |
| | Guinea | Nicaragua | Bangladesh | Bolivia |
| | Guyana | Niger | Bhutan | Congo DRC |
| | Honduras | | Burundi | Eritrea |
| 2003 | The Gambia | Vietnam | Chad | Guinea-Bissau |
| | Mozambique | Yemen | Congo, Rep. | India |
| 2004 | Ghana | Ethiopia | Georgia | Indonesia |
| 2005 | Kenya | Moldova | Haiti | Lao PDR |
| | Lesotho | Tajikistan | Kiribati | Malawi |
| | Madagascar | Timor Leste | Papua New Guinea | Nigeria |
| 2006 | Albania | Mali | Sao Tome e Pr. | Pakistan |
| | Cambodia | Mongolia | Solomon Islands | Sri Lanka |
| | Cameroon | Rwanda | Tonga | Tanzania |
| | Djibouti | Senegal | Vanuatu | Togo |
| | Kyrgyz Rep. | | Zambia | Uganda |
| 2007 | Benin | Liberia | | |
| | Sierra Leone | | | |

Notes:

The table above does not include the following FTI eligible countries:

Fragile States: Afghanistan, Comoros, Cote d'Ivoire, Dominica, Myanmar (Burma), Nepal, Somalia, Sudan, Zimbabwe

Countries where UPC is achieved: Armenia, Azerbaijan, Bosnia-Herzegovina, Cape Verde, Grenada, Maldives, Saint Lucia, Samoa, Serbia & Montenegro, St Vincent & Grenadines, , Uzbekistan