

## **FTI Catalytic Fund Strategy Committee**

### ***Minutes of Meeting of December 2, 2005***

1. A meeting of the Catalytic Fund Strategy Committee (SC) was convened in Beijing (China) on December 2, 2005. It was chaired by Jean-Louis Sarbib, Senior Vice President and Head of the Human Development Network, World Bank. In attendance were: Ronald Siebes, Rebekka van Roenburg (the Netherlands); Kris Panneels, Nadine Dusepulchre (Belgium); Ewa Werner-Dahlin (Sweden); Desmond Bermingham, Bridget Crumpton, Rebecca Stringer (UK); Olav Seim, Eva Kløve (Norway); Marja Karjalainen (EC); Antonio García Ferrer (Spain); and Maire Matthews (Ireland).
2. Observers included: Abhimanyu Singh (UNESCO); Scott Walter (Canada); Sandrine Boucher, Alain Dhersigny, Jean-Claude Balmès (France); Hans Schipulle, Temby Caprio (Germany); Ko-Chih Tung (UIS); and Jee-Peng Tan, Christopher Thomas, Eduardo Velez Bustillo, Robert Prouty (World Bank). Other participants were Mercy Tembon (Manager of the Catalytic Fund), Rosemary Bellew, Kouassi Soman, Palak Mehra, Anna Triponel, Abigail Spring and Luc-Charles Gacougnolle (FTI Secretariat).
3. The agenda items were:
  - Summary of progress in 2005
  - Allocation options for 2006
4. After an overview of the agenda, the Chair introduced Kouassi Soman, a World Bank staff member who has recently joined the FTI Secretariat. He will manage both the Catalytic Fund (CF) and the EPDF, thus allowing Mercy Tembon to focus more on girl education issues.

#### ***Progress Summary***

5. Mercy Tembon summarized major achievements in 2005 including (*see CF Status Report*):
  - Cumulative disbursements of \$51 million out of pledges amounting to \$120.5 million (42 percent); corresponding to a tripling of disbursements since November 2004 (\$15 million);
  - An expansion of the number of donors from six to nine (EC, Ireland and Spain);
  - An increase of 60 percent in donor pledges from \$265 million to \$425 million over the 2003-2007 period;
  - Operational guidelines for Bank staff;
  - Draft pooled funding agreement.

#### ***Summary of Discussions***

6. Several members of the Strategy Committee requested clarification on the numbers. In particular, it was felt that a consolidated summary, including disbursements would be more useful. The Secretariat agreed to improve the reporting.

7. The Secretariat noted that some countries face “absorptive capacity” issues. For example, Niger, where the use of 2004 allocation might be delayed until end-2006 due to elections and aligning the CF allocation with the budget cycle. The Lead Donor – i.e. France – agreed to report back to the Strategy Committee on the issues.

***CF Allocation Formula and 2006-2007 Allocations***

8. As recommended by the Strategy Committee Meeting of September 2005, the Secretariat presented a simple formula for allocating CF funds to eligible countries. The formula is based on two weighted variables -- the country’s total population and its financing gap as reported in each country’s Appraisal and Endorsement Report -- and the estimated CF resources to be allocated. A minimum amount is set, so as not to put small countries at a disadvantage. Total population accounts for 60 percent while the financing gap accounts for 40 percent (see Annex 1: Technical Note and PowerPoint presentation). The decision scenario also assumed a maximum of three years’ allocation to all countries as per current agreement. This resulted in the following financing proposal presented by the Secretariat.

**Catalytic Fund Allocations for 2006-07**

<b>I. Existing Countries</b>	<b>2006 (US\$ million)</b>	<b>2007 (US\$ million)</b>
1. Gambia	4.0	
2. Ghana	11.0	11.0
3. Guyana	4.0	
4. Kenya	24.2	24.2
5. Madagascar	25.0	25.0
6. Nicaragua	7.0	
7. Yemen	10.0	
<b>Subtotal</b>	<b>85.2</b>	<b>60.2</b>
<b>II. Projected Endorsed Countries</b>		
1. Djibouti*	6.0	2.0
2. Lesotho	7.2	4.7
3. Moldova	4.4	4.4
4. Tajikistan*	9.2	9.2
5. Timor-Leste*	3.0	3.0
<b>Subtotal</b>	<b>29.8</b>	<b>23.3</b>

\* Pending dissemination of endorsement documents to donors and their comments, if any.

9. In addition, the question was raised of how to address financing needs that were projected to increase over time.

***Summary of Discussion and Decisions***

10. Belgium suggested including the proportion of out-of-school children as a variable in the allocation formula. Given the unreliability of data on out of school children in many countries and

that the financial gaps in country programs take into account the needs to achieved UPC; the SC decided to not to include this variable.

11. With respect to the length of eligibility, the SC decided to maintain financing to a maximum of three years, pending further development of financing options for countries that do not mobilize longer term financing through regular bilateral or multilateral channels.

12. With respect to scaled up allocations, the SC decided to maintain initial allocations for the duration given the need for prudent financial management, experience to date, and expecting the need for predictability at the country level.

13. Based on the limited number of newly endorsed countries in 2005 (5), the small size of their cumulative financial gaps (US\$29.8 million for 2006; and US\$23.3 million for 2007), and the estimated amount of resources in the CF (US\$154.5 million for 2006; and US\$146.0 million for 2007), the CF Strategy Committee endorsed the Secretariat's proposal above.

### ***FTI Expansion Fund: A Proposal***

14. As agreed in the conclusions of the Partnership Meeting (See Co-Chairs' Conclusions attached), the Netherlands will lead a Task Team to develop longer financing options for countries that have not been able to mobilize longer term financing.

Cleared with and cc: Jean-Louis Sarbib, Senior Vice President and Head of the HD Network, World Bank.