

Catalytic Fund Strategy Committee

Minutes of Meeting on July 18, 2005

1. A meeting of the Catalytic Fund Strategy Committee was convened in Paris on July 18, 2005. In attendance were: Jean Louis Sarbib (Chair), Ruth Kagia (World Bank), Kris Panneels, Philip Gerard, Nadine Dusepulchre (Belgium), Ronald Siebes (the Netherlands), Eva (Norway), Desmond Bermingham, Bridget Crumpton, Rebecca Stringer, Richard Arden (UK), Ewa Werner Dalin; Anders Frankenberg (Sweden) and Rosemary Bellew, Mercy Tembon (FTI Secretariat). Observers included: Marion Ginolin (France), Scott Walters (Canada), Marie Matthews (Ireland), and Marja Karjalainen (European Commission),
2. Agenda items were:
 - Update on Catalytic Fund Operations
 - Allocation of 2005 grants
 - Catalytic Fund Allocation Formula
 - Exit Strategy
 - Any other business.

Update on Catalytic Fund Operations:

3. Mercy Tembon briefed the Strategy Committee on the status of pledges, receipts, allocations, disbursements and balance available in 2005. She noted that out of the \$80.2 million pledged for 2005, \$37.6 million had been received. The recent approval of a \$10 million grant allocation to Madagascar increased total allocations for 2005 to US\$ 53 million. Based on total pledges, allocations and amounts carried over from 2003/04, total balance available for allocation in 2005 was \$31.2 million. The full amount allocated for CY04 has been disbursed to Guyana, Mauritania, Nicaragua and Yemen. Total disbursements so far amounted to \$39.5 million.
4. Several members of the Strategy Committee requested clarification on the numbers and asked the Secretariat to improve the reporting in the future.

Allocation of 2005 Grants

5. Three issues relating to CF operations were tabled for discussion and a fourth issue emerged from the discussions. The issues included:- (i) delays in CY04 and CY05 disbursements (ii) Decision on second year allocations for Ghana and Madagascar, and (iii) Allocation of available 2005 resources.
6. The following decisions were made:-

(i) Expedite disbursements and respond to the need for better planning and alignment of Catalytic Fund grants with recipient countries' budget cycles.

The Strategy Committee agreed to pursue a modification of Catalytic Fund grant agreements from a one year grant agreement for each year's allocation, to one grant agreement that covers the allocation for two years with the overall disbursement period increased from one year to approximately three years. Disbursement of the second year allocation is contingent on a satisfactory report on the utilization of the first year's allocation.

(ii) Confirmation of second year (2006) allocation for Ghana and Madagascar

In keeping with the two year allocation decision, the strategy committee confirmed the second year (CY06) allocation of \$11 million for Ghana and \$25million for Madagascar. Ghana and Madagascar had been allocated a grant of \$8million and \$10million respectively in CY05.

(iii) Allocation of available balance for 2005

The Strategy Committee discussed the proposed CY05 allocation of \$22.5million to Kenya which has conducted the assessment and endorsement process and is now collecting all the signatures. . The committee agreed that it would consider approving an allocation to Kenya on a non-objection basis after the submission of the entire package of documents. For Kenya's second year (CY06) allocation, the allocation formula will be followed.

Allocation Formula

7. The Strategy Committee meeting held in March 2005, request the Secretariat to develop a simple grant allocation formula where allocations would be made on a pro rata basis taking into consideration the resources available and financing gaps, with an adjustment for small countries by using the same co-efficient for the latter as applied for IDA allocations.

8. Following these guidelines, a formula was developed by the financial management division of the World Bank. The formula contains five choice parameters (total amount to be allocated, the financing gap, the population, and a minimum allocation amount). The Strategy Committee approved the formula in principle but asked the secretariat to use data from potential new countries and run a couple of scenarios to show the impact of various weights on population and financing gap and circulate results to the committee. It also requested that the Secretariat present another option using the size of the out of school population.

9. The Committee also noted that the allocation formula deals only with the allocation but does not address the question of how we are defining a donor orphan. The Committee requested the Secretariat to propose other options (e.g. based on ODA per capita and other parameters) for identifying donor orphans.

Exit Strategy

10. The discussion on the Exit Strategy was postponed to the next meeting. To prepare for fruitful discussions on the topic, it was agreed that Ronald Siebes (Netherlands) would work closely with the Secretariat, to prepare an options paper on the exit strategy for the next meeting in Beijing. As part of preparations for discussions on an exit strategy, the Strategy Committee suggested that an assessment of the impact of the Catalytic Fund grants to the first six recipient countries will be useful. The Secretariat was asked to assess what has happened to the first six recipients of the fund and tease out answers to some of the following questions. For example, has the fund done what it was designed to do in the recipient countries? Is there a need or a possibility for a second funding window that is more long term?

Donor Contributions

11. On the basis of projections for nine potential donor orphans that may be endorsed by the end of CY05, the committee discussed possibilities of increasing donor contributions into the fund. Sweden indicated that it would be contributing approximately 13million Euros into the Catalytic Fund and the EPDF over the next three years. Other donors indicated that there might be possibilities for them to increase their contributions. However, more information is needed on estimated amounts required for CY06 and beyond so that they can make a strong case to their respective agencies for additional resources to be contributed into the Catalytic Fund. To this end, the Secretariat will prepare and circulate tables showing all pledges, current allocations and estimated needs of potential new countries over the next three years .

Next Meeting

12. The committee agreed to hold an audio conference around mid September to assess progress and discuss preparations for meetings in Beijing at the end of November.

Cleared with and cc: Jean Louis Sarbib, Chair, Catalytic Fund Strategy Committee