

**CATALYTIC FUND STRATEGY COMMITTEE MEETING  
THURSDAY, MARCH 17, 2005**

**MINUTES**

A meeting of the EFA FTI Catalytic Fund Strategy Committee (SC) was held on March 17, 2005. Jamil Salmi, (Acting Director, Human Development Network-Education, World Bank) chaired the meeting on behalf of Jean Louis Sarbib, Senior Vice President, Human Development – World Bank. Present at the meeting were Desmond Birmingham (UK), Ronald Siebes (Netherlands), Olav Seim (Norway), Nadine Dusepulchre (Belgium), Ewa Werner-Dahlin and Anders Frankenberg (Sweden). Observers included representatives from France, Japan, USA, Canada, European Commission and Germany. The following is a summary of the discussions and conclusions.

**1. Update on Catalytic Fund operations**

Mercy Tembon (Senior Education Specialist-FTI Secretariat) presented an update on the Catalytic Fund operations including status of the contributions, disbursements, guidelines, etc.

Out of the total amount of US\$75 million equivalent pledged towards the fund for 2005, contributions to date total US\$13.4 million. Of the \$45 million allocated in 2004, \$28.5 million has been disbursed to date. For 2005 allocations, of a total of US\$79 million available (US\$75.23 pledged plus US\$4.00 million carried over from 2004), US\$43 million was allocated by the Strategy Committee in November 2004 to seven countries. The remaining US\$36 million will be allocated subsequently taking into consideration deductions for fees and supervision costs.

**2. Work Program Implementation Status**

The work plan implementation status for the Catalytic fund was presented to the committee. Two of the five planned activities have been completed. Pending activities include the development of a model agreement for cases where the recipient is another agency, development of a model agreement for pooled funding, evaluation of results and experiences in the first six Catalytic Fund beneficiary countries, and finalize and publish the operational guidelines.

**3. Catalytic fund allocation strategy**

Mercy Tembon presented the Catalytic fund allocation strategy options and responses to the following key questions:

- What is a donor orphan?
- What allocation process do we use?
- What allocation criteria do we use – assuming demand/needs exceed available finance

***(a) Definition of a donor orphan***

Questions considered were whether the definition should: (a) count only bilateral donors or also include multilateral donors, and (b) include a financing level for each donor. The Secretariat suggested using donors that contribute more than US\$ 1 million to education. The consensus was that only bilateral donors should be counted. The reason being that bilaterals are constrained in which countries they can support. The Catalytic Fund allows bilaterals to provide support to other countries that they cannot reach through their bilateral programs. It is assumed that the multilaterals will be in most if not all countries.

However, information on the multilaterals present in a particular country should also be provided to the Steering Committee to give a more complete picture of the presence of donors and level of financing available in the country.

The Committee agreed that donor orphans will be defined as countries with the presence of four or fewer bilateral donors contributing at least US\$ 1 million to the education sector.

***(b) Allocation Process-Frequency of decision making***

The advantages and disadvantages of allocation on an on-going basis and allocation on an annual basis were discussed, the main disadvantage of the former being the lack of full information. The main disadvantage of the once a year allocation is that countries endorsed during the year would only be able to access funding the following year. One committee member suggested perhaps providing some level of funding to newly endorsed countries as both a 'good will bonus' and an incentive to countries to prepare credible plans.

The SC decided that allocations will be made once a year followed in six months by a review in case other contributions and countries come forward. With regard to the 'good will bonus', the Committee decided that it was too early to consider the proposal.

**(c) Allocation Criteria**

The Committee concluded that any formula contemplated should seek simplicity. It agreed that 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. The Secretariat was requested to come up with a proposal for allocation to countries during the next meeting.

**4. LICUS or fragile states**

The Committee discussed the idea of creating a separate window for LICUS/fragile states in the Catalytic Fund. Some Committee members were apprehensive about overloading the Catalytic Fund, and about creating conditions that run counter to basic principles of the FTI. Given that lack of institutional capacity to develop and implement sector plans are aspects covered by the Education Program Development Fund (EPDF), and that including LICUS countries without a PRSP and endorsed Sector Plan is contrary to the basic principle of FTI, it was decided that the role of the Catalytic fund with respect to LICUS states should not be a question only for the Strategy Committee but requires a discussion with the full partnership in the context of an overall strategy for LICUS countries.

**5. Exit Strategy**

Options for an exit strategy from the Catalytic Fund were discussed. The meeting agreed to maintain firm commitments to the countries for two years to ensure predictability of financing. The mobilization of longer term predictable financing should start in year one. Countries should exit at the end of the second year if sufficient donor funding has been mobilized through other channels. If not, a reduced amount would be considered in the third year. The Netherlands suggested exploring the possibility of setting up an exit fund for such countries. Some donors have expressed an interest on increased funding to various countries, however due to administrative cost constraints they would prefer to channel their funding through the World Bank. The meeting agreed to continue discussions and come to conclusion on the exit strategy in the next meeting.

**6. Other discussion points**

It was decided that the next allocation decision announcement will take place in July 2005.