

FTI Catalytic Fund Strategy Committee

Minutes of Meeting of September 30, 2005

1. A meeting of the Catalytic Fund Strategy Committee (SC) was convened in Washington on September 30, 2005. In attendance were: Ruth Kagia (Delegated Acting Chair on behalf of Jean-Louis Sarbib, World Bank), Ronald Siebes, Rebekka van Roemburg (the Netherlands), Kris Panneels, Nadine Dusepulchre (Belgium), Ewa Werner-Dahlin (Sweden), Desmond Bermingham, Rennwick Irvine (UK), Olav Seim, Eva Kløve (Norway), Observers included: Abhimanyu Singh (UNESCO), Scott Walter (Canada), Anton Jensen, Renata Russell (EC), Sandrine Boucher, Anne Paugam, Paul Coustère (France), Antonio García Ferrer (Spain), and Ko-Chih Tung (UIS). Present also were Mercy Tembon (Manager of the Catalytic Fund), Palak Mehra, Rosemary Bellew, and Luc-Charles Gacougnolle (FT Secretariat)
2. The agenda items were:
 - Exit Strategy
 - Kenya 2005 allocation
 - Catalytic Fund Allocation Formula
3. It was agreed to subsume the discussion on the exit strategy under the discussion regarding the evolution of the Catalytic Fund which Ronald Siebes had already tabled in an earlier session during the Technical Meeting. The Netherlands suggested establishing a second window of the Catalytic Fund for longer term support to countries that are currently benefiting from the Catalytic Fund and have gone through the period of transitional financing.

Kenya 2005 allocation

4 On July 18, 2005 the CF strategy committee approved an allocation of \$22.5 million for Kenya, as endorsed by the local donor group. When the final documents arrived, however, the financing gap, endorsed by the local donor group, had increased to \$24.2 million. The Secretariat requested approval of the increase from each member of the Strategy Committee by email but some members agreed to defer a decision until the technical committee meeting to finalize the decision.

Summary of Discussion

Belgium indicated that it has no objection in principle but would like to ensure that sufficient resources were available to finance the increased allocation for Kenya in addition to commitments that had been previously made. After all the members had received assurances from Mercy Tembon that sufficient resources were available to meet existing commitments and the increase for Kenya, they agreed to increase the allocation.

Decisions Taken

- Catalytic Fund Allocation for Kenya was increased from US\$ 22.5 to \$24.2 million.

CF Allocation Formula

5. During the Strategy Committee meeting of March 2005, the Secretariat presented several options for a formula based on the practice of agencies. The Strategy Committee agreed to keep the formula simple, and follow the widely used practice of setting a minimum and applying a weight to population slightly favoring small countries to recognize the inherent lack of economies of scale. The Committee asked the Secretariat to apply the formula with actual and potential Catalytic Fund countries and run a few scenarios. During the Strategy Committee meeting of July 18, 2005, Mercy Tembon presented a paper and table with the type of result the formula would yield. 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. The committee also requested that the Secretariat present another option using the size of the out- of- school population. During this meeting, the secretariat made two presentations using data from potential new countries with scenarios including a range of one to up to ten variables.

Summary of Discussion

6. Donors did not have sufficient time to review the documents and absorb the results. Belgium suggested that domestic resource allocations should be added as a parameter. Norway cautioned against making the formula too complicated and scientific since the critical issue is country implementation capacity. One parameter - called “quality of the gap”, which would allow the SC to adjust allocations based on its assessment of the quality of the program, would be second guessing the appraisal and endorsement of the local development partners. Even though some SC members thought that the inclusion of the quality of the gap parameter might prove useful, the majority decided that this would in practice mean second-guessing the work done by the donors supporting the education sector at the country-level, and decided against including this parameter in the formula. (Presentations attached) Rosemary Bellew made a plea for simplicity and minimum parameters. For the benefit of new members, she outlined the history of this work (as in para 6 above). Further, she noted that one can exclude several variables (such as poverty measured by GNP, % of school aged children in the population) because the variation across countries will not be large. Further, many of the parameters are correlated. Rosemary suggested returning to the decisions of the two previous meetings and maintaining the simple formula with a minimum and population parameter which almost every agency uses as a way to start. .

Decision taken

7. In conclusion, the SC repeated its willingness to adopt the simple allocation formula, and to agree on the allocation using the formula at the Beijing meeting.

8. Mercy asked whether countries that have already received CF allocations for 2 years (Gambia, Guyana, Nicaragua, Yemen) should still be included in calculations for 2006 allocations, in which case more resources would be needed in the fund. Ronald Siebes responded that some countries should exit the fund in 2006 (Yemen, Kenya) since they have managed to leverage other financing from regular channels thanks to the CF grants.

Remarks

9 Norway asked that the CF financial status be updated with new allocations announced. The Secretariat agreed to prepare this update by the following week.

10 Belgium asked that background documents for SC meetings be circulated at least two weeks in advance to leave enough lead time for preparation. Considering that information often becomes available late in the preparation stage, the Secretariat agreed to circulate background documents at least one week in advance of meetings.

Next Meeting

11. The CF Strategy Committee is scheduled to hold a meeting in Beijing, on December 2, 2005, during which allocations for 2006 will be decided.

Cleared with and cc: Ruth Kagia, World Bank