

**EDUCATION FOR ALL – *FAST TRACK INITIATIVE***

**EDUCATION PROGRAM DEVELOPMENT FUND**

**STATUS REPORT**

**MARCH 2005**

**Prepared by the FTI Secretariat for the FTI Technical Meeting  
March 17-19, 2005**

**EFA-FTI - EDUCATION PROGRAM DEVELOPMENT FUND (EPDF)**  
**Activity Update for the period**  
**November 30, 2004 – February 28, 2005 and**

**Pledges and Receipts**

- ❖ The Secretariat established the multi-donor Education Program Development Fund in November 2004, based on the agreed concept note dated October 18, 2004 (Annex 1).
- ❖ Norway signed the Administration agreement on December 12, 2004 and deposited NOK 30 million (US\$ 4.87 million) on December 21, 2004 as its contribution for calendar year 2005. (Annex 2 – agreement with Norway)
- ❖ The UK pledged GBP 500,000, 600,000 and 200,000 for calendar years 2005, 2006, and 2007 respectively. The Memorandum of Understanding is being processed and the funds will be deposited shortly.
- ❖ In 2005, Norway will maintain its funding of the Norwegian Education Trust Fund (NETF) for the Africa Region at a level of about US\$ 10 million.

**Table 1. Pledges and Receipts, 2005 -- 2007 (millions)**

Donor	Pledges				Receipts	
	2005	2006	2007	US \$ 2005-2007	US\$ 2005	US\$ 2005
Norway	NOK 30	0	0	4.87	4.87 a/	4.87 a/
United Kingdom	GBP 0.5	GBP 0.6	GBP 0.2	1.53	0.96 b/	0
<b>Total</b>					<b>5.83</b>	<b>4.87</b>

a/US\$ Equivalent on conversion date of funds received. b/ Exchange rate on Feb 28, 2005.

**Allocations and Disbursements**

- ❖ On December 1, 2004, the EPDF Strategy Committee allocated the funds to the operational regions as in Table 2. (5% of total receipts, or US\$243.605 is for fees and therefore unallocable.)
- ❖ Funding proposals have been submitted by the South Asia, East Asia and Middle East and North Africa (MENA) regions. The South Asia proposal was approved and the funds disbursed to the region. The MENA and East Asia proposals are still with Norway and DfID for non-objection.

**Table 2. Regional Allocations, 2005 (US \$ millions)**

<b>Region</b>	<b>Indicative request</b>	<b>Allocation US \$</b>	<b>Disbursed US \$</b>	<b>Disbursement Date</b>
East Asia	1.0	0.9		
South Asia	4.5	2.6		
Middle East & North Africa	0.5	0.5		
Latin America	1.0	0.9		
Europe and Central Asia	0.5	0.5		
<b>Sub-Total</b>	<b>7.5</b>	<b>5.4</b>		
Africa (NETF)	10	10		
<b>Grand Total</b>	<b>17.5</b>	<b>15.4</b>		

**Discussion Issues for the EPDF Strategy Committee Meeting – March 18, 2005**

- EPDF/NETF (Current relationship and future direction)
- EPDF regional Reference Groups – Composition and Terms of Reference
- Work program
- Any other business

## **Annex 1:**

*EFA FAST TRACK INITIATIVE(EFA-FTI)*  
*EDUCATION PROGRAM DEVELOPMENT FUND (EPDF)*  
**CONCEPT NOTE**

*October 13, 2004*

### **1. Strategic Context**

The proposed multi-donor Education Program Development Fund (EPDF) is being established by the Education for All Fast Track Initiative (EFA-FTI) donor partnership. The Partnership was formed in 2002 to support countries to achieve the MDG for Primary Education. A main goal of the FTI is to mobilize resources for low-income countries with sound education sector plans and domestic commitment to achieve this goal. For this, the FTI has a consultative mechanism to increase financing for countries with credible plans through a global consultative platform. It has also put in place the Catalytic Fund, established in 2003 to provide transitional financing to countries with few donors present to enable these countries to scale up their programs while leveraging more sustainable financing from bilateral and multilateral donors.

This Trust Fund – the EPDF – is being put in place to enable more countries to access the FTI and its support mechanisms, create a support mechanism downstream, and enhance donor collaboration and harmonization at the country level around country education sector development plans. It intends to support countries upstream to prepare sound and sustainable national education policies, strategies and plans, and downstream, to manage the implementation process by supporting knowledge generation through better monitoring and evaluation, and knowledge sharing across countries, in collaboration with the donors at the country level.

### **2. Development Objectives**

The development objectives of the EPDF are to:

- Increase the number of low-income countries with sound and sustainable education sector plans, embedded in Poverty Reduction Strategies, which prioritize the achievement of the MDG for primary education with gender equity by 2015, focusing on countries that do not have the capacity needed to develop a national education sector plan and do not have sufficient donor support to undertake and produce a credible education sector plan through a broad based participatory process.
- Strengthen Government technical and institutional capacity to develop policies and national education plans capable of providing and sustaining complete primary education for all children of acceptable quality, and to do so through a broad-based consultative process,
- Improve understanding of the conditions under which certain policies and reforms may be successful through better monitoring and evaluation and knowledge sharing across countries, and
- Strengthen donor partnerships at the country level around the Government's plan.

### **3. Key performance indicators**

See attached Logframe

#### **4. Eligible Activities**

The fund would be used to support:

- Technical and analytical upstream assistance for country-driven and country-led development of education policies, strategies and a national education sector plan in countries with insufficient capacity and donor support, including but not limited to strategic analyses of the status of the sector which can be used by all partners, the costing of national education plans, assessment of their fiscal impact, and support to consensus building around difficult policy issues and expenditure allocations;
- Selective technical, analytical downstream support to generate knowledge derived from country experience that can be shared within and across countries, related to the preparation and implementation of national policies and education sector plans to achieve the MDGs for education, particularly around difficult policy and expenditure allocation decisions and how to scale up reforms.
- Technical and analytical services for strategic planning for levels of education other than primary as long as it is a part of the preparation of a sector wide program that supports UPC as a primary goal. This is in recognition of the impact of poor policies at other levels of education on the ability of countries to achieve the MDGs. The Fund should not be used to finance plan development exclusively for other levels of education.

#### **5. Justification for Bank execution**

The FTI donors have requested Bank execution of the Fund in 2003 due to its widespread coverage of countries, technical capacity as well as its successful experience in the operation of the Norwegian Education Trust Fund in the Africa region on which the EPDF is modeled.

The question of moral hazard has been raised by TQC. Donors see this as an internal Bank concept which they do not identify has a problem in the EPDF. Rather, donors see the EPDF as a moral opportunity – an opportunity to leverage increased funding and partnerships. The evidence to date has been very strong that because of budgetary constraints, there is rarely sufficient funding for the level of analytical and advisory services required to assist countries prepare full sectoral plans such as those that would be supported by the EPDF. Experience with the NETF shows the NETF leveraged WB funding for analytical work and policy dialogue. Moreover there is even more infrequently adequate funding for knowledge sharing. Further, on a country wide level, these analyses are utilized by all donors thus creating an opportunity to streamline and harmonize sector work across donors.

To address this potential issue, regional managers will prepare annual plans for the utilization of the EPDF regional allocation at the start of the year with indications of their complementarity with Bank and other donor activities and support at the country level. This would allow the donor Strategy Committee (and the Bank) to assure themselves that the EPDF allocations were indeed incremental.

## **6. Governance structure and Management**

A representative of each contributing donor will form a EDPF Strategy Committee. The Committee would be chaired by a Sr. representative of the World Bank, who will be the Director of the Human Development Network. The Strategy Committee will set the criteria for the use of Fund resources, and decide on regional allocations. A full partnership meeting will take place annually to review progress of the previous year and provide a non-objection on regional plans for the coming year.

Management of Fund resources will be delegated to the Bank's Regional Education/HD management teams. The Regional Managers will be responsible for preparing an annual plan for the use of the funds in collaboration with their staff working at the country level and the other country level donors, monitoring those activities, and reporting annually on implementation progress, outcomes and Fund accounts. Annual plans will be circulated to the Strategy Committee on a non-objection basis.

The FTI Secretariat will serve as the Secretariat to the Strategy Committee and as the liaison with Bank operational managers. In this capacity, it will organize an annual Strategy Committee meeting, and provide support as required to the Strategy Committee and the regional managers. It will also post the regional plans for public access to facilitate coordination with other partners, such as the UNESCO extrabudgetary fund for EFA.

## **7. Operating Management Principles**

When making resource allocation decisions across activities, regional managers will apply the following principles:

- Seek Additionality by coordinating with other partners at the country level. In countries with strong donor presence, support to the development of the sector plan is the responsibility of those donors already present locally. To ensure additionality, decisions on the allocation of EDPF resources should take into account other funding available for these purposes at the country level.
- Seek selectivity – particularly with respect to downstream knowledge generation and knowledge sharing
- Seek to partnerships – with international and regional networks and institutions (such as ADEA in the Africa region)

When procuring services, normal Bank procurement procedures would apply.

## **8. Expected Benefits (see log frame)**

- More low-income countries have credible national education sector plans, endorsed by the donor community supporting that country,
- Key systemic/endemic constraints are being addressed in more countries in supply, demand and finance,
- Stronger donor partnership at the country level and greater use of harmonized procedures (with those of the Government where possible),
- Ultimately, most countries progressing at a pace that will enable them to reach MDG #2, and
- Knowledge sharing and dissemination of good practice.

## 9. Major risks and risk mitigation

Broad consultations were held with all stakeholders – the donors, and all concerned Bank managers and overseers. There are no obvious major risks.

## 10. Expenditure categories to be financed

All categories of expenditure are allowable excluding goods.

## 11. Management Costs and Fees

Central Bank Management costs will be met by the Bank's normal 5% Trust Fund administration charge, the standard for all Trust Funds under US \$30 million. Two percent of this fee covers the central costs of the Trust Fund, Accounting, Legal and other Bank offices involved in the administration of the Fund. The other 3% is transferred to the Vice Presidency responsible for overall Fund Management which, in this case, would be the HDN. In addition, the Fund may cover reasonable World Bank staff costs related to implementing the annual programs funded by the EPDF in the regions. A separate budget line item will be created for this purpose; regions would propose the amount of reasonable costs in their annual plans, which will be included as part of the annual plan non-objection process.

## 12. Estimated Funding

Regional allocations will depend on the level of Contributions to the Fund and the ability of the regions to utilize the financing which is expected to increase over time. Norway funds the NETF at \$8-9 million currently, increasing from \$5 million three years ago. Norway intends to keep this fund operating as it is for the next year and then determine whether to extend it or fold it into the EPDF. Norway and DfID are ready to make confirmed contributions to the EPDF. Canada and Sweden are exploring a contribution.

Based on input from the regions, we would expect an absorptive capacity of about \$ 7 million in 2005, excluding the Africa region which will continue to be financed from the NETF. As the EPDF continues, absorptive capacity will likely rise, say to \$12 million per year for purposes of an estimate, excluding the Africa Region, and to \$21-22 million including the Africa region. :

	US \$ millions for 2005	Beyond 2005
East Asia	1	2
South Asia	4.5	5
Middle East & North Africa	0.5	1
Latin America	1	2
ECA	0.5	1
<b>Sub-Total</b>	<b>7.5</b>	<b>12</b>
Africa	9 (current level)	10
<b>TOTAL</b>	<b>16.5</b>	<b>22</b>

### **13. Audit requirements**

The Bank will provide to all Donors to the EPDF trust fund the standard yearly Management Assertion along with an attestation from the Bank's external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole (the "Single Audit"), and the Quarterly un-audited statements of receipts, disbursements and fund balance for the "Fund for Program Preparation" trust fund.

### **14. Plans for Supervision/M&E/Progress Reporting**

Regional Offices will be responsible for setting up arrangements to manage and monitor Fund activities, including discharge of the Bank's fiduciary responsibilities and financial monitoring and reporting. Bank Regional Offices will report annually to the Donors through the FTI Secretariat on:

- Fund allocations by activity, country and purpose
- Financial summary of activities, commitments and disbursements
- Assessments of effectiveness and results

The FTI Secretariat will convene an annual meeting of regional sector managers to discuss progress in Fund implementation, issues arising and priorities for the future. Based on these reports and discussions the FTI Secretariat will compile a global report on Fund operations for submission to the Fund's Strategy Committee for consideration at its annual meetings.

### **15. Fund Architecture**

There will be a Parent multi-donor EPDF with children for each region, each with a unique TF number. One manager in each region would be the designated manager which involves making the funding decisions in consultation with the regional management team, and approving commitments against the child trust fund.

Logical Framework

<b>Narrative Summary</b>	<b>Key Performance Indicators</b>	<b>Means of Verification</b>
<b>Objective</b>		
Accelerate progress towards the achievement of the education MDGs	Increased net enrolment and completion rates in countries receiving support	FTI Annual reports
<b>Outcomes</b>		
1. Increased number of credible education sector programs endorsed by local donors over period 2005-7	20 additional countries with credible sector plans 2005-2007	FTI Annual reports EPDF Annual Reports
2. Increased knowledge about challenges across countries and results on the ground	FTI indicative framework indicators augmented with enrolment, intake and drop out rates  More and better quality analytical diagnostic studies on policy options, financial requirements and impact evaluations	FTI Annual Reports EPDF Annual Reports
3. Knowledge sharing enhanced, and partnerships strengthened	Number of joint activities and studies utilized by other donors  Increased body of knowledge on country experience with scaling up  Greater sharing of information and experience across countries	EPDF Annual Reports

## Annex 2: Financial Statement

### Educational Program Development Fund (EPDF)

#### SUMMARY OF CONTRIBUTIONS, ALLOCATIONS, DISBURSEMENTS AND FUND BALANCE

For the period December 2, 2004 (inception) to March 7, 2005 (till date)

#### Expressed in U.S. dollars

		<b>UNAUDITED</b>
		December 2, 2004 (inception) to March 7, 2005
<b>Receipts</b>		
Contributions	\$	
Norway		4,872,108
Total contributions		4,872,108
Investment income		25,532
Total receipts		4,897,640
<b>Disbursements</b>		
Administration fee		243,605
Total disbursements		243,605
Excess of receipts over disbursements		4,654,035
Fund balance, beginning of period		-
Fund balance, end of period	\$	4,654,035
<b>Note</b>		
<b>(A) Summary of regional Allocations</b>		
South Asia		2,600,000
East Asia and the Pacific		900,000
Middle East and North Africa		500,000
Latin America and the Caribbean		900,000
Europe and Central Asia		500,000
Total allocation*	\$	5,400,000
<b>(B) Summary of donor pledged amount</b>		
Norway	NOK	30,000,000
United Kingdom	GBP	1,300,000

## **Annex 3**

### **Administration Agreement between the World Bank as administrator of the EPDF and Norway**