

EFA-FTI Catalytic Fund Progress Report

The EFA-FTI Catalytic Fund

The EFA-FTI Catalytic Fund (CF) provides two to three year transitional financing to developing countries to scale up programs to achieve a complete primary education for all children, and leverage additional and longer term financing to enable them to sustain the effort.

The EFA-FTI Catalytic Fund targets:

- ❖ Developing countries with
- ❖ Insufficient financing for country programs to reach universal completion of primary education due to an insufficient number of donors, and that
- ❖ Meet the EFA-FTI eligibility criteria which include:
 - A sector program, endorsed by partners at the country level, that prioritizes the achievement of the MDG for primary education and for which there is a financing gap,
 - A Poverty Reduction Strategy in which this priority is embedded; and
 - Demonstration of reasonable and effective country effort that is tracked by common indicators (indicative framework).

Contributors are:

- ❖ The Netherlands
- ❖ Norway
- ❖ Italy
- ❖ Belgium

Eligible Recipients of the CF for the ultimate beneficiaries are:

- ❖ Governments of Eligible Countries
- ❖ Country-specific Trust Funds established to support education in an Eligible Country;
- ❖ Aid agencies of governments providing assistance to Eligible Countries; and
- ❖ Such other Eligible Recipients as may be determined by the Trust Fund Strategy Committee.

Pledges

When the CF was initiated in November 2003 during the EFA-FTI meeting in Oslo, the four contributing countries pledged a total of US \$236 million equivalent for the Calendar Years (CY) 2004-2007 as follows:

Table 1. Pledges for 2004-2007

USD millions	Pledged in 2003 for Calendar Years 2004-07	CY 04	CY 05	CY 06	CY 07
Netherlands	210				
Norway	12				
Italy	2*				
Belgium	5				
Grand Total	236	35	60	65	76

Source: Report of Committee Decisions of the First Meeting of the Strategy Committee for the Catalytic Fund, Oslo, Norway, November 22, 2003.

**Italy has informed the Trustee that it hopes to contribute a total of USD 9 million equivalent, subject to Parliamentary approval*

Country Allocations

From the list of EFA-FTI eligible countries (See Annex 1 and 2), allocations were made in November 2003 for Calendar Year (CY) 2004 with notional allocations for CY 2005, depending on country performance as shown in Table 2. Also see Annex 1. Note, prior to the establishment of the Catalytic Fund itself, Norway and the Netherlands made funds available, from their pre-existing single donor trust funds, to Mauritania, Niger and Burkina Faso for EFA activities for CY2003.

Table 2. Country Allocations (US \$ millions)

Country	CY 2003	CY 2004	CY 2005
Yemen		10	10
Niger a/	5	8	8
Nicaragua		7	7
The Gambia		4	4
Guyana		4	4
Mauritania	5	2	2
<i>Total</i>	10	35	35
Committed b/	10	12	
Uncommitted	0	23	

a/ US\$ 5 million from BNPP (TF053053)

b/ Committed = when agreements are under preparation

Fund Governance and Operating Procedures

All funds pledged to the CF are to be deposited into a multi-donor Trust Fund Account, for which the Bank acts as Administrator. The Netherlands' contribution to the CF for CY2004 is being administered through the BNPP for the time being. The Netherlands will sign the Administration Agreement shortly.

The CF framework and obligations of management and funders are specified in the Administration Agreements entered into between the Bank as Administrator and the donors to the CF.

A Trust Fund Strategy Committee selects which eligible countries should be supported by the CF and the amount of funds that should be allocated for each country selected based on a set of criteria (See Annex 3). The Committee is comprised of one representative from each contributing donor and is chaired by the Senior Vice President for Human Development of the World Bank.

Once the Strategy Committee agrees on country allocations, the World Bank decides which of the four types of Eligible recipients will receive funds in a given country, in consultation with the country, the local donor group and taking into account any guidance provided by the Trust Fund Strategy Committee. (Standard Provisions to the Administration Agreement, Annex 2, Para. 2, "Trust Fund Governance and Operating Procedures").

Supervision (monitoring and implementation support) and financial reporting

The Bank will enter into grant agreements with the Eligible Recipients selected to receive funds, except where the Eligible Recipient is a Bank-administered Trust Fund (which is a simple Bank transfer). The grant agreements provide that the Recipient shall furnish the World Bank with annual audited statements concerning the use of the grant funds, and periodic progress reports.

In cases where the grant agreement is entered into between the Bank and the government of the Eligible Country to which CF funds have been allocated, the Bank shall supervise the activities financed under grant agreement. World Bank fiduciary safeguards also apply to the management of country level funds set up for FTI in countries which are Eligible Recipients when the Bank is the Administrator of such funds.

The Bank shall have no responsibility to the CF Donors for an Eligible Recipient's use of grant funds transferred to an Eligible Recipient whose activities the World Bank is not required to supervise. It is the Bank's intention not to pursue these options. However, the Bank may consider exceptions on a case by case basis as the Strategy Committee may propose. In such cases, the following shall apply:

- ❖ The proposed Administrator of the funds transferred to from the CF shall assign a qualified team leader to monitor and support implementation of the program. In addition to day to day implementation support, a review of progress in program implementation and outcomes, with the participation of all other donors that support the country's education sector development program, would be expected to take place twice a year, and in conjunction with the country's regular schedule of reviews of its sector program. Reports from the reviews would be transmitted by the responsible agency concerned to the FTI Secretariat for reporting purposes.
- ❖ The World Bank shall conduct an assessment of the proposed financial management arrangements of the Administrator and those proposed to be utilized by the executing agency, where they differ. The assessments shall be made available to the Strategy Committee as an input to its deliberations as to whether to recommend the exception.
- ❖ Should CF Donors require an audit report, the Bank will provide an audit to Donors of the transfer transactions only at the main Trust Fund level. Details on subsequent applications of the funds would not be the responsibility of the Bank. However, the Bank as Trustee of the Catalytic Fund may transmit to Donors reports received from the administrators of those non-Bank-administered funds.

The Catalytic Fund shall finance the reasonable costs of supervision. Budgets shall be proposed to the Secretariat by team leaders responsible for supervision, in consultation with their managers. The Secretariat is authorized to approve proposals under \$100,000; proposed supervision budgets exceeding \$100,000 shall be submitted to the Strategy Committee for decision.

The supervision funds will be transferred from the parent Catalytic Fund to a separate child Trust Fund, In cases where the Bank supervises (as the Grant Administrator), the allocation for implementation support, monitoring and reporting will be channeled as a separate task/line item in the child TF for supervision for draw down by the team leader. The Bank systems would be used to account for expenditure through recording system for staff time, contract system for consultants, and SOEs for travel and other expenditure.

In cases where the supervision funds are transferred to another aid agency because the Strategy Committee decides that such agency should be responsible for supervision, the Bank is not responsible for overseeing the use of the grant funds.

Status of the Catalytic Fund

Table 3 shows the breakdown and status of the funds pledged. Total fund deposits are expected to meet the total pledged for CY 2004. To date, US\$ 6 million equivalent (Norway's contribution) has been deposited into the CF account. The funds from Italy were recently requested. The Netherlands will sign the Administration Agreement shortly and soon thereafter deposit its contribution. However, in order to ensure that this delay in signing the Administration Agreement will not have an adverse effect on the availability of resources to fund the allocations of the CF Strategy Committee, the Netherlands has entered into a letter agreement with the Bank providing for the use of BNPP funds to fund those allocations. Specifically, the letter provides that \$26 million equivalent of the BNPP funds (representing the Netherlands intended contribution to the CF for CY04) will be ear-marked to fund allocations made by the CF Strategy Committee in accordance with the terms and conditions of the Standard Provisions governing the CF.

Table 3. Funds Pledged For EFA-FTI (Through CF and independent of CF), Actual Deposits and Status, CY 2003 and 2004

in USD millions	Contribution CY 03 US\$	Contribution CY 04 US\$	Status
Netherlands	16.1	32	Agreement 1/14/2004 to earmark Euro 26 million in BNPP for CF Strategy Committee allocations during CY 04 + any balance remaining from CY03 allocation for EFA-FTI. CF Signature of Administration Agreement pending.
Norway		6	Agreement signed 11/21/03 Funds received
Italy		2*	Agreement signed 1/ /04. Funds called 3/19/04
Belgium		2*	Signature of Administration Agreement pending
<i>Total</i>	16.1	43	
<i>Total Pledged</i>		35	

Note: Conversion into dollars utilizes the exchange rate on March 31, 2004.

Summary of Country Status

Yemen – Catalytic funding is being provided through the funds earmarked for CF Strategy Committee allocations in BNPP. The grant agreement was signed April 23, 2004. The agreement is set up as a policy based grant agreement (in the World Bank's terminology) which means that the funds will be disbursement in tranches upon receipt of progress reports. Disbursements are to occur in three tranches of \$3 million, \$ 3 million and \$4 million, the first tranche upon signature of the agreement, the second and third will be released depending on implementation progress.

Niger -- In calendar year 2003, Niger received an allocation of \$5 million from the Dutch BNPP and \$1 million from the Norwegian Trust Fund. Agreements for both have been signed. The BNPP grant was disbursed in April 2004. Disbursement of the Norwegian grant is pending receipt of the withdrawal application from the Government, which is expected shortly. The agreements are single-donor arrangements for budget support (with a negative list). To date, the Government has not sent a proposal/request for the CY 2004 allocation which will be contingent on performance of the 2003 funding. However, several local donors are working in partnership to develop a multi donor financing approach similar to a SWAP to provide budget support to the sector program directly to the Ministry of Education.

Nicaragua -- Nicaragua has been taking some time due to capacity constraints and a new way of working in partnership. Local donors have also contributed to support the Government in its preparation. Government has sent a request for the CF to finance the school milk program while the sector program is being finalized. However, there has been no further information from the Government on what it is proposing nor from the local donors.

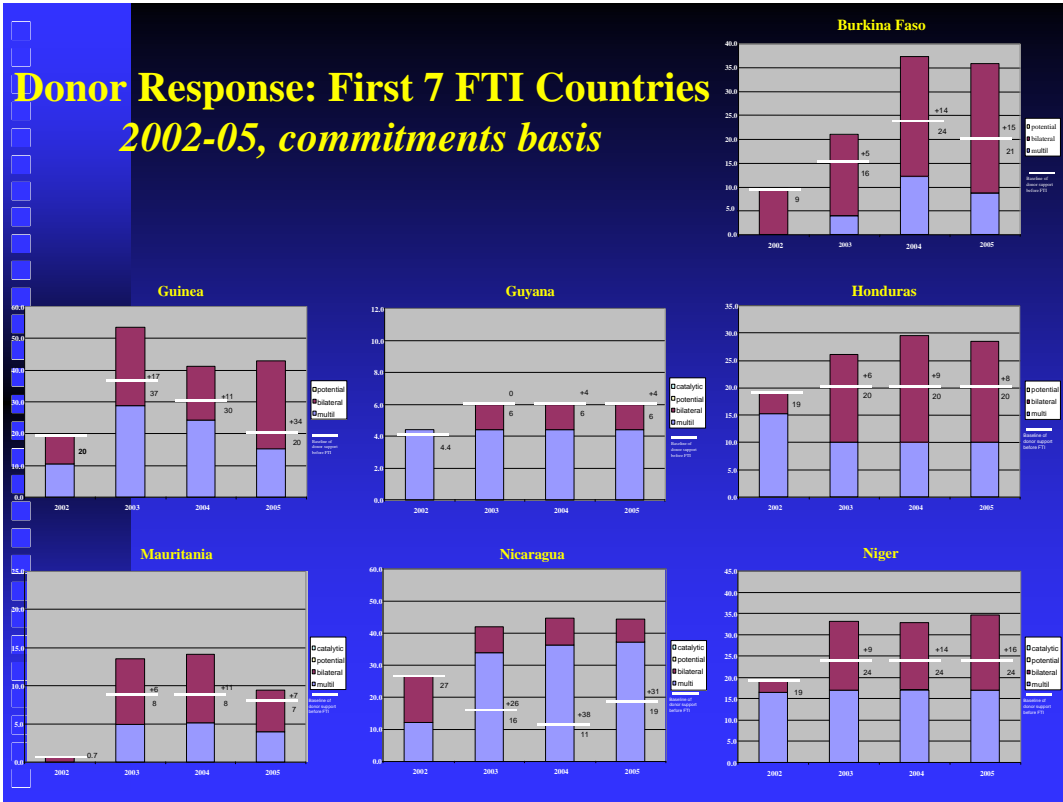
The Gambia -- A request from the Government was received in April 2004 and is being reviewed. The grant agreement will be prepared subsequently.

Guyana -- Government requested the Bank to take the lead in supporting the development of its sector program in partnership with other donors. The Bank Team Leader is completing the process for establishing a multi-donor country-level TF, to be administered by the Bank, with the assistance of the country lawyer, to enable other donors to contribute to the fund in the future. The process of setting up the fund has been delayed by about two months, the estimated time required to develop and put in place the financial management system for the country level multi donor Trust Fund. Installation of the system is expected to be completed by June 30, 2004.

Mauritania -- Government submitted a request for the 2003 \$2 million allocation from the BNPP and the \$5 million Catalytic Fund financing for 2004 in March 2004. The local donor group re-confirmed its endorsement on April 1, 2004. Given the different sources of financing, two separate agreements were required. The agreements were signed on April 23. As in the case of Yemen, the grant agreements are set up as

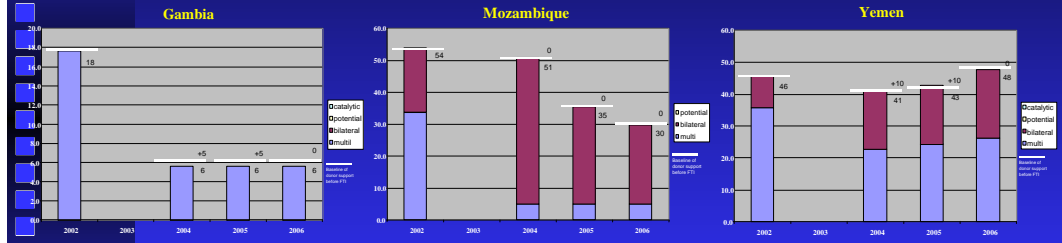
policy based agreements providing for disbursements in two tranches – disbursement of USD 3.5 million upon signature and receipt of the withdrawal application for the funds with the second tranche disbursement to be released depending on implementation progress.

ANNEX 1



Source: Minutes of the Oslo Meeting, November 2003

Donor Response: 3 FTI Countries endorsed March 2003 2002-05, commitments basis



Source: Minutes of the Oslo Meeting, November 2003

ANNEX 2

EFA FTI - Priority Countries for Donors - AFRICA

<u>Mauritania</u>	<u>The Gambia</u>	<u>Guinea</u>	<u>Niger</u>	<u>Ghana</u>	<u>Burkina Faso</u>	<u>Zambia</u>	<u>Uganda</u>	<u>Tanzania</u>	<u>Mozambique</u>	<u>Ethiopia</u>
France	UK*	Germany France USA	Belgium France Norway	UK Canada France USA	Belgium Sweden France USA the Netherlands	UK Ireland Norway USA the Netherlands Finland	Belgium UK Ireland France Norway USA the Netherlands	Belgium Sweden UK Canada Ireland France USA the Netherlands Finland	Belgium Sweden UK Canada Germany Ireland France Norway the Netherlands Finland	Belgium Sweden UK Canada Ireland France Norway USA the Netherlands Finland

EFA FTI - Priority Countries for Donors - ECA, LAC, MNA

<u>Albania</u>	<u>Guyana</u>	<u>Nicaragua</u>	<u>Yemen</u>	<u>Vietnam</u>	<u>Honduras</u>	<u>Bolivia</u>
		Norway USA	Germany France the Netherlands UK*	Belgium UK France Norway	Sweden Canada Germany USA	Belgium Sweden Canada Norway USA the Netherlands

EFA FTI - Priority Countries for Donors - ANALYTICAL FAST TRACK

<u>DRC</u>	<u>Nigeria</u>	<u>Pakistan</u>	<u>India</u>	<u>Bangladesh</u>
Belgium France	UK France USA	UK Germany USA	Sweden UK USA the Netherlands	Belgium Sweden UK Canada USA the Netherlands

Criteria for Selecting Which Eligible Countries Should Be Supported by the Fund and the amount of the Fund resources to be Allocated to Such Countries

- The existence of an Endorsed Education Sector Plan in the country
- Demonstrated strong commitment on the part of the country's government
- Strong performance by the country's government towards achievement of the goal of universal primary school completion for girls and boys by 2015
- Capacity to implement the endorsed Education Sector Plan
- Exceptional limitations in the external donor funding available for the country's primary education program