



PROPOSAL ON REPLENISHMENT OF THE EDUCATION FOR ALL FAST TRACK INITIATIVE

Introduction

1. FTI partners have frequently discussed the constraints on FTI, notably the lack of predictability of external aid for low income countries, created by relying on ad hoc donor contributions both bilaterally and via the FTI Trust Funds. During the FTI Steering Committee in Oslo in December 2008, a Task Team was constituted to recommend a replenishment mechanism for FTI (TT-R). The TT-R built on the work of others, and was supported by a detailed report from Paul Isenman, the same consultant who provided a report to the task team working on FTI governance issues. The TT-R consulted widely amongst FTI stakeholders, and presented its report at the FTI Steering Committee in Copenhagen in April 2009. Based on its report, the FTI Steering Committee agreed on a proposal and the next steps forward.

2. It is important to stress that replenishment is not a mechanical process for which a blueprint design can be written and then everything else will follow. It is a complex and very political process which needs to be sufficiently flexible to adapt to a rapidly changing political environment, including the evolving global economic downturn as well as the evolving policies of donors, including the new US Administration, with respect to funding for education. This proposal should be seen as kicking off the process, not defining it from start to finish. The new Chair of FTI will play a critical role as we go forward. However, until the Chair is in place, the Steering Committee and new Board of Directors will need to take leadership roles.

3. Although the proposal provides clear decisions on several aspects of the replenishment, there are various areas that require further work.

4. The proposal captures 3 types of issues:

- a) issues integral to the replenishment on which the Steering Committee has made definite policy decisions
- b) issues integral to the replenishment on which the Steering Committee has agreed that the new Board of Directors will need to make definite policy decisions before Phase 2 of the replenishment starts
- c) other issues which are not in themselves integral to the replenishment , but on which progress is highly desirable to build the credibility of FTI

and thus maximize the chances of a successful replenishment. These have not been discussed in detail by the Steering Committee, but the Steering Committee/Board of Directors will ask the new Chair to review the position and make recommendations before Phase 2 of the replenishment

5. An Action Plan and timetable, including an outline table of milestones towards FTI replenishment, is in Annex 1. A list of further work to be commissioned is in Annex 2.

Issues on which the Steering Committee has made definite policy decisions

Whether and when the replenishment should go ahead

6. In view of the urgent need to raise funds, the replenishment process was announced at the FTI Steering Committee meeting in Copenhagen in April 2009 and launched immediately afterwards at a Ministerial breakfast meeting in the margins of the IMF/World Bank Spring Meetings.

7. The independent FTI Chair will be mandated to play a leading role in the replenishment as soon as s/he is appointed. All FTI partners will need to play their part in the process.

The phasing of the replenishment

8. Given the tension between the urgent need for funds and the lead times required for a major replenishment, the replenishment will have 2 phases:

- Phase 1 covering the financing needs of the 18 months or so from the Copenhagen meeting until the end of 2010, focusing on replenishing the FTI Trust Funds
- Phase 2 covering three years (2011 – 2013), with the understanding that there will be further replenishments at least through 2015

Whether the replenishment should cover only the FTI Trust Funds or also bilateral aid which is relevant to FTI objectives

9. In line with the original objective of FTI to catalyse bilateral aid, Phase 2 of the replenishment will cover relevant bilateral aid as well as the FTI Trust Funds. Further work will be commissioned to establish a framework for this.

The duration of the replenishment

10. Phase 1 of the replenishment will cover the financing needs of the 18 months following the April 2009 Copenhagen meetings.

11. Phase 2 of the replenishment will cover the period until the end date of the MDGs in 2015. However, fundraising efforts will focus on a three year period from 2010, since some donors may not be able to commit for more than 3 years.

Approach to commitments and dealing with non-standard commitments

12. All donors will be strongly urged to pledge resources, through signed agreements, to cover the full 18 months of allocations expected in Phase 1 and at least 3 years of Phase 2 – as they do for other similar Funds in line with aid effectiveness principles. For Phase 2, there needs to be some flexibility about how the commitment is made, based on the laws and financial procedures of each donor.

13. Significant commitments by new and existing donors which do not meet these standards will not be refused.

14. Further work will be commissioned by the World Bank and the FTI Secretariat to develop detailed guidance on these issues and alternative technical commitment methodologies (e.g., promissory notes).

The targets for the volume of funds to be raised

15. The target for Phase 1 is to raise US \$1.2 billion for the FTI Trust Funds. This is based on a projection of needs in FTI countries made by the FTI Secretariat.

16. The target for Phase 2 will be specified nearer the time, but for the Trust Funds the choice will be between 3 broad, illustrative scenarios:

- A pessimistic scenario in which the target is to raise enough funds to maintain existing levels of support to current recipients and extend comparable support to new recipients
- A middle scenario in which the target is to raise enough funds to significantly increase the levels of support to current and new recipients in relation to their financing gaps
- An optimistic scenario in which the target is to increase funds significantly, as per the middle scenario, and to expand the sectoral objectives covered, e.g., from basic education to covering all EFA objectives

17. A separate target for relevant bilateral support will also be established for Phase 2.

18. Further work should be commissioned by the World Bank and the FTI Secretariat to develop detailed figures for Phase 2 targets in 2010.

The structure of the Trust Funds

19. The longer term objective is to establish a more efficient one-stop-shop by merging the various FTI Trust Funds, including the Education Transition Fund, if agreed, into a single fund. The FTI Secretariat and the World Bank should develop a proposal with a process and timetable for this as part of the preparations for Phase 2 of the replenishment.

20. In the medium term and starting with Phase 1, donors are urged to make commitments to a “virtual” single Trust Fund by not earmarking their funding to any specific Trust Fund. The Board of Directors will then provide strategic guidance, at least annually, as to how to allocate funds among the Trust Funds depending on evolving need.

Funding the FTI Secretariat, independent Chair and associated costs of the replenishment

21. For Phase 1 of the replenishment, the full costs of running the FTI Secretariat and independent Chair, including the costs of Phase 2, will be covered on an ad hoc basis. The Steering Committee/Board of Directors will strive to mobilize these additional resources on the basis of equitable burden-sharing among the donors. At the FTI meetings in Copenhagen in April 2009, several Catalytic Fund and EPDF donors agreed to divert some of their existing pledges to meet the costs of the FTI Secretariat and the independent Chair, if required. The FTI Secretariat and World Bank will prepare the necessary amendments to existing agreements, as soon as possible.

22. For Phase 2 of the replenishment, the costs of the FTI Secretariat and the independent Chair will be funded by an arrangement to be agreed. For example, a percentage “tax” on the Trust Funds could be held pending agreement on a three year Secretariat budget and work program. The amount needed to cover the budget, work program and costs for the Chair could be released for those expenses and the remaining balance would be available for reallocation to the other FTI Trust Funds. The Secretariat will prepare a detailed funding proposal which will address how to include donations in kind (e.g. secondees).

Replenishment events

23. Phase 1 of the replenishment will be implemented without a dedicated launch event. Instead, existing events will be used to build momentum.

- The FTI Steering Committee and biggest donors endorsed the replenishment target and launched the replenishment during the FTI meetings in Copenhagen in April 2009

- The Ministerial breakfast held during the IMF/World Bank Spring Meetings proved very useful in launching the replenishment at the political level
- Over the next few months, FTI donors must collectively commit sufficient funds to cover the FTI Trust Fund allocation proposals anticipated during the next FTI Trust Fund Committee meetings this year (expected to take place in October 2009)

24. Based on experience in other Funds, Phase 2 will require a dedicated launch event, intermediate events and roadshows, and a final Replenishment Conference in mid to late 2010 that will require careful and detailed planning. The new Chair will be asked to prepare a detailed proposal for these events as soon as s/he is appointed.

25. GCE and other civil society organizations should be invited to help mobilise and to ensure there is coherence between the FTI and any proposals floated in the US for a Global Education Fund.

Roles and other actions

26. The FTI Secretariat will develop a preliminary table of roles, and detailed actions and milestones, based on Annexes 1 and 2. This table will be updated at regular intervals as the replenishment progresses.

Issues on which the Steering Committee has agreed that the new Board of Directors will need to make definite policy decisions before Phase 2 of the replenishment starts.

Continuation of FTI beyond 2015

27. The replenishment will focus on the period up to 2015. The future of FTI beyond 2015 will be reviewed as part of the overall process of reviewing the MDGs.

Level of education covered

28. It is important for a credible replenishment to be clear whether FTI is focused on primary education, basic education, or beyond. At the FTI meetings in Copenhagen in April 2009, the FTI Steering Committee agreed to consider expansion of the scope of the FTI to a whole sector approach. A small Task Team will be created, with support of the FTI Secretariat, to explore the implications for the FTI indicative framework and the analytical tools necessary to broaden the scope of FTI, including financial needs and mechanisms.

Eligibility and geographical focus of funding allocations

29. As agreed at the FTI meetings in Copenhagen in April 2009, the Task Team on prioritization will be used to clarify eligibility and geographical focus of funding allocations as soon as possible. In the interim, the Board of Directors should preferably make decisions before the next round of allocations expected to take place in October 2009.

The name and branding of FTI and the Catalytic Fund

30. Many FTI partners consider that FTI has weak “brand recognition” outside of education circles. The name and branding of FTI will be reviewed before Phase 2 of the replenishment. This needs to take account of the evolving debate around a Global Education Fund in the US.

Methodology for counting bilateral aid towards FTI

31. In order to implement the decision set out in paragraph 9 above, the FTI Secretariat, in conjunction with the GMR and DAC, will develop a methodology for counting relevant bilateral aid towards FTI. The G8 is currently working on an accountability matrix which may be relevant to this exercise.

Other issues on which progress is highly desirable to build the credibility of FTI and thus maximize the chances of a successful replenishment.

There are no definite decisions on these issues, but the new Chair will be invited to review them and make recommendations to the Board of Directors, as appropriate, before Phase 2 of the replenishment

Financial governance and Trust Fund Committees

32. Many FTI donors are dissatisfied with aspects of the financial governance and Trust Fund Committee structures. These aspects include:

- A lack of coherence between the Trust Fund Committees – interest in moving to a single Finance Committee
- The Trust Fund Committees are too large and their procedures are too cumbersome
- CSOs and recipient governments are not represented
- Allocation discussions are not prepared sufficiently

Progress on many of these issues would help the credibility of the replenishment.

Interface with IDA

33. A number of challenges arise from the interface between FTI and IDA, including:

- The view that FTI is “crowding out” IDA from basic education, partly due to the reluctance of governments to use scarce IDA resources for the social sectors
- IDA appraisal procedures, which are project-oriented, are being extended to the FTI Catalytic Fund (related to the issue of harmonisation and alignment of FTI allocations at the country level)
- Internal World Bank accounting procedures and incentives make it difficult for World Bank staff to work on FTI proposals in countries where IDA does not focus on basic education
- The World Bank is accountable for two different funding streams, which sends mixed policy signals to governments

These are big policy issues which go beyond FTI or education, and cannot be tackled via FTI alone. Solutions will need to involve the World Bank management and Board. All FTI partners who have seats on the World Bank Board will need to ensure these issues are pursued.

Harmonisation and alignment of FTI allocations at the country level

34. A number of difficult issues have arisen at the country level over the harmonization and alignment of FTI allocations, usually with governments and local education groups arguing for greater harmonization and alignment than the World Bank is able to support. This causes disbursement delays and leads to FTI funding which is potentially undermining Paris/Accra principles. Appointing an alternative supervising entity, as was done in Zambia, may sometimes be a solution, but will not be possible in every case.

Speed of disbursement

35. The time lag between allocation decision and disbursement, especially for the FTI Catalytic Fund, has been much too long, undermining the original FTI promise of being a “fast” track. This causes problems for governments who have to delay progress on sectoral investments and donors who have rules about not committing more funding until previous tranches have been disbursed. The World Bank has already reviewed the position and initiated some improvements, but more are needed. Developing a process for focusing FTI allocations on fast disbursing items may help.

36. Slow disbursement is the single biggest obstacle to donors confidently committing increased sums to FTI in the replenishment so demonstrable progress in this area is critical.

Liquidity of Trust Funds

37. Related to the speed of disbursements is the issue of the appropriate level of liquidity in the Trust Funds. Too low and further allocations cannot confidently be made. Too high and many donors' rules preclude further transfers of funds. Clearly, the disbursement delays are part of this picture, but the expanding customer base is also an issue. More work is needed.

ANNEX 1: PRELIMINARY, INDICATIVE LIST OF KEY ACTION POINTS, DATES AND LEAD RESPONSIBILITY

Action	Lead	Start Date	End Date
Begin analysis of financing needs and case for replenishment, substantiating track record	SEC	FEB 2009	Ongoing
Informal consultation with key donors and partners	Co-Chairs	MAR 2009	Ongoing
Get FTI replenishment on agenda of key international fora, starting with Development Committee or side meeting at WB's Spring Meetings	Co-Chairs, Bank	MAR 2009	Ongoing
Decisions on recommendation of TTR at Copenhagen	SC, CFC	APR 2009	Same
Follow-up on interim basis before arrival of Chair, including preparation of detailed implementation plan for Phases 1 and 2	Co-Chairs, SEC	APR 2009	Until arrival of Chair
Fix Autumn meeting to end Phase 1 and start Phase 2 – planning, including location and getting on agendas	Co-Chairs, SEC	APR 2009	Autumn 2009
Begin discussion/Commission work on range of issues identified in Replenishment	Co-Chairs, Secretariat, and Chair	MAR 2009	Ongoing

report	(o/a)		
Arrival of Chair to take lead on replenishment	SC	Summer 2009	Same
Decisions on additional support to Chair for replenishment	Chair	Summer 2009	OCT 2009
Technical and legal work on trust funds, donor modalities, etc.	SEC, World Bank	MAY 2009	Sep 2009
Plan (with GMR and DAC Secretariat) and first year implementation of scoring of bilateral aid and of steps to increase compliance and crowding in	SEC	MAY 2009	MAY 2010
Active solicitation of pledges for Stage 1 including selective "Road Shows"	Chair	MAY 2009	NOV 2009
Remaining decisions on scope for Stage II	Board	OCT 2009	Same
Reaching out to foundations and non-traditional donors for Stage 2	Chair	JUN 2009	NOV 2009
Review FTI Name and Branding	Board	OCT 2009	MID 2010
Selective road shows – including to foundations and selected non-traditional donors	Chair	OCT 2009	JAN 2010
Integration of final results of evaluation and follow-up into replenishment	Chair, Board, SEC	APR 2009	MAR 2010

Interim meeting of Stage 2, including planning	Chair, SEC	FEB 2010	JUN 2010
Final pledging meeting Stage 2, including planning	Chair, SEC	JUN 2010	NOV 2010
Implement programme and achieve better educational access and results	All	Ongoing	Same

ANNEX 2: CHECKLIST OF ADDITIONAL WORK REQUIRED FOR REPLENISHMENT

TASK	WHO	WHEN
Allocation Criteria, level of education, eligibility	Task Teams	June 2009
EPDF	Task Team	April 2009
Education Transition Fund	UNICEF, Co-Chairs, Sec't	June 2009
Contract for independent Chair	Co-Chairs, UNESCO	Spring 2009
Case for Replenishment	Sec't Consultant	Summer 2009
Update, elaborate timetable/plan for Replenishment	Chair, Sec't	Summer 2009
Develop methodology for including bilateral aid	Sec't, GMR, DAC	Early 2010
Guidance note on commitment methodology	WB, Sec't	Late 2009
Detailed financial figures for Phase 2 size	Sec't	Early 2010
Proposals for detailed changes to Trust Funds	WB, Sec't	Late 2009
Funding for Secretariat	Sec't, WB	Autumn 2009
Review of FTI post 2015 (part of MDG review)	Board, UN	Mid 2010?
Evaluation of FTI	Consultants	Spring 2010
Review of name/brand	Chair	Early 2010
Preliminary review of financial governance, IDA interface, harmonisation/alignment, disbursements and liquidity	Chair	Late 2009