

ECW Executive Committee Meeting 11 March 2021

Budget 2021 – 2022 Decision Paper

ECW Budget 2021 and 2022

With the extension of the ECW Strategic Plan to end of 2022, the ECW budget is hereby updated and submitted for ExCom approval.

Based on the explanations and background given in this note, ECW is requesting the approval of the following budget:

Table 1: Budget	Income	Expenditure		
		Programmes	Operations	Trust fund fees
2021	141.7	237.3	11.2	1.4
2022	227.2	192.6	11.2	2.3
Total	368.9	429.9	22.4	3.7

The detailed operations budget (Secretariat and UNICEF direct expenses) will be approved by ExCom in November of the preceding year.

The trust fund fee of 1% is charged on all income through the standard contribution agreement.

Expenditure on a higher level than income can be sustained by drawing on the current cash balance. Table 5 below shows the effect on ECW cash position.

Resource Mobilization target and timing of income

ExCom has signaled a USD 400M target as a realistic resource mobilization (RM) target for the next 3 years (2021 – 2023). The RM target will cover the extension of the strategic period and the first year of the proposed new strategic period and thereby bridge the two periods.

Bridging the two periods allows for better planning and negates risk related to transitions to the new strategic plan.

The RM target expresses that in the period 2021 – 2023 an additional USD 400M will be committed to ECW, over and above existing signed contribution agreements. In order to translate this to cash flow, ECW assumes the following disbursement pattern:

- 60% in year 1
- 20% in year 2
- 20% in year 3

The assumed pattern is based on an analysis of historic income for ECW and captures that most ECW grants are disbursed in the year the grant is announced and that even multi-year grants are frequently moved forward or frontloaded.

The RM target translates to the proposed inflow as shown in table 2 below.

Table 2: Inflows		Disbursement year			
Announcement year	RM target USD	2021	2022	2023	2024
2021	120	72	24	24	
2022	280		168	56	56
2023					
Sub total	400	72	192	80	56

Income overview 2021 – 2024

The expected income for the period 2021 – 2024 is based on the RM target (USD 400M) and inflows from existing signed agreements with donors.

In table 3 below, the agreed amounts capture signed agreements from donors whereas the planned captures the resource mobilization target.

Table 3: Income overview			
Year	Agreed	Planned	Total
2021	69.7	72	141.7
2022	35.2	192	227.2
2023		80	80.0
2024		56	56.0
Sub total	104.9	400.0	504.9

In total this means that ECW is expected to have an inflow USD 504.9M from signed agreements and pledges and the agreed resource mobilization target.

Expenditure overview 2021 – 2023

ECW's expenses can be grouped in 3 categories; Programmes (MYRP, FER, AF), Operational (Secretariat and UNICEF direct expenses, FSO) and Trust Fund fees.

- The Trust Fund fee is 1% of the funds contributed to ECW through the Standard Contribution Agreement.
- The Operational expenses are set at the level of 2021. This will be confirmed when the Operational budget is tabled for ExCom approval.
- The Programme expenditure varies with emergency responses funded through the FER window and roll-out of MYRP programmes as well as applications for AF funding.

Based on the current roll-out plan, ECW expects programme expenditure as listed in table 3.

Year	MYRP	FER	AF	Total
2021	190.7	36.6	10	237.3
2022	157.6	25	10	192.6
2023	111.1	25	10	146.1
Sub total	459.4	86.6	30	576.0

Note that table 4 list commitments up until 2023 even though the strategic plan is only extended up until 2022. That is to allow for planning of continued commitments while the new strategic plan is being formulated.

ECW expects that the AF window will have a value of up to USD 10M a year. Based on the AF Strategy, approved by ExCom, disbursements through the AF window is set at up to 5% of programme expenditure.¹

The FER window is set at USD 25M a year and functions as a reserve, where ExCom is requested to approve replenishment of the reserve when it is near depletion.

For 2021, the FER reserve is set at USD 36.6M as there was a balance of 11.6M at the beginning of 2021. About half of this amount has since 1 January 2021 been committed to the Sudan response, Northern Mozambique and UNRWA. EXW expects a replenishment of the FER reserve will be needed in 2021 as well as similar replenishments in 2022 and 2023.

Cash flow projection based expected income and expenditure

Based on the expected income (table 3) and expenditure (table 4), ECW has calculated the cash flow as outlined in table 5.

¹ AF expenditure is calculated on a rolling basis over the span of the strategic period.

Program expenditure projections are based on the amounts in table 4. The expenditure column in table 4 is the sum of programmes, operations and trust fund fees.

Table 5: Income and Expenditure with Balance							
Year	Income	Expenditure	Programmes	Operations	Trust fund fees	Balance (year)	Reserve
2021	141.7	249.9	237.3	11.2	1.4	-108.2	72.9
2022	227.2	206.0	192.6	11.2	2.3	21.0	94.0
2023	80.0	158.1	146.1	11.2	0.8	-78.1	15.9
Total	448.9	614.0	576.0	33.6	4.5	-165.1	n/a

Based on the cash flow projection captured in table 5, ECW will spend USD 108.2M more than it generates and reduce the current cash holding to USD 72.9M. This is financially sound as ECW started 2021 with a positive balance of USD 181M.

In 2022 ECW expects to generate USD 21M more in income than it expends, bringing the reserve to USD 94M.

In 2023 ECW is projected to spend USD 78.1M more than it generates, thereby reducing the reserve to USD 15.9M.

When dividing income and expenditure by calendar year, it must be noted that ECW receives the vast majority of its income in the last quarter of the year and makes most disbursements in the first quarter of the year. As ECW functions on a cash basis, which means that income is needed before funds can be disbursed, ECW will build up a reserve in order to meet commitments. This can translate to significant end year balances.

Managing variations in actual against agreed and planned income and expenditure

ECW reviews and consolidates the financial position on a monthly basis and shares the updated position with ExCom through the Financial Overview.

The planning figures are reviewed and consolidated on a regular basis and submitted to the ECW Senior Management Team. As needed, changes are integrated into the financial plans.

ECW has since inception been able to mobilize resources as expected and have not had to postpone or delay payments to grantees. Therefore, ECW has fully adhered to the principle of reliable and predictable funding for education in emergencies and protracted crisis, and disbursed the amounts agreed with partners when they requested it.

Should a situation occur where ECW does not receive income at the expected pace, there will be a need to review expenditure plans. Such a review would include extending existing agreements, delaying new commitments and



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reducing the funding level for investments. ExCom will be notified if there are significant revisions of the expenditure plans.

ECW requests ExCom to:

- To approve the budget for 2021 and 2022.
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