

Executive Committee Paper: Financial and Secretariat Update

PURPOSE OF THIS DOCUMENT

The purpose of this document is to:

- 1. Financial Report:** Provide the Executive Committee with information on ECW's financial position and updated financial forecast. *For information.*
- 2. Secretariat Recruitment, Structure and Budget Implications:** Provide the Executive Committee with information on the status of Secretariat recruitment and plans to increase capacity. Seek no objection for two new Secretariat positions to be funded from within existing budget for 2017. *For information and consent.*
- 3. DFID Due Diligence Assessment:** Present DFID's Due Diligence Assessment, including the Secretariat's response, to the Executive Committee for no objection. *For information and consent.*
- 4. Financial Management Advisor:** Provide the Executive Committee with information on the functions of a Financial Management Advisor (firm) and seek no objection for Terms of Reference attached. *For information and consent.*

FINANCIAL REPORT

- As of June 2017, ECW has mobilized pledges of approximately US\$113.7 million and has received US\$ 72.8 million from contributors.

Table 1: Contributions summary

Contributor	USD equivalent (million)	Contribution to Fund through the SCA/Bilateral Contribution to UNICEF for ECW activities	Earmarking summary (detail included in SCA/Bilateral Contribution Agreement)	Paid to Date (USD equivalent accounting for currency exchange fluctuations at date of actual disbursement)	Remaining Pledge Value (USD equivalent as of 31 Dec '16)
Canada	15.0	Bilateral	Ethiopia, Chad, Yemen, IASC Cluster, Secretariat	15.0 ¹	0.0
Denmark	10.6	SCA	UN Agencies	10.6	0.0
Dubai Cares	2.5	SCA	Secretariat	1.5	1.0
EC	5.2	Bilateral	None	0.0	5.2
France	2.1	SCA	Lebanon	0.0	2.1
Netherlands	7.3	SCA	None	7.4	0.0
UK	36.4	SCA	None	9.4	27.0
Norway	13.6	Bilateral	Syria, Chad, Yemen, Secretariat/FSO, unearmarked	7.9	5.7
USAID	10.0	SCA	Not for Syria Investments	10.0	0.0
USAID	1.0	Bilateral	Secretariat	1.0	0.0
US State/PRM	10.0	SCA	Refugee context(s)	10.0	0.0
Total	113.7			72.8	41.0

¹ Canada's remaining CAD \$10m has been advanced by UNICEF to ECW. Global Affairs Canada plans to disburse its remaining CAD \$ 10m to UNICEF before March 2018.

- Since April 2017, France, Canada and the European Commission have finalized agreements setting out terms of their support to ECW. Given every agreement is now in place with founding ECW contributors, an estimate can now be made of standard fees for assets expected to be received from contributors in the Special Account or bilaterally through agreements with UNICEF for ECW activities. We now estimate that this will total US\$3.36 million for 2018.
- There is currently an estimated **US\$2.01 million shortfall** in commitments made and total projected assets. A new donor to ECW has confirmed a contribution, but we are awaiting formalization of this agreement. On this basis, ECW will not likely be required to amend commitments already agreed, but only limited funds will still be available for new country investments. This underscores the importance of resource mobilization and the capacity to achieve targets.
- As of June 2017, US\$ 19.49 million has been disbursed, of which US\$14.54 million is for purposes of ECW programmes in Chad, Ethiopia, Syria, Yemen and being undertaken by the Global Partners (IASC Education Cluster, UNHCR and Inter-Agency Network for Education in Emergencies). Future disbursements to grant recipients will be informed by costed work plans that estimate cash needs for the duration of program implementation.

Table 2: ECW financial forecast

Forecast (in US\$ million)		
Assets and Pledges		Disbursed
Assets received (actual value received is subject to currency exchange rate on date of receipt)	72.8	19.49
Outstanding pledges (subject to currency fluctuations on receipt)	41	
Total projected assets (estimated)	113.8	
Commitments	Allocated	Disbursed to recipient
Estimated UNICEF fees for assets in the special account (1%)/bilateral agreements at applicable fee rates	3.36	-
Operational and Results Framework design	1.05	1.05
Recurrent costs (Secretariat and Funds Support Office budget)	3.9	3.9*
Initial Investments in Yemen, Syria, Chad, Ethiopia and Global Partners (IASC Education Cluster, UNHCR and Inter-Agency Network for Education in Emergencies)	57.5	14.54
First Response Window (Peru, CAR, Somalia, Uganda, Afghanistan, Madagascar and Ukraine)	20	0
Reserve for new emergencies	30	0
Total commitments and total	115.81	19.49

*Amount distributed to the Secretariat and Funds Support Office, but has not all been expended.

ECW SECRETARIAT STAFFING

Decision

The Education Cannot Wait Executive Committee's no objection on:

1. *Creation of one P5 level Secretariat post to augment ECW's capacity to mobilize financial resources for ECW.*
2. *Creation of one P3 level Secretariat post to augment ECW's capacity on finance and risk management.*

Secretariat Recruitment

- Significant progress has now been made on recruitment for Secretariat posts.
- As of June 2017, the Secretariat has four full-time staff (including two secondees) and one consultant. A further five staff have been recruited and will be on board by August 2017. We are aiming to recruit all remaining staff by end September 2017.
- The delays to recruitment were caused by a high volume of applications (1000+), the need for both written assessments and interviews across a range of technical competencies, and limited capacity to review, assess, and process.
- Following the Director's assessment of Secretariat structure and capacity gaps, the Job Description for the Senior Advisor - Humanitarian and Development Finance was re-drafted and subsequently re-advertised as a Senior Advisor (Coordination, Development and Strategic Planning). This position will play a critical role in building strategic relationships across humanitarian, development and government actors and in supporting ECW's planning, strategy development and implementation in the field to integrate and achieve ECW's five core objectives in delivery of results.
- ECW partners – particularly UNICEF and GPE – have continued to provide significant voluntary contributions of time and resources while the ECW Secretariat is being established.

The table below provides an overview of Secretariat recruitment, including start dates.

Table 3: ECW Secretariat Recruitment²

Title	Position	Start date
Director	D2	May 2017
Senior Advisor	P5 (DFID secondee)	Feb 2017
Senior Advisor	P5 (UNHCR secondee)	May 2017
Consultant (Operations and Governance)	P3 equivalent	Apr 2017
Senior Administrative Assistant	GS-7	Jun 2017
Programme Specialist (Grants and Recipient Support)	P-4	Jul 2017
Programme Specialist (Innovative Finance)	P-4	Jul 2017
Programme Specialist (Donor Engagement, Communications and Advocacy)	P-4	Aug 2017
Senior Advisor-Education Economist/Statistician	P-5	Aug 2017
Administrative Assistant	GS-6	Aug 2017
Programme Specialist (Monitoring and Evaluation)	P4 (France	Estimated Sep 2017

² 9 Secretariat posts were approved by the HLSG in June 2016. These are the core posts funded through ECW's budget and are highlighted in bold.

	seconded)	
Senior Advisor-Education	P-5	Estimated autumn 2017
Senior Advisor (Coordination, Development & Strategic Planning) *previously (Humanitarian and Development Finance)	P-5	Estimated Sep 2017
Gender Specialist (Gender Equality and Results-Based Monitoring and Evaluation)	P-3 (funded by Canada)	Estimated Sep 2017

Additional Secretariat Capacity

It was noted during the HLSG teleconference (February 2017) that the Secretariat structure and budget might need to be reassessed in light of the operating model and the Director's assessment on capacity needs. The Director recommends increasing Secretariat core capacity through the following additional staff:

- *P5 level Senior Advisor (Resource Mobilization)*: ECW's financial targets are ambitious, requiring us to raise an additional US\$30 million in 2017 and US\$ 383 million in 2018. The current Secretariat structure includes no dedicated resource mobilization capacity, which is required to develop and implement a robust resource mobilization strategy and to undertake the detailed relationship-building and engagement necessary to securing new sources of funding.
- *P3 level Finance and Risk Management Specialist*: Consistent with the ECW Director's assessment of Secretariat capacity needs and findings of DFID's Due Diligence review conducted in May 2017, a recommendation is being made to establish one P3 level Financial and Risk Management Officer role with specific responsibility for support on ECW's operational aspects.

The new P5 and P3 level core staff positions can be funded in 2017 from a reallocation of the budget. The Secretariat will present a revised budget in December 2017 for the following year.

DFID Due Diligence Assessment

DFID's Due Diligence Assessment was conducted in May 2017 to establish that ECW has the, "capacity and capability, including robust systems and processes, to manage the financing and funding of its activities" (Annex 1). After reviewing the recommendations from the report, ECW Secretariat along with the Funds Support Office, has provided responses and next steps, presented for the Executive Committee's no objection (Annex 2).

Decision

The Education Cannot Wait Executive Committee's no objection to:

- 1. The Secretariat's response and next steps to DFID's Due Diligence Assessment recommendations.***

Secretariat Budget

Summary

The ECW Secretariat's core 12-month budget (January 2017 – December 2017) was approved at the amount of **US\$3.89 million** by the HLSG in February 2017. This has allowed the Secretariat to proceed with staffing the Secretariat and delivery.

The following summary provides the Executive Committee with budget implications of: i) unallocated finances as a result of staged recruitment into the ECW Secretariat; ii) additional Secretariat posts tabled to the Executive Committee for no objection; iii) allocation of some unallocated funds resulting from staged ECW Secretariat recruitment to cover cost of technical work (consultancy) to scope and design potential innovative and/or results-based finance stream(s) for ECW.

Use of unallocated ECW Secretariat (Human Resources) financial resources:

- In February 2017, the HLSG approved a Secretariat budget, which included an allocation of **US\$2.3 million** for ECW Secretariat and Funds Support Office Human Resources.
- As a result of staged recruitment of Secretariat posts and based on pro-rata average staff costs, an amount of **US\$ 1.4 million** is available for re-allocation.
- As such, the ECW Secretariat proposes that:
 - a) **US\$ 470,447** of the US\$ 1.4 million (un-utilized HR costs) is used for recruitment of one P5 level Senior Resource Mobilization Advisor position and one P3 level Finance and Risk Management position. Use of un-utilized HR funds means that additional financing from ECW's Trust Fund is not required.
 - b) **US\$325,000** of the US\$1.4 million (un-utilized HR costs) is used for consultancy on results-based/innovative financing. In May 2016, USAID approved a bilateral agreement with UNICEF for early support to ECW's Secretariat, including finance to support development of ECW's operating model and results framework, staff costs for two ECW Secretariat posts and consultancies on results-based/innovative financing. Given the urgency associated with development of a robust and consultative ECW operating model and results framework, USAID resource was utilized in full for the Operating Model and Results Framework (BCG consultancy). This allowed for timely delivery of this work, which was approved in February 2017. In order to ensure the commitment to work on results-based/innovative financing is still carried out, the Secretariat proposes use of un-allocated HR costs. This will allow the ECW Secretariat to scope and propose next steps on: a) a results-based financing challenge fund; b) mapping of non-traditional donors, interests and activities and accessing additional funding. ECW will have a dedicated Innovative Finance Specialist who will coordinate this work, which will build off ECW's approved operating model. This can be achieved without draw down of additional resources from the ECW Trust Fund.
- It is expected that US\$604,553 of presently unallocated ECW Secretariat financing (after use of un-allocated amounts for new Secretariat posts and the results-based/innovative financing work) will be rolled-over to Secretariat costs in calendar year 2018.
- Global Affairs Canada has disbursed the US\$ 200,000 required to finance a P3 Gender Specialist for 2017. Therefore, this post is fully funded.

PROPOSED FINANCIAL MANAGEMENT ADVISOR (FIRM)

Decision

The Education Cannot Wait Executive Committee's no objection to:

1. The use of standard UNICEF Terms of Reference for Financial Assessment, Audit and Advisory Services

- As stated in ECW's Governance Manual, the Secretariat can initiate a review of funding proposals and potential grantees across all funding windows by a Financial Management Advisor (firm) on an 'as and when needed basis', in order to undertake a range of financial services relevant to ECW investments and operations. US\$ 250,000 has been approved by the HLSG for Financial Management Advisor (firm) services.
- UNICEF has established global Long Term Agreements with 3 international firms that have been thoroughly assessed for HACT (Harmonized Approach to Cash Transfers) activities. The HACT framework is intended to assess, manage and reduce risk with regards to financial resources and the HACT procedures cover governance, capacity assessment, cash disbursement, and assurance activities.
- The ECW Secretariat and Funds Support Office recommends use of Long Term Agreements to limit transaction costs associated with procurement on non-LTA firms. Services available through the 3 firms are: micro assessments, spot checks, financial audit, follow-up of activities and recommendations, and financial management capacity development. The Secretariat is proposing the use of standard UNICEF Terms of Reference for these services to the Executive Committee for no objection (Annex 3).
- The ECW Secretariat is reviewing the 3 international firms and will propose the selection of one for provision of FMA services to ECW in 2017. The assessment will be based on average standard costs for services in contexts where ECW is likely to operate (fragile and conflict affected countries). A desk review will be conducted to assess costs for comparable services relevant to ECW's operations. Initially, the ECW Secretariat is requiring that all First Response Window recipients (non-UN) are HACT approved, so services required during the rest of 2017 will likely include spot checks, financial audit, follow-up and recommendations (including review of financial reports).