

ECW FINANCIAL TARGETS – SUMMARY NOTE

1. Introduction

At its inception, ECW was set a financial target of \$3.725 billion dollars over a 5-year period, increasing from \$153 million in 2017 to \$1.5 billion in year 2021. This target was estimated to correspond (based on an average unit cost of reaching one child for one year of \$112.5 – excluding domestic contributions) to 13.6 million children reached in 2021. The purpose was to ultimately reach the full estimated cost of putting and keeping every 3-17-year old child in crisis situation in quality education by 2030.

When these calculations were first made, some leeway was left for adjustment of the figures as time passes. In its first year or so of existence, ECW kept the original figures and targets, but calls were made, at the January 2018 ExCom meeting in London, for re-discussion of these targets. This was reiterated at the HLSG meeting on 19 April 2018.

An ExCom call was organized on 18 June 2018 to provide a forum for discussion around these targets in advance of the 10 July ExCom meeting, which is expected to make recommendations for decision at the September HLSG. This paper reflects the outcome of this meeting, which called for fleshing out existing documents with more details on proposed options.

2. What matters

Two main elements matter: the outcomes of our choices in terms of children reached (how many, in which countries) and the type of education we may be able to give them, and the challenges in reaching these outcomes, specifically with regard to fundraising and workload. There is a trade-off between more ambitious targets (leading to more children reached, potentially in a better manner) and more realistic targets.

While many parameters have some influence on the target, only a small number of them have a significant impact. These are the parameters the discussion will focus around. Other parameters are described in detail in Annex 1 and in the *technical note* which accompanies this document, for ExCom members that are interested in knowing all related technical details.

These parameters are:

- How much funding predictability ECW provides when it funds protracted crises through multi-year resilience (MYR) programs.
- How many countries ECW aims to cover by 2021.
- How much seed funding ECW will dedicate from its HQ-based Global Fund to MYR programs (as opposed to funding leveraged at country level).

Further, once a decision is taken regarding the overall financial target, this will have implications on ECW Secretariat workload and/or staffing.

3. Implications

Humanitarian and/or refugee response plans lay out emergency needs in countries in protracted crises. These plans tend to be i) short-term (1 year of duration), ii) partially financed (on average, existing funding covers close to 40 per cent of education in emergencies needs laid out in existing

appeals in the 25 countries prioritized for ECW support¹). In developing its multi-year resilience programs, ECW not only seeks to bring in more financing, but also to propose a different way of working, including multi-year planning backed by predictable financing.

In this context, providing **funding predictability** in protracted crises is a key element of ECW's strategy and mandate. Funding predictability promotes long-term activities (including resilience building), advance planning, and education continuity in protracted crises. But providing predictability has a cost: to be able to promise funding in advance, ECW itself needs to have received promises of predictable funding. Even with a caveat on funding commitments (i.e. "reception of \$X in year 2 and \$X in year 3 will be subject to performance and availability of funding"), ECW needs to have sufficient confidence (e.g. signed agreements, pledges) that the amounts of funding it is planning to provide will be available when they need to be spent. Note that for implementing partners to have genuine funding predictability, predictable funding should not be provided solely by ECW but also by other donors at country level.

Country coverage naturally affects children reached but also funding needs and workload. When fewer countries are reached this may enable ECW to provide more in-depth support at country level, but it can also limit ECW's capacity to make a significant difference to the education and learning of children in crisis – with 75 million children worldwide in urgent need of education support, setting a target of just 1 or 2 million children supported per year would fall short of changing the education in emergencies landscape.

ECW's Global Fund contribution at country level. ECW's multi-year programs are designed to comprehensively respond to the needs of crisis-affected children. As such, needs determine these programs' scope and budget. But sources of funding for these programs are diverse: i) as partners on the ground work together to develop joint multi-year plans and programs, it is expected that they will also progressively align pre-existing funding behind these programs ii) ECW's Global Fund will contribute "seed funding" to multi-year programs iii) additional funding will be leveraged at country level in support of these joint plans and programs. While a smaller Global Fund contribution mechanically means more funding will have to be leveraged at country level, the implications of choosing to put a greater emphasis on one or the other modality are important. The volume of the Global Fund's contribution determines ECW's ability to influence analysis, planning and programming at the inception stage, its ability to contribute to, coordinate and monitor activities at the implementation stage, and its ability to play a catalytic effect on other donors' funding². On the other hand, leveraging funding for country-specific programs allows donors more flexibility to earmark funding toward their priority countries.

4. Limitations and constraints

To better understand available options, it is useful to understand the constraints limiting choices relative to each of the parameters below:

Funding predictability: Maximum funding predictability is 3 years as this is the typical duration of a multi-year program. The minimum is one year, which would mean ECW would not provide any improvement over current practice (where response plans are typically for a year).

¹ The list is provided in ECW's Strategic Plan

² These roles (promotion of joint analysis, planning and programming for crisis response and resilience programming) constitute a global public good, and in providing funding to multi-year programs through ECW's Global Fund, donors help ensure the development of these public goods.

Country coverage: 25 protracted crises were prioritized in the strategic plan, to be reached progressively by ECW. While some leeway exists as to how fast these will be reached, 11 high priority countries in protracted crisis have ongoing programs elapsing in 2018 or 2019, and they should be prioritized to receive multi-year support to avoid disruptions in children's education. With ECW bound to continue programming in the following years, a reasonable "low target" for ECW in terms of countries reached by 2021 would be 20.

ECW's Global Fund contribution should be sufficiently large to give ECW the capacity and political leverage to promote joint analysis, multi-year-planning and joint-programming in protracted crisis. As such, Global Fund contributions to multi-year programs should likely constitute at least 10 per cent of total funding.

However, ECW's Global Fund contributions are not the sole means of financing and it is important to keep space for country-level leveraging of funds. Approximately 40 per cent of existing appeals for education in emergencies funding for priority crisis countries is funded³, leaving 60 per cent of the total need to be met through additional funding. In this context, a reasonable maximum amount for ECW "seed funding" is 30 per cent of the total need to leave an equivalent amount to be covered⁴ through new and additional funding leveraged at country level.

As funding needs are extremely diverse according to countries (from an estimated \$3.5 million to \$350 million yearly), providing funding simply proportional to needs would mean all funding would go to a small number of very large emergencies. To mitigate this risk, it is proposed to provide a cap to the amounts of funding provided per country. The exact value of this cap may be discussed, but it would be most reasonable to place it between \$12-30 million per country per year.

5. Options

Based on the above, several options were considered and presented at the 18 June ExCom discussion, exploring in turn: i) maximum values for all key parameters ii) minimum values for one parameter iii) intermediate values, aiming at a compromise between the different parameters.

The options detailed below are those that were presented on 18 June, with the caveat that the 'lowest ECW contribution' and 'intermediate' options were slightly adjusted, with ECW seed funding set at a lower level than discussed during the call.

The optimal option:

In this scenario, ECW would provide 3-year funding predictability every time it sets up a MYR program. It would also provide substantial seed funds (30% of the need), and would seek to cover all 25 protracted crises prioritized in its Strategic Plan by the year 2021. The cap for the Global Fund's yearly contribution per country would be \$30 million.

The options with lowest predictability, country coverage or ECW contribution to MYR programs:

The "lowest predictability" option assumes ECW provides 1-year funding predictability, while keeping every other parameter identical as in the optimal option; the "lowest country coverage" option assumes ECW reaches a total of 20 crises by 2021, while keeping every other parameter identical as in the optimal option; the "lowest ECW contribution" option assumes ECW seed funds

³ While existing appeals do not cover all financial needs – in particular, resilience/system building support is generally absent, these constitute the best available estimate of financial needs.

⁴ In the ideal scenario in which all funding needs are met and aligned behind the ECW-supported multi-year plan.

only cover 10% of the need, while again every other parameter identical as in the optimal option. The cap for the Global Fund's yearly contribution per country would be \$30 million for the lowest predictability and lowest country coverage options, while it would be \$12 million for the lowest ECW contribution option.

The Intermediate option:

This scenario proposes to provide 2 years' funding predictability for programs launched in 2018 or 2019, then 3 years' predictability starting in 2020; it would seek to reach 20 countries by 2021; it would finally provide seed funds amounting to 10 per cent of total needs in best funded crises, and 20 per cent of total needs in least funded crises. The cap for the Global Fund's yearly contribution per country would be \$12 million.

Additionally, all options assume that:

- Donors follow ECW's lead in providing predictable funding, but with a one year delay⁵.
- ECW should aim at funding or leveraging an increasing share of the total need, from 60 per cent in 2018 to 90 per cent in 2021⁶.

6. Funding targets:

Table 1: Funding needs per option

Option	Optimal option	Lowest predictability	Lowest country coverage	Lowest ECW contribution	Intermediate option
Number of multi-year programs ongoing by year end					
2021	25	25	20	25	20
Number of years of funding committed by ECW's global fund to new multi-year programs					
2018 to 2021	3	1	3	3	2 in 2018/19, 3 in 2020/21
ECW global fund contribution to a MYR program (% of total needs and in US\$ millions)					
Least funded (%)	30%	30%	30%	10%	20%
Best funded (%)	30%	30%	30%	10%	10%
Funding cap (US\$ m)	30	30	30	12	12
Funding to be raised or leveraged (US\$ millions) over 2018-2021					
Total	4,260	3,049	2,537	4,187	2,598
Raised	1,365	1,092	986	525	623
Leveraged	2,895	1,957	1,551	3,662	1,975
Funding to be raised or leveraged (US\$ millions) in 2018					
Total	429	218	293	282	194
Raised	333	122	228	122	107
Leveraged	96	96	64	160	87

The intermediate option preserves a minimum level of funding predictability and provides differentiated levels of funding to best vs. least funded crises. It results in reasonable targets, both overall, and for 2018 specifically. With that option, 8 million children would be supported by ECW

⁵ This means that, for example, in the "intermediate option", donors would, on average, provide no predictability in 2018, 2-year predictability in 2019 and 2020, and 3-year predictability in 2021.

⁶ In some countries, multi-year frameworks may already exist, in others not all donors may align behind ECW-supported programs (or alignment may be progressive), and in yet other situations some of the needs may remain unfunded.

in 2021 (vs. 12 in the optimal option, the lowest predictability and the lowest ECW contribution options, and 8 with the lowest coverage option).

To better understand what the proposed options, and particularly the intermediate option, mean, it is useful to look into:

- Funding needed for the Global Fund vs. funding to be leveraged at country level, for different years.
- Funding that will have to be disbursed vs. funding that will have to be committed in a given year. These values are different as, ideally, predictability will be provided through multi-year commitments with funding disbursed in tranches.

Table 2: Yearly needs per option

Option	Optimal Option	Lowest predictability	Lowest coverage	Lowest ECW contribution	Intermediate option
Total funding to be raised for the global ECW fund by year end (US\$ millions)					
2018	333	122	228	122	107
2019	407	271	280	159	175
2020	135	321	250	57	167
2021	489	378	227	187	175
Total funding to be disbursed by the global ECW fund by year end (US\$ millions)					
2018	122	122	87	52	62
2019	271	271	179	119	132
2020	321	321	275	143	172
2021	378	378	289	171	178
Total funding to be leveraged for the global ECW fund by year end (US\$ millions)					
2018	96	96	64	160	87
2019	893	362	683	1184	639
2020	903	631	420	1039	616
2021	1003	869	384	1280	631
Total funding leveraged for the global ECW fund to be disbursed by year end (US\$ millions)					
2018	96	96	64	160	87
2019	362	362	263	501	363
2020	631	631	386	794	490
2021	869	869	460	1061	571

Funds available or receivable in the Global Fund are sufficient for current disbursement needs for 2018 under the intermediate option, while to provide predictability of funding approximately \$25 million additional will be needed. ECW is under discussion for an additional \$46 million funding (of which \$18 million should be available in 2018) at the global level. Critical needs for the end of 2018 include: i) ensuring promises materialize on time ii) raising funding needed for 2019 (\$175 million), as most countries to be targeted in 2019 have programs elapsing in the first half of 2019, for which discussions will have to start in late 2018 or early 2019.

So far, experience with leveraging new funding at country level is more limited (additional funding is under discussion for Afghanistan), due to the novel nature of multi-year programs. In light of that, targets under the intermediate option are relatively modest for 2018⁷, with a sharp increase in further years as ECW will be able to showcase a growing portfolio of multi-year programs.

⁷ Particularly if one considers the volumes of education in emergencies funding currently available at country level (in the intermediate option scenario): around \$70 m for countries targeted in 2018, around \$280 m for countries targeted in 2019, \$340 million for countries targeted in 2020, and \$350 m for countries targeted in 2021.

Annex 1: Other parameters of the ECW financial model

First response budget:

In all the models, the first response reserve starts off at \$15 million (its current level) then increases proportionately to the expected Global Fund target.

Acceleration facility budget:

it is assumed that 5% of the Global Fund will be dedicated to the acceleration facility, in line with agreements at the inception of ECW, even though so far in 2018 this percentage has been somewhat smaller.

Secretariat budget:

it is assumed that 4% of the Global Fund will be used for the Secretariat budget. This is an average amount as values may differ in replenishment years vs. non-replenishment years.

Number of country support missions:

It was assumed that:

- There will be (have been in some cases) one mission with two staff to each initial investment in 2018, excluding future missions to develop a multi-year program.
- There will be no systematic missions to first response investments (these are routinely monitored through third parties), but there could be a need for a mission on an exceptional basis (estimated at 20% of all first response investments) for additional monitoring or support that cannot be provided at a distance or through third parties.
- Developing a multi-year program requires around 4 persons x missions (equivalent in volume to 2 missions with two people each). In some cases, there will be one scoping mission with two staff and one mission to support the launch with one staff, in other cases a further mission with two staff will be required to ensure successful development of the program.
- Staff whose primary role is to undertake country missions also undertake an average of 2 other missions per year.

Number of grantees:

It was assumed that the current average number of direct grantees per first response investment (4 grantee per first response investment – with values ranging from 1 to 12) would be maintained. Further, it was assumed that in the future, there would be 2 per MYR program.

Number of staff or consultants:

The assumptions start from the current situation: (there is currently only one grants management staff while there are 5.5 such "country-facing staff" in equivalent full-time, with a half-staff corresponding to a staff expected to arrive by mid-year⁸). Numbers of staff or consultants for the upcoming years have generally been adjusted to keep the secretariat lean and the expected workload manageable.

⁸ Hence the 5.5 will automatically become 6 country-facing staff in 2019.

Annex 2: Questions and answers on the financial model

Question 1: Does this model define the exact Secretariat budget for each year?

Answer: The model includes an *estimated* need for the secretariat budget. It does not intend to set the budgeted amount to the last cent or provide the details of this budget: these will have to be defined, discussed and approved separately on a yearly basis.

Question 2: Why isn't the number of countries covered by multi-year programs increasing regularly every year (e.g. 6 – 12 – 18 – 24) in any of the models you propose?

Answer: Adding the same number of countries every year would not be associated with a stable workload. Instead, programs developed in previous years require follow-up and evaluation, adding to the burden of creating new programs. Further, by the end of the third year, 3-year programs developed in the first year will elapse so will have to be renewed.

Question 3: Why is the increase in the volume of funding to be raised or leveraged per year sometimes irregular?

Answer: Funding to be raised or leveraged is highly dependent on i) the number of countries to be supported with multi-year programs ii) the volume of needs in these countries (in US\$). The current models use the list of priority countries approved as part of ECW's Strategic Plan, starting with highest priority countries and moving down to lesser priority countries. Using current Humanitarian Response Plans and Refugee Response Plans as a guidance, the volume of needs in individual countries ranges from around \$3.5 million to around \$350 million – funds provided or leveraged by ECW will depend on these needs (alongside other factors such as how easy it is for the country to raise funds). Some years end up being "costlier" than others for ECW because countries with high volumes of needs are scheduled to be catered to that year. Expected predictability of funding also has an impact on funding to be raised/leveraged by ECW as giving countries predictability implies that funding needs to be raised/leveraged in advance.

Question 4: Do we expect the volume of the pooled funds to be the same as the total need?

Answer: As a rule no. There are many reasons for this. First, we may not meet the totality of existing needs, even though we are striving to do so. Note that programming could still go on successfully with a multi-year program that is for example only 80 per cent funded, especially when one compares this to the current level of funding of existing appeals (40 per cent on average). Second, some partners may choose to provide funding within an ECW-supported pooled fund, others may choose/be constrained to use bilateral agreements, while a small number of partners may fund the crisis outside of joint processes supported by ECW. Third, in some countries, there will be pre-existing mechanisms for joint cooperation and action, and while ECW may provide long-term support within these mechanisms, it won't be able to take credit for other funding provided under these long-term mechanisms.

Question 5: You have defined an indicative amount per crisis based on the total need and how well funded the crisis has been in the previous years. But what happens if a country does not have the absorption capacity to spend the indicative amount given by your formula?

Answer: The indicative amount is based on crisis characteristics reflected in data easily available at the central level, including total need, and how well funded the crisis has been in the previous years. It is meant to provide guidance as to what amount of funding ECW may consider. However, further, more qualitative elements also matter, some of which may only be discovered during the course of development of the multi-year program. These may relate to absorptive capacity, changes in the local donor landscape or the local political environment etc. Field missions may also reveal that previous appeals for funding were over- or under-estimating needs. All of these may factor into decisions over the *actual amount* that will be provided to the country. However, without an *indicative amount* there would be too much of a risk to end up with a “free for all” when it comes to setting the volume of grants to be allocated to different crises.

Question 6: Aren't we going to have leftover funds from the first response reserve in some years?

Answer: Needs for natural disasters and rapid-onset crises vary from year to year and are by nature unpredictable. It is therefore possible that, by the end of a specific year, ECW may have leftover funds in its first response reserve. These would then be rolled-over to the next year. This would not significantly affect the model, though, as total amounts to be raised or leveraged are counted in billions, while funds to be rolled-over may amount to a few millions.

Question 7: What happens if new crises strike or existing crises escalate that were not foreseen in the current model?

Answer: Based on the average for the past 10 years, approximately one new protracted crisis appears every year. Further crises may escalate (or hopefully deescalate) in an unexpected manner. This is why the list of priority crises (and related indicative amounts) will be updated on a yearly basis. That being said, because unfortunately the majority of current crises will still be there 4 years from now, it is possible to do good enough predictions to inform target setting with the information that is currently available.