

HLSG Paper 2: Financial and Secretariat Update and Secretariat Budget

ECW FINANCIAL FORECAST AND SECRETARIAT/FUNDS SUPPORT OFFICE

PURPOSE OF THIS DOCUMENT

The purpose of this document is to:

- 1. Financial Forecast:** Provide the High-Level Steering Group with information on the expected financial position of the Education Cannot Wait fund. *For information.*
- 2. Establishing the ECW Secretariat and Funds Support Office:** Provide the High-Level Steering Group with an update on progress to establish the Education Cannot Wait Secretariat and Funds Support Office, including recruitment of a Director ECW and other personnel. *For information.*
- 3. Secretariat and Funds Support Office Budget:** Seek approval of the High-Level Steering Group for the Education Cannot Wait Secretariat and Funds Support Office budget for the 12 month period January 2017 – December 2017. *For consent.*

1. FINANCIAL FORECAST

Summary

- After the High-Level Steering Group met in September 2016 in New York, Contributors and UNICEF worked intensively to finalize a Standard Contribution Agreement/Arrangement (SCA) setting out terms between Contributors and UNICEF as Funds Custodian and Administrator. The SCA will be reviewed once the governance arrangements for ECW are agreed.
- ECW has secured pledges of approximately US\$ 113.4 million from ten Contributors and funding has started to flow into an ECW Special Account and to UNICEF through bilateral agreements with some Contributors.
- As of February 2017, US\$ 37.8 million has been received by ECW (either into the ECW Special Account or through bilateral contributions to UNICEF) and approximately US\$ 59.8 million is forecasted to be received during 2017. At the time of writing, the full US pledge has been transferred but not received into the Special Account and bilateral agreements with Global Affairs Canada and the EC are in process.
- Several Contributors have provided earmarking guidelines to ensure contributions are allocated in accordance with their priorities/restrictions. In summary, there is likely to be sufficient funds, after accounting for restrictions by individual Contributors, to finance the Operational Model and Results Framework design work, all anticipated recurrent costs (Secretariat, Funds Support Office) and projected commitments for Yemen, Syria, Chad, IASC Cluster/UNHCR/INEE and Ethiopia investments.
- There is an uncommitted balance of approximately US\$ 50.4 million for 2017-2018. This is unlikely to be sufficient for ECW to implement its operating model and underscores

the need for additional fundraising to allow ECW to meet its fund and beneficiary targets.

Table 1: ECW Financial Forecast

Forecast Jan 17 - Dec 17	Amount in USD millions
Estimated available assets On Hand 20 Jan 17	37.8
Outstanding (not received) pledged contributions Jan 17 - Dec 17	59.8
Total Projected Assets in 2017	97.6
UNICEF Fee for assets in the ECW Special Account 1%	0.8
Operational and Results Framework design	1.05
Recurrent costs (Secretariat and FSO budget) - Jan 17 till Dec 17	3.9
Projected commitments for Initial Investments in Yemen, Syria, Chad, Ethiopia, IASC Education Cluster/UNHCR/INEE	57.5
Total Projected Liabilities	63.2
Projected surplus/shortfall Jan 17 - Dec 17	34.4
Pledged contributions Jan 18 - Dec 18	16.0
Total projected available assets Jan 17 - Dec 18	50.4

Background

By 13 February 2017, 6 out of 10 Contributors were able to sign the SCA, allowing for the establishment of a Special Account and 1 Contributor is in the process of signing the SCA. Three Contributors have signed, or are in the process of signing, bilateral agreements with UNICEF as a way of ensuring their pledges can flow for HLSG approved activities before they are in a position to sign the SCA. Currency fluctuations mean that the US dollar value of pledges in UK Pounds and Euros is subject to change but some of the risk associated with a strengthening US dollar has been mitigated through some pledges being paid in full and in one case, an increased pledge (in December 2016, Norway announced it would increase its pledge to ECW by an additional NOK 8.4 million/US\$ 1 million). USAID was able to make a disbursement of US\$ 1 million for ECW Secretariat costs in summer 2016 and this allowed for vital work to be completed on ECW's Operational and Results Framework. The Boston Consulting Group was engaged starting October 2016 to develop recommendations around a proposed operating model design and results framework for ECW. In January 2017, a cost extension was approved to expand on BCG's Terms of Reference so as to include recommendations on ECW governance. The total cost of this work is US\$1.05 million.

2. ESTABLISHING THE ECW SECRETARIAT AND FUNDS SUPPORT OFFICE

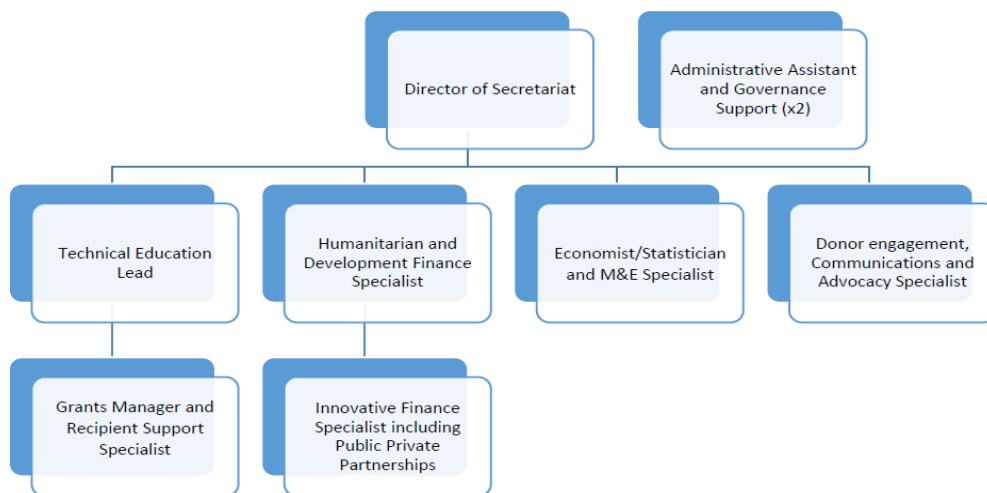
Summary

- Following finalization of a Standard Contribution Agreement/Arrangement with Contributors in December 2016, recruitment is underway for approved (by HLSG) Secretariat posts.
- After a process during August – September 2016 to recruit a D1 level Director was not able to conclude with a recommended candidate, the post was upgraded to D2 level to secure a pool of good fit candidates and as agreed at the High-Level Steering Group meeting in September 2016, an Executive Search firm was commissioned to facilitate the Director recruitment.
- A Funds Support Office has been established in UNICEF’s Division of Financial and Administrative Management. The Funds Support Office sits under the control of the UNICEF Comptroller with responsibility for ensuring the administrative operations of ECW comply with the rules, regulations, and procedures governing UNICEF operations. The Funds Support Office also supports the distribution of funds to grantees and the financial management of ECW.
- There has been continued goodwill and voluntary contributions of time and resources from partners while the ECW Secretariat is being established, including secondees and dedicated time from HLSG member organizations, UNICEF and GPE. Senior officials from UNICEF, GPE and the UNSE’s office have steered the overall work. A DFID Secondee to the ECW Secretariat commenced work in New York on 1 February.

Background

In June 2016, the HLSG approved through no objection, a Secretariat structure, budget and Director Terms of Reference.

Figure 1: ECW Secretariat Structure



By the deadline for applications on January 3rd, over 1000 applications were submitted across all posts, and approximately 100 applicants across all nine posts have met basic requirements. On initial screening of 220 applicants for the Director post (through desk analysis and pre-

screening telephone interviews by the Executive Search Firm), there are several credible candidates. A wide range of relevant backgrounds including geographical diversity is represented in the applicant pool for all Secretariat posts. As well as the existing DFID secondment to the ECW Secretariat, two other secondment offers are being pursued.

As the host of End Violence Against Children Fund (EVAC) and temporary host of Education Cannot Wait (ECW) Fund, UNICEF will provide administrative and operational support to the Funds' governance structure through the establishment of a UNICEF Funds Support Office (FSO). In summary, the role of the FSO is to facilitate timely receipt of contributions, manage the processes for disbursement of funds and oversee financial reporting. This includes leading the process of commissioning (developing TORs) and managing, in close consultation with the ECW Secretariat, the work of a Financial Management Adviser (FMA) firm which will provide regular financial due diligence (grantee focused) services.

3. SECRETARIAT AND FUNDS SUPPORT OFFICE BUDGET, JANUARY 2017 – DECEMBER 2017

Summary

- In June 2016, the HLSG approved (through no objection) a Secretariat structure and associated costs for calendar year 2016. No costs were incurred for core ECW Secretariat/FSO staffing in 2016.
- For January 2017 – December 2017, the Secretariat proposes a request for a core 12 month budget of US\$3.9 million. This budget is based on significant consultation within UNICEF and with partners included in the initial development of the Secretariat structure and budget presented for HLSG approval in June 2016. As required by the ECW Standard Contribution Agreement/Arrangement, the budget has been agreed by the UNICEF Comptroller.
- Where relevant, the budget has addressed the potential implications on resources and capacity of an approved Operational and Results Framework.
- The proposed Secretariat/FSO budget is 3.4 % of overall pledges to ECW and which is comparable to other global funds.
- This budget is estimated. Some savings may be achieved as a result of staged recruitment of Secretariat posts and cost efficiency has been secured through co-financing of FSO functions with the End Violence against Children Fund (EVAC) which is hosted at UNICEF.

For consent

The Secretariat requests that the HLSG approve the following decision:

Secretariat and Funds Support Office Budget: *The High-Level Steering Group:*

1. *Approves the core 12-month budget (January 2017 – December 2017) of the Secretariat and Funds Support Office as described below:*

Fund Allocation Matrix				
Recipient	Purpose	Allocation – ECW Trust Fund (US\$ million)	Allocation – Bilateral agreement (US\$ million)	Total US\$ (million)
UNICEF	ECW Secretariat and UNICEF Funds Support Office for the period January 2017 – December 2017	2.9	1	3.9

Annex 1: Status of Education Cannot Wait Contributions (as of 13 February 2017)

Contributor	Currency	Pledged amount (million)	Operational Exchange Rate as of 31 Dec '16 for USD 1	USD equivalent (million)	Contribution to Fund through the SCA/Bilateral Contribution to UNICEF for ECW investments approved by the High Level Steering Group	Earmarking summary (detail included in SCA/Bilateral Contribution Agreement)	Paid to Date (USD equivalent)	Remaining Pledge Value (USD equivalent as of 31 Dec '16)	Disbursement Schedule for Remaining Pledges (USD equivalent)	
									Jan '17 - Dec '17	Jan '18 - Dec '18
Canada	CAD	20	1.354	14.8	Bilateral	Ethiopia, Chad, Yemen, IASC Cluster, Secretariat	0.0	14.8	7.4	7.4
Denmark	DKK	75	7.103	10.6	SCA	UN Agencies	10.6	0.0	0.0	0
Dubai Cares	USD	2.5	1	2.5	SCA	Secretariat	1.5	1.0	1.0	0
EC	EUR	5	0.956	5.2	Bilateral	TBC	0.0	5.2	5.2	0
France	EUR	2	0.956	2.1	SCA	TBC	0.0	2.1	2.1	0
Netherlands	EUR	7	0.956	7.3	SCA	None	7.4	0.0	0.0	0
UK	GBP	29.7	0.817	36.4	SCA	None	9.4	27.0	18.4	8.8
Norway	NOK	118	8.672	13.6	Bilateral	Syria, Chad, Yemen, Secretariat/FSO, unearmarked	7.9	5.7	5.7	0
USAID	USD	10	1	10.0	SCA	Not for Syria Investments	0.0	10.0	10.0	0
USAID	USD	1	1	1.0	Bilateral	Secretariat	1.0	0.0	0.0	0
US State/PRM	USD	10	1	10.0	SCA	Refugee context(s)	10.0	0.0	0.0	0
Total				113.4			47.8	65.8	49.8	16.2

Annex 2: Draft Education Cannot Wait Secretariat and Funds Support Office Budget January 2017 – December 2017 and Budget Notes

A) Estimated Budget – Secretariat and Funds Support Office Jan 2017 – Dec 2017

Function	Description	Estimated Average Standard Cost 2017
HUMAN RESOURCES		
Director of Secretariat	UN D2	332,644
Administrative Assistant	UN G6	112,029
Senior Administrative and Budget Assistant	UN G7	124,951
Senior Adviser (Education)	UN P5	276,198
Senior Adviser (Economist/Statistician)	UN P5	276,198
Humanitarian and Development Finance Specialist	UN P5	276,198
Donor Engagement, Advocacy and Communications Specialist	UN P4	238,484
Grants Manager/Recipient Support Specialist	UN P4	238,484
Innovative Finance Specialist	UN P4	238,484
Funds Support Office - Chief Funds Support Office	50% of a UN P4 level staff member	117,607
Funds Support Office - Senior Grants Assistant	50% of a UN G7 staff member	61,846
HUMAN RESOURCES TOTAL		2,293,123
INTERIM SUPPORT		
Recruitment support	Executive Search Firm for D2 Director recruitment	50,000
Administrative Assistant (F/T 17 Aug - 23 Mar)	UN G6 (stretch assignment)	33,002
Consultancy for communications and advocacy	Communication and advocacy plan and support	45,000
INTERIM SUPPORT TOTAL		128,002
TECHNICAL ASSISTANCE		
Financial Management Advisory Services (firm)	Provision of financial proposal review (from applicants), due diligence and recipient financial processes/policies support, financial monitoring and auditing on an 'as needed' basis. Includes support for pre-accreditation as per the ECW Operating Framework.	250,000
Experts (Independent Review Panel/Experts Roster and other short term consultancies including on programme/project monitoring and evaluation)	Short term draw down consultancies for expert review of proposals, independent review panel, consultancy support for ECW operations	400,000
TECHNICAL ASSISTANCE TOTAL		650,000
OPERATIONS		
Secretariat staff travel	Grant and recipient support, constituent outreach	200,000
Workshops	Constituent outreach at global, regional or country level	100,000
Communications	Website, publications printing	101,101
Secretariat ICT	IT, mobile, office supplies	104,000
High level Steering Group	Meeting organization/travel for particular constituency representatives/Members as described in the HLSG Terms of Reference	51,000
OPERATIONS TOTAL		556,101
UNICEF INDIRECT COSTS: ADMINISTRATIVE SUPPORT TO ECW SECRETARIAT		
Rent and utilities	Rent and utilities for 633 3rd Ave, New York	168,000
Administration of staff contracts including secondment processes and consultant hiring	10% of a P4 level HR Specialist	23,800
Travel and in-country logistical support	20% of G7 level Travel Unit Support Consultant	25,000
IT support	10% of a G7 level Information Technology Assistant	12,495
Internal audits	UNICEF Office of Internal Audit and Investigation (OIAI) staff time	30,000
UNICEF INDIRECT COSTS TOTAL		259,295
TOTAL		3,886,521

B) Budget notes

Human Resources

Estimated average standard cost includes net base salary and benefits including relocation, health, pension, life insurance, education allowances. Actual costs will vary based on individual circumstances. Given recruitment for ECW Secretariat/FSO posts is underway in January - March, there are likely to be savings in 2017. HR costs include direct costs of establishing a Funds Support Office (on a cost share basis).

Interim Support

In order to ensure sufficient capacity is in place to deliver key outputs before a Secretariat is fully in place, the following interim support needs have been identified:

- *Executive Search Firm:* UNICEF procured the services of an Executive Search Firm to facilitate a process to identify a D2 level Director, Education Cannot Wait. UNICEF's Long Term Agreement (LTA) was utilized to commission SRI Executive Search, an experienced headhunting firm specializing in senior non-profit and multilateral agency roles.
- *Administrative Assistant (G7):* A temporary 'stretch' assignment has been established in UNICEF's Programme Division/Education Section to provide administrative support for HLSG related activities including meeting organization and support to senior officials from the GPE, UN Special Envoy's Office and UNICEF as they undertake ECW related activities, including planning and organization of HLSG Senior Official teleconferences, face to face meetings and workshops. This temporary assignment will conclude in March 2017.
- *Consultancy for Communications and Advocacy:* support for Task Team 1 (Resource Mobilization and Advocacy) is required to develop a communications and advocacy plan geared to raising the profile of ECW in early 2017 and prior to recruitment of a full time Donor Engagement, Communications and Advocacy post holder, with a particular focus on: engagement with new funders, consultation with GPE and other partners around 2017 as a year for education financing and supporting initial recipients in their communication and advocacy efforts. In addition, the consultant will: i) act as ECW's focal point on public advocacy and communication, providing support, regular updates and coordination to partners; ii) support the development and updating of relevant public advocacy position papers on education in emergencies and protracted crises including as it relates to priority themes such as girls, refugees, migrants, children with disabilities; integration of (and progress on) the ECW Work Plan and results; iii) identify emerging issues, needs, solutions and provide advice and guidance on public advocacy opportunities to best position ECW, internally within UNICEF as well as externally across partners; iv) build, maintain and coordinate public advocacy and communication partnerships with the goal of expanding ECW's visibility and audiences.

Technical Assistance

Technical assistance refers to investment in additional (to full-time Secretariat and FSO personnel) capacity to ensure ECW can implement, monitor and evaluate its operating model.

- *Financial Management Advisor (firm):* the Secretariat reserves the right to initiate a review of funding proposals and potential grantees across all funding windows by a Financial Management Advisor (professional accounting or auditing firm) on an ‘as and when needed basis’, in order to assess the soundness of the financial management and control environment of the entity providing the proposal. The FMA is also likely to support the pre-accreditation of potential ECW recipients (based on the Operating Framework recommendations).
- *Experts (Independent Review Panel/Experts Roster/short term consultancies):* This includes costs associated with review of proposals for Acceleration Facility and Multi Year grants) and to complement the Secretariat’s work to support grantees during programme implementation including activities to ensure the ECW Secretariat can collect and assess data required under ECW’s Results Framework.

Operations

Operations refers to recurrent costs to allow the ECW Secretariat to implement its work plan.

- *Travel:* ECW personnel will be required to travel to support the HLSG and Executive Committee (and Task Teams), provide grantee implementation support, monitoring, evaluation and fund raising/advocacy related activities. UNICEF travel policies and regulations will apply to all Secretariat personnel travel.
- *Workshops:* It is expected that ECW will require funds to allow it to co-finance and/or arrange workshops to engage constituents at global, regional and country levels.
- *Communications:* Expected costs include finances required to keep ECW’s website up to date, development of outputs including a new ECW Case for Investment based on ECW’s agreed Operations and Results Framework, tools to publicize the Fund’s willingness to receive funding proposals and other outputs to be determined in ECW’s Communications and Advocacy Plan. This cost includes US\$ 58,000 spent by UNICEF in 2016 for ECW website establishment and development. Steady-state communication activities are likely to be outsourced to third party contractors.
- *Secretariat ICT:* Computers, mobile telephones, laptops and stationary.
- *High-Level Steering Group:* It is anticipated that there will be costs incurred for face to face meetings of the HLSG and/or Executive Committee including but not limited to venue, facilities and travel and participation costs for Southern Civil Society members and emergency/crises affected country members as referred to in the HLSG Terms of Reference.

Administrative Support to ECW

For presentational purposes, indirect costs have been outlined at actual costs but is consistent with the ECW Standard Contribution Agreement/Arrangement which refers to the following:

“...each such annual budget [Secretariat] will include both the direct costs of the activities in the work plan (including personnel costs and costs associated with the

support provided by the UNICEF Funds Support Office (the “UNICEF-FSO”)) together with an amount equal to eight percent (8%) of those direct costs to help defray UNICEF’s indirect costs associated with providing administrative support to the ECW Secretariat with regard to the ECW Secretariat’s support to the Fund.”

Benchmarking and cost-efficiency

ECW operating costs are comparable to other global funds. ECW is required to put in place foundations to allow it to meet its objectives including an operating model, results framework and approach to monitoring, evaluation, communications and advocacy which builds the Fund’s credibility. The Secretariat will endeavor to secure efficiency gains where possible, including through restrictions on the class of travel, planning travel in advance to secure lower fare options, use of ICT when feasible to restrict travel and controls on short term consultancy fees in line with UNICEF policies and procedures. Cost efficiency on the Financial Management Advisor (firm) will be achieved through utilization of existing Long Term Agreements UNICEF has with accounting/auditing firms and/or joint procurement with the End Violence Against Children Fund.

Table: Comparison of operating expenses of comparable funds

Organisation	Operating expenses as a total of overall amount pledged (%)
Education Cannot Wait	3.4
Global Partnership for Education	4.8
GAVI, the Vaccines Alliance	5.7