The EFA Fund
Proposal for a Single (or Virtual) Fund
SC/2009/4-09 – Replenishment Mechanism (Issue 7): Approval that the longer term objective should be to merge the various FTI Trust Funds into a single facility. The Secretariat and Bank should develop a proposal with a process and timetable for this as part of the preparations for Phase 2 of the replenishment. In the medium term and starting with Phase 1, donors should be urged to make commitments to a “virtual” single Trust Fund by not earmarking their funding to any Trust Fund. The Board should then provide strategic guidance at least annually as to how to allocate funds among the Trust Funds depending on evolving need.
Existing Structure

Donors currently contribute into multiple separate funds and more are proposed
Consequence of Fund Fragmentation

- Weakened linkages between FTI Board decision-making and country allocation decisions

- Blunted impact of recent governance reforms giving voice to Partner Countries

- Increased cost of doing FTI business

- Diffusion of political leadership needed for successful replenishment

- Loss of focus on Partner Countries as center of FTI process
Virtual Fund Structure

Single Fund
For all FTI interventions

SE /IA 1
SE /IA 2
SE /IA 3

No “Default” Supervising or Implementing Agency
Countries are at different places in their efforts to achieve UPC & require different interventions.
How EFA Fund Could Work

Country 1 Request

- Support for ESP development + capacity development (UNICEF)
- Capacity development (UNICEF)

Country 2 Request

- Program implementation support (the Netherlands)
- Targeted analytical work (UNICEF)
- Capacity development (WB)

In this example, EFA Fund would provide funds directly to UNICEF, WB & the Netherlands (acting as SEs or IAs) from one fund.

Partner country with LEG would prepare funding request covering multiple intervention areas.
Financial & Progress Reporting

- Financial and progress reporting on delivery of activities would be required at least annually from each SE/IA.

- Coordinating Agency in the LEG would report via Joint Annual Reviews overall delivery of funded activities.
Benefits for Donors

- Reduced processing & tracking of Administration Agreements (AA) – donors would contribute under the terms of a single AA
- Fewer Fund Committees
- More “holistic” view of country support
- More equitable burden-sharing re. support to the Secretariat
Benefits for Trustee

- Segregated Trustee Role carried out by WB’s Multilateral Trustee & Innovative Financing Department (MTI)

- Trustee deals with WB in same way it does with all other Supervising Entities: Acts on instruction from Finance Committee, transfers agreed allocations through transfer agreements
Challenges of Single Fund Approach

- Fund objectives must be sufficiently broad to accommodate all FTI services covered by existing trust funds & donors must agree to same set of objectives

- Donors must agree to allow Transfer Agreement mechanism

- Country level guidelines and processes, including clear articulation of and LEG & CA roles, must be formalized and communicated. LEGs must be supported by their HQs

- Donors must agree to delegate financial decision-making to Funding or Finance Committee – but how do they remain engaged at the global level if there are no more specific fund committee meetings?
“The Board adopts the recommendation for establishment of a single EFA fund.”