GLOBAL PARTNERSHIP FOR EDUCATION FUND TRUSTEE BUDGET 1JULY 2012 TO 31 DECEMBER 2013

For Decision

1. PURPOSE

The purpose of this paper is to seek the approval of the Board of Directors of the budget of the World Bank acting as Trustee for the Global Partnership for Education Fund (the "GPE Fund") for the period of 1 July 2012 to 31 December 2013.

2. RECOMMENDED DECISION

The Trustee requests that the Board of Directors approves the following decision:

BOD/2012/06-XX—Trustee Budget: The Board of Directors approves the budget of the Trustee of US$710,600 for the period of 1 July 2012 to 31 December 2013.

3. BACKGROUND

3.1 According to the GPE Fund Governance Document, the Trustee is required to submit a budget request to the Board of Directors for approval on an annual basis.

3.2 The first trustee budget, approved by the Board of Directors in May 2011 in Kigali, Rwanda was on the basis of the World Bank's fiscal year of 1 July to 30 June 2011. The reporting on the GPE trust funds, other than the Secretariat Fund, has been on a calendar year basis. Since the GPE Fund will also report on a calendar-year basis, it is proposed that the Board of Directors approve an 18-month budget to align the budget with the GPE Fund reporting cycles.

3.3 As with all Financial Intermediary Funds ("FIFs") where the World Bank serves as Trustee, costs and fees for Trustee services are prepared on a full cost-recovery basis, consistent with the Bank's policies on management of trust funds.

4. TRUSTEE'S BUDGET PROPOSAL

4.1 The table below shows details of the estimated costs and fees for services provided by the Trustee for the period of 1 July 2012 to 31 December 2013 as well as the revised estimate of costs and fees for the period of 1 July 2011 to 30 June 2012.

Trustee Services	Approved Budget July 2011 to June 2012	Actual Costs July 2011 to March 2012	Estimated Costs April to June 2012	Revised Budget July 2011 to June 2012	Proposed Budget July 2012 to December 2013
Financial and Relationship Management	170,000	117,700	50,600	168,300	247,500
Investment Management	70,000	61,600	46,200	107,800	289,300
Accounting and Reporting	69,000	13,200	6,600	19,800	40,700
Legal Services	144,000	74,800	12,100	86,900	133,100
Trust Fund One-Time Fee	250,000	-	-	-	-
Total	**703,000**	**267,300**	**115,500**	**382,800**	**710,600**

4.2 Trustee Budget from 1 July 2011 to 30 June 2012 ("FY12")

The Trustee's total estimated FY12 costs and fees for the GPE Fund have decreased from the previous estimate of US$703,000[1] to US$382,800. The decrease is mainly due to: (i) the reduction of the estimated costs for accounting and reporting, and legal services; and (ii) the revision to the World Bank's Trust Fund policy applicable to the trustee fee arrangements for FIFs, effective since 1 July 2011, which revised the fees charged from a one-time fee of US$250,000 to fees equivalent to 10% of the trustee's direct costs to cover the costs of units that are indirectly involved in providing trustee services to FIFs.

4.3 Trustee Budget from 1 July 2012 to 31 December 2013

The proposed Trustee budget for the period of 1 July 2012 to 31 December 2013 is US$710,600 and represents the following components:

i. **Financial and relationship management:** Costs are based on staff time and expenses required for the management and execution of financial transactions, including maintaining receipts of donor contributions, recording allocations and commitments, and making cash transfers to Supervising Entities and Managing Entities. This estimate also covers travel costs of up to two World Bank staff to

[1] The estimated costs and fees of US$ 703,000 included one-time fee of $250,000 charged for trust funds with over US$ 100 million in expected contributions.

attend the regular GPE Board of Directors meetings and staff time associated with financial reporting of the GPE Fund, donor relationship management, and coordination with the Secretariat, the Supervising Entities and the Managing Entities to develop operational policies relating to financial transactions;

ii. **Investment management:** Investment management fees are calculated based on a flat fee of 3.5 basis points on the average annual balance of the portfolio; the projected average portfolio size for the GPE Fund for the period of 1 July 2012 to 31 December 2013 is US$500,000,000;

iii. **Accounting and reporting:** Costs are based on the management of the accounting model for the GPE Fund; maintenance of appropriate records and accounts to identify contributions and other receipts as well as GPE Fund liabilities to Supervising Entities and Managing Entities; and preparation of financial statements and arrangement of the World Bank's Single Audit; and

iv. **Legal services:** Costs are determined based on staff time required to finalize Contribution Agreements/ Arrangements with the possible contributors and Funds Transfer Agreements with Supervising Entities and Managing Entities. Costs also include staff time needed for policy advice, legal review of financial documents, and drafting new legal documents as required.