JUNE 3-5, 2025 – MEETING OF THE BOARD OF DIRECTORS
PARIS, FRANCE – BOD/2025/06 DOC 06 – FOR DECISION
FY26 OPERATING EXPENSES

Please note: In accordance with the GPE Transparency Policy, documents are public only after their appraisal by the relevant governance instance. Governance officials may circulate documents to their constituency for consultation purposes, except for documents of a confidential nature.

Key issues for consideration:

- The Finance and Risk Committee considered and recommended to the Board the FY26 Operating Expenses at its April 2025 meeting.
- Committee members appreciated the ongoing efforts by the Secretariat to focus on efficiency gains while prioritizing support for partner countries. Members noted that operating expenses are within the Board approved target of 7% for GPE2025 noting annual fluctuations are a result of the lifecycle of GPE grant applications.
- Clarity was sought and provided by the Secretariat on the connection between the Trustee budget and the direct costs charged by the World Bank to host the Secretariat, the changes to the Monitoring, Evaluation, and Learning budget, travel, consulting, and replenishment event costs.

Objective

1. This document sets out a Finance and Risk Committee recommendation on the FY26 Operating Expenses Budget, for Board decision.

Recommended decision

BOD/2025/06-XX—FY26 Operating Expenses: The Board of Directors:

1. Approves US$53,913,000 in incremental costs for direct operating expenses for FY26 as set out in BOD/2025/06 DOC 06.
2. Authorizes the Secretariat in addition to carry over into FY26 any unspent FY25 funds for multi-year and special initiatives.
3. Approves an additional 20.48% of direct costs incurred in FY26 for the World Bank towards its indirect costs as administrative host of the Secretariat.
4. Reaffirms the expectation that operating expenses including the World Bank cost recovery remain within 7% of total disbursements from the GPE Fund on a cumulative basis over the FY25-FY27 period.

Background and overview

1. In 2024, the Secretariat provided a detailed FY25 budget for approval, and an indicative budget for FY26 and FY27 for information, along with corresponding staffing requirements for the same period for the purpose of predictability. The three year planning approach (introduced originally for the FY22-FY24 period) recognized that providing the Board with greater predictability and assurances on operating expense costs and overall staffing needs for a longer time horizon reduces the need to spend considerable Board time on operational issues.

2. The approach reinforced the aims of the 2021 governance review whereby the Board sets the strategic direction and parameters, but the CEO is responsible for determining how best to deploy resources within these parameters and is accountable for their use.

3. The FY25-FY27 direct cost budget envelope was US$162million ($53m for FY25, $56m for FY26, and $53m for FY27). This envelope represented a less than inflation level of growth from the previous three year period. Through tight budgetary control in FY25, and an effort to identify savings that could be applied to FY26, and carried forward to FY27, Secretariat's current assessment is that actual direct expenditure for the three year period will not exceed $158 million. This will generate a $4 million saving in direct costs plus close to $1 million more in World Bank cost recovery charges for hosting over this period. We will continue to strive to make even further savings on direct costs over the course of FY26 and FY27 to reduce that figure further.

4. The Operating Expenses budget for the FY25-FY27 period is expected to stay within 7% of total disbursements from the GPE Fund. Disbursements in this period are primarily driven by implementation of existing active grants and remaining grants to be approved under GPE2025. The impact of proposed reductions in grant allocations for 2025 as set out in the Financial Forecast (BOD/2025/06 DOC 06) has been factored in.

5. Beyond the FY25-FY27 budget period, disbursement levels will be heavily dependent on the outcome of the next financing campaign which will conclude in the first half of 2026. The potential impact of this on GPE operations (particularly for the FY28-FY30 period), and what the right level and target for operating expenses should be will be discussed with the FRC and Board post replenishment. Should there be a need to downsize, the fact that over 90% of regular staff are on renewable term rather than open ended contracts allows for this to be achieved in

an orderly and cost effective manner if implemented over a reasonable period of time.

6. Under Section 8 of GPE's hosting MoU with the World Bank, a 17 percent mark-up on direct costs may be applied to cover indirect costs such as the cost of offices, information technology equipment and services, security, HR support, accounting, legal, and external communications services provided by the World Bank. The hosting MoU allows the World Bank to change this policy and GPE was initially informed in 2022 that a 28% rate would be applied. This was later lowered to 24% and further reduced to 20.48% following successful negotiations with the World Bank. The Secretariat continues to engage with the World Bank on this issue as to whether there is scope for further reductions.
7. The workplan set out in Annex B was submitted for Executive Committee review and approval in line with their mandate, but is shown here for information given the critical link to the budget.
8. As disclosed last year, a provision was made for the replenishment event budget of $1.2 million based on the budget for the 2021 conference. While the final budget cannot be determined until plans have been agreed with the hosts, the Secretariat anticipates a hybrid event with reduced travel costs and has reduced the provision by 25%. Further details are set out in Annex C.

Annex A - Operating Expenses Overview
Annex B - FY26 Work Program and Budget
Annex C - Replenishment Event budget

Annex A - Operating Expenses Overview

1. The original and revised FY25 budget, along with the proposed FY26 budget, and indicative budget for FY27 are shown in Table A1. The FY26 Work Program and Budget is outlined in further detail In Annex B.

Table A1: Budget by Financial Year (in US$ '000)

Comparison of FY25, Proposed FY26 Budget with Indicative FY27 and FY27 Estimates	FY25 Original	FY25 Revised[1]	FY26 Proposed	FY27 Indicative
Fixed Costs (Staff and Equipment / Facility charges)	36,800	36,800	39,180	40,200
Variable Costs - Extended Term Consultants	1,500	1,500	1,970	1,800
Variable Costs - Short Term Consultants	3,688	3,688	2,846	2,700
Variable Costs – Travel	3,013	3,013	2,952	3,000
Variable Costs – Contractual Services	2,778	2,778	2,183	2,200
A. Total Core	47,779	47,779	49,131	49,900
M&E Strategy	1,653 (estimated 150 carryover from FY24)	2,135 (actual carryover of 632)	523 (estimated 523 carryover from FY25)	550
Investment in Information Systems and Technology	2,500 (estimated 1,000 carryover from FY24)	2,947 (actual carryover of 1,447)	2,500 (estimated 900 carryover from FY25)	1,500
Replenishment Surge	1,100	1,100	2,532 (estimated 250 carryover from FY25)	122

[1] The Board-approved budget was revised upwards due to a larger carryover on unspent FY24 funds on the Monitoring, Evaluation, and Learning strategy and the IT budget. This had no impact on the incremental funds approved by the Board. The specific adjustments and reconciliation were presented to the FRC in October 2024 and changes are highlighted in Red text.

Comparison of FY25, Proposed FY26 Budget with Indicative FY27 and FY27 Estimates	FY25 Original	FY25 Revised[1]	FY26 Proposed	FY27 Indicative
FInancing Event (TBD)	0	0	900	0
B. Total Multi-Year and Special Initiatives	5,253 (of which 4,103 incremental)	6,182 (of which 4,103 incremental)	6,455 (of which 4,782 incremental)	2,172
A+B. Total Direct Operating Expenses Budget	53,032 (of which 51,882 incremental)	53,961 (of which 51,882 incremental)	55,586 (of which 53,913 incremental)	52,072
World Bank Indirect Costs for Hosting - Estimate (Actual Amount based on Final Direct Expenditure)	10,861	11,051	11,384	10,664

Analysis of budget drivers and Implications

2. The FY26 direct operating expenses budget of US$55.59 million (US$53.91 million incremental request) represents a 3% increase on the FY25 budget of US$53.96 million and is less than the originally estimated 5% increase disclosed last year. The main drivers of the increased FY26 budget are one time costs related to the replenishment surge budget approved in June 2024 and a provision for a replenishment event budget. Once these one time costs are accounted for, the FY27 budget should be at least 5% lower compared to the proposed FY26 budget .

3. The budget for FY26 reflects priorities for the year around resource mobilization as GPE moves into the replenishment campaign, and implementation of the GPE Forward exercise as disclosed in the staffing plan discussed by the Board in June 2024. GPE Forward strengthens GPE's country team capacity to better serve partners including moving staff closer to partner countries through regional hubs in Paris and Nairobi. Most staff relocations will be complete by July 2025 and new recruits are currently being onboarded.

4. Reflecting the strengthened staff capacity, and the need to continue to strive for greater economies and efficiency, the Secretariat has proposed reductions

in the budget for short term consultants with a 22% drop from FY25 levels continuing the trend of both reduced reliance on such support, and efforts to reduce the cost of such services. With these reductions, the short term consulting budget is nearly 50% lower than what is was two years ago.

5. The core travel budget for FY26 has been reduced from FY25 levels with travel prioritized for partner country missions and resource mobilization. With more country focused staff now located in offices closer to their regions, mission costs will be lower and with less carbon footprint. There is close scrutiny for the necessity of all travel, with missions needing to be planned well in advance to avail of best possible fares. Travel costs are down 25% from the peak in FY23 and operating at the same level as 10 years ago despite the increase in partner countries, staffing, and inflation.

6. Given the increased volatilty and recent announcments impacting development finance budgets which creates a higher level of uncertainty on resource mobilization, the Secretariat will not increase regular staffing levels beyond the ceiling set for FY25, and will place a higher reliance in FY26 on staff that are on one year contracts than originally anticipated in the staffing plan. A number of staff contracts will not be renewed in areas not deemed to be a top priority.

Multi-year Budget and Special Initiatives

7. The five-year FY22-FY26 **Monitoring, Evaluation, and Learning (MEL)** budget was approved by the Board in May 2021 (BOD/2021/05-07), and activities are well on track. Going forward, delivery of the corporate country-level evaluation portfolio will be conducted through a grant agent. The organization to be selected will be well versed in partner country contexts, with ability to work with regional and local research institutions and experts, and a robust fit-for-purpose toolbox in evaluation approaches and methodologies. This set up will allow us to strengthen our evaluation portfolio while deepening country-level evidence-based learning and country capacity strengthening on evaluations. The Secretariat will select the grant agent through a competitive process, and will monitor closely to ensure quality of the work and a strong focus on country-level learning, while maintaining objectivity. We will select the grant agent competitively with an expected work program of 8-10 evaluations on a rolling basis per year through 2030. The cost for these evaluations in FY26 are financed from the existing 5 year MEL strategy. Going

forward, an estimated provision of approximately US$8m is factored into the Finance and Funding Framework.

8. Following an Enterprise Architecture Review, GPE adopted a hybrid IT service delivery model that provides the flexibility to implement modern IT platforms and solutions tailored to the needs of a mid-sized grant-making organization with a strong focus on advocacy and country engagement. Out of the multi-year envelope of US$6 million approved by the Board in June 2024, the main expenditure will occur over the course of FY26 with then ongoing maintenance and minor improvements thereafter.

STATUS OF FY25 BUDGET

16. Of the US$53.96m available for FY25, US$31.8m was spent by end of February 2025 representing 59% of the total budget or 88% of the year-to-date budget. The Secretariat is anticipating expenditure of between 90 and 95% with most of the savings related to multi-year initiatives where most will be rolled over into FY26.

17. In terms of the core budget, staff related spending is likely to come in right on budget, but spending on consulting costs (both firm and individuals) and also on travel costs are lower due to efforts to achieve savings.

18. As per normal practice, a final reconciliation of FY25 expenditure and funds carried forward to FY26 will be shared with the FRC at its October 2025 meeting. All remaining funds that are not spent by the end of GPE's financial year, and for which a specific authority from the Board does not exist to carry over funds into the next fiscal year, are returned to the Trustee and made available for allocation.

Annex B - FY26 Work Program and Budget

1. The framework for the FY26 Secretariat Work Program and Budget (WPB) is based on the "GPE House", first developed in FY21. The FY21 framework set out five goals for the Secretariat: the goals were based on a 3-5-year horizon, and the objectives on a 2-3-year perspective.
2. The framework for FY26 is shown below in Figure 1. As in FY21, Goals 1 through 4 are primarily outward facing—supporting the Partnership to implement the ambitions set out in GPE2025 and the development and early rollout of GPE 2030—while Goal 5 focuses on internal Secretariat people and processes. Goal 2 reflects the upcoming replenishment campaign and event.
3. For FY26, the Secretariat has identified objectives (14) together with sub-objectives (30) focused on the **same core priorities as the budget: the success of the replenishment and implementation of GPE Forward to better serve partner countries and support GPE country-facing work**. While gender is hardwired into all country-facing work objectives, a dedicated gender related sub objective has also been incorporated into the workplan for FY26 to reflect the increased focus in this area. New sub-objectives reflect the next financing campaign and event, and development and initial rollout of the GPE2030 strategy and financing and funding framework.
4. Table B1 gives a view of the "FY26 Framework-at-a-Glance". Table B2 shows how we propose to allocate budget resources by sub-objective.
5. Sub-objective performance will be measured by Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs) in the coming months. This is, however, still in development and will be submitted for review by the Executive Committee following the approval of the Budget.

Figure B1: The GPE House FY26

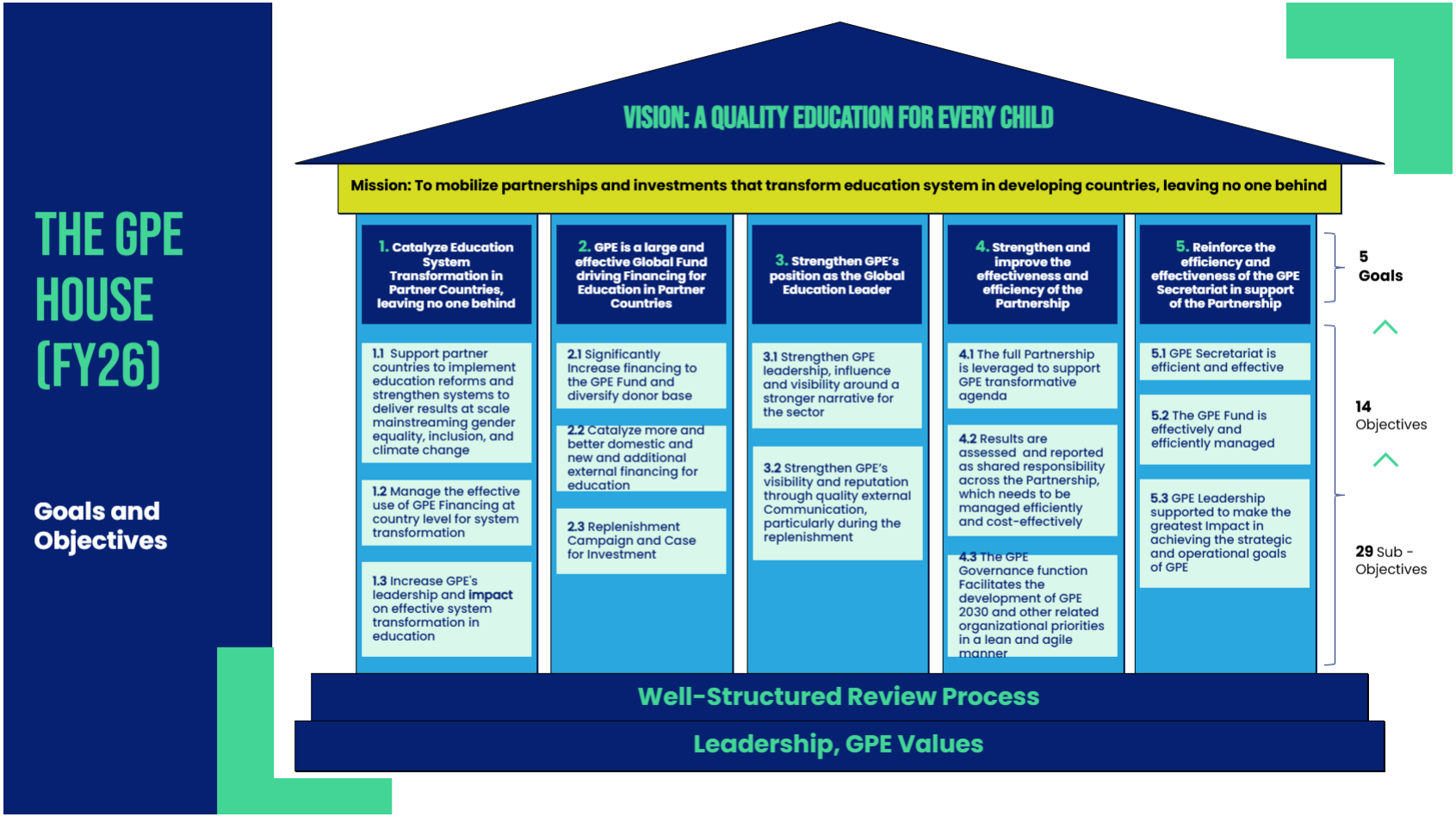


Table B1: FY26 GPE Secretariat Framework At-a-Glance

1. **Catalyze education systems transformation in partner countries, leaving no one behind**

1.1 Support partner countries to implement education reforms and strengthen systems to deliver results at scale mainstreaming gender equality and inclusion.

1.2 Manage the effective use of GPE financing at country level for system transformation.

1.3 Increase GPE's leadership and impact on effective system transformation in education.

2. **GPE is a large and effective global fund driving financing for education in partner countries**

2.1 Significantly increase financing to the GPE Fund and diversify donor base.

2.2 Catalyze more and better domestic and new and additional external financing for education.

2.3 Deliver on the Replenishment campaign and Case for Investment.

3. **Strengthen GPE's position as global education leader**

3.1 Strengthen GPE leadership, influence, and visibility around a stronger narrative for the sector.

3.2 Strengthen GPE's visibility and reputation through quality external communications particularly during the replenishment.

4. **Strengthen and improve the effectiveness and efficiency of the Partnership**

4.1 The full Partnership is leveraged to support GPE transformative agenda and collaboration with key partners (including ECW) is increased.

4.2 Results are assessed and reported as shared responsibility across the Partnership, which needs to be managed efficiently and cost-effectively.

4.3 GPE governance function facilitates the development of GPE 2030 and other related organizational priorities in a lean and agile manner.

5. **Reinforce the efficiency and effectiveness of the GPE Secretariat in support of the Partnership**

5.1 The GPE Secretariat is efficient and effective.

5.2 The GPE Fund is effectively and efficiently managed.

5.3 GPE Leadership is supported to make the greatest impact in achieving the strategic and operational goals of GPE.

Table B2: GPE FY26 Allocation of Budget Resources All the figures are in US$ '000's.

Goal 1: Catalyze education systems transformation in partner countries

Objectives	Sub-Objectives	Fixed[2]	Variable	Total
1.1: Support partner countries to implement education reforms and strengthen systems to deliver results at scale mainstreaming gender equality and inclusion	**1.1.1** The expanded menu of options of GPE financing instruments and technical assistance is timely deployed to support system transformation through the completion of GPE 2025 and initial roll out of 2030.	3909	1197	5106
	1.1.2 Education policy dialogue processes, including the MTR, are inclusive, evidence based and have strong mutual accountability, including through effective engagement of civil society and teachers.	3704	56	3760
	1.1.3 Country level results are monitored, evaluated and reported.	3704	18	3721
	1.1.4 GPE Secretariat is supported and strengthened to deliver on gender hardwiring across GPE 2025: All Secretariat teams see their capacity strengthened, and are incentivized, to deliver on an evidence-based approach to gender hardwiring across GPE2025 and GPE2030.	2469	169	2638
1.2: Manage the effective use of GPE financing at country level for system transformation	**1.2.1** GPE2025 and GPE2030 grant applications, strategic parameters of partnership compacts, top up and revisions, and mid-term reviews deliverables are processed and quality-assured in an efficient and effective manner.	2058	353	2410

[2] Includes Extended Term Consultants

Objectives	Sub-Objectives	Fixed[2]	Variable	Total
	1.2.2 Grants receive effective oversight and implementation monitoring including the rapid detection and resolution of any challenges to program implementation, and portfolio is managed through accurate grant data and effective reporting.	2469	117	2586
1.3: Increase GPE's leadership and impact on effective system transformation in education	**1.3.1** GPE 2030 is developed and rolled-out, and brings the focus on impact, scale, effective financing and system transformation.	1440	66	1506
	1.3.2 GPE is established as a learning and adapting organization with adequate learning exchanges to support staff and partners to more effectively drive system transformation, and adequate adaptation processes to improve the roll-out of the GPE operating model.	1358	205	1563
	1.3.3 The GPE Secretariat is supported by evidence, global knowledge, consistent policy messaging, and subject matter expertise on thematic areas.	1317	271	1588

Goal 2: GPE is a large and effective global fund driving financing for education in partner countries

Objectives	Sub-Objectives	Fixed	Variable	Total
2.1: Significantly increase financing to the GPE Fund and diversify donor base	**2.1.1** Develop and implement comprehensive donor country & regional fundraising strategies for GPE's Replenishment's goal and ensure a strong donor co-host	823	739	1562
	2.1.2 Monitor and secure all remaining donor pledges to fully fund GPE 2025 and ensure proper communication on the final contributions.			
2.2: Catalyze more and better domestic and new and additional external financing for education	**2.2.1** Mobilize, leverage and operationalize new and additional co-financing to respond to country needs and priorities: innovative finance mechanisms, diversifying the range of co-financing partners, and GEA.	823	421	1244
	2.2.2 Secure and leverage strategic commitments for domestic finance in the context of the replenishment campaign	823	31	854
	2.2.3 Finalize the development of the Financing and Funding Framework for GPE 2030 and start its implementation.	412	0	412
2.3: Replenishment campaign and Case for Investment	**2.3.1** Manage the overall Replenishment strategy, including a successful overall and national campaigns, strong co-hosts and a successful global Replenishment summit	823	3483	4306

Goal 3: Strengthen GPE's position as global education leader

Objectives	Sub-Objectives	Fixed	Variable	Total
3.1: Strengthen GPE leadership, influence, and visibility around a stronger narrative for the sector	**3.1.1** Raise political will for education and support to GPE by mobilizing GPE leadership, champions and youth, and by deepening strategic relationships with global, regional and national advocacy partners, business and foundation partners around the case for investment and to secure a successful replenishment.	1646	614	2260
3.2: Strengthen GPE's visibility and reputation through quality external communications particularly during the replenishment	**3.2.1** Strategically use GPE corporate communications channels, publications and the media, as well as key partners' communications channels, to strengthen GPE's voice and influence, manage reputational risk in support of replenishment efforts.	2263	820	3083

Goal 4: Strengthen and improve the effectiveness and efficiency of the Partnership

Objectives	Sub-Objectives	Fixed	Variable	Total
4.1: The full Partnership is leveraged to support GPE transformative agenda and collaboration with key partners (including ECW) is increased.	**4.1.1** GPE 2025 and 2030 objectives are supported by leveraging technical assistance initiatives from existing and new partners.	823	71	894
	4.1.2 Civil society and teachers are mobilized as a key partner for mutual accountability, transparency and social mobilization to contribute to GPE 2025 and 2030	617	60	677
	4.1.3 The partnership is mobilized through the exchange of knowledge and innovation in support of GPE 2025 and 2030	617	68	685
	4.1.4 Promote active participation and dialogue within partner country constituencies to amplify their influence in GPE's decision-making processes	823	108	931
	4.1.5 Partners are actively engaged and take accountability for GPE 2025 and 2030, through facilitated communities of practice.	823	120	943

Objectives	Sub-Objectives	Fixed	Variable	Total
4.2: Results are assessed and reported as shared responsibility across the Partnership, which needs to be managed efficiently and cost-effectively	**4.2.1:** Develop and implement a refreshed approach to monitoring results for GPE 2030 which includes clear roles and responsibilities for implementing a coherent monitoring system that links activities with GPE's strategic objectives	823	35	858
	4.2.2: The performance of the Partnership is effectively monitored and evaluated.	823	469	1292
4.3: GPE governance function facilitates the development of GPE 2030 and other related organizational priorities in a lean and agile manner	**4.3.1** The Board and its Committees facilitate GPE's strategic ambition including delivery of GPE 2030 and replenishment outcomes.	823	150	973

Goal 5: Reinforce the efficiency and effectiveness of the GPE Secretariat in support of the Partnership

Objectives	Sub-Objectives	Fixed	Variable	Total
5.1: The GPE Secretariat is efficient and effective	**5.1.1** The GPE Secretariat is supported to operate more efficiently and effectively through centralized service provision, adequate support and staffing, organizational development, and efforts to foster a conducive and inclusive workplace culture and environment.	1235	1443	2678
	5.1.2 The new IT system and robust data management contribute to organizational efficiency and greater effectiveness.	1235	2500	3735
5.2: The GPE Fund is effectively and efficiently managed	**5.2.1** Maintain a robust risk management framework including sound fiduciary oversight of GPE grant funds.	823	261	1084
	5.2.2 Ensure Effective Financial Planning, Management, Analysis, and Reporting of GPE Funds and FX Management in the context of the replenishment.	1235	56	1290
5.3: GPE Leadership is supported to make the greatest impact in achieving the strategic and operational goals of GPE	**5.3.1** Ensure Chair, Vice Chair, CEO, DCEO and MT have the adequate support and resources to deliver on GPE 2030, including internal communications support.	412	535	947
TOTAL		**41,150**	**14,436**	**55,586**

Annex C – Replenishment Event Budget

1. The Secretariat is currently working on identifying and confirming co-hosts for the financing campaign. The location, date and venue for the Financing Conference are yet to be determined. Given this, there is still considerable uncertainty over the format of the event. However, in the current global climate the Secretariat is aware of the need for the conference to be modest and cost-efficient.
2. For planning and budget purposes we are therefore proposing a hybrid event to keep costs down. However, the Secretariat also recognizes the need to be flexible and adapt to the context and requirements of the conference host, and therefore costs may vary, particularly if in-person attendance increases.
3. An initial budget of $900,000 is proposed, which represents over 25% less than the budget approved by the Board for the 2021 Financing Conference. It is expected that greater clarity on the final budget parameters will be available in December 2025 including location, size of the event and the potential contribution of co-hosts to the event. Therefore, we would propose to come back to the Board in December with an updated request that would cover any additional costs related to the venue and travel for Partner Country participants should such costs not be possible to absorb within the overall OPEX budget.

Items	2026 Estimated Budget US$
Production of a hybrid event	650,000
Venue and catering	220,000
Interpretation	30,000
Total	**900,000**