BOD/2011/05—DOC 11c

Meeting of the EFA FTI Board of Directors

Kigali, Rwanda, 18-19 May 2011

Trustee Budget for the period July 2011-June 2012 (FY12)

For Decision

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1. Introduction

In the context of its November 2010 meeting, the EFA FTI Board of Directors requested the FTI Secretariat to proceed with the finalization of all necessary actions to establish the Education for All Fund, and identified the World Bank as Trustee. Since that time, the World Bank as Trustee has worked with the FTI Secretariat to advance work to establish the fund. As a part of the operational design of the Education for All Fund, the Trustee is required to submit a budget request to the EFA FTI Board of Directors for approval. As with all Financial Intermediary Funds 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. Accordingly, this paper seeks the EFA FTI Board of Directors' approval of the proposed budget for fiscal year July 1, 2011 to June 30, 2012 (FY12).

2. Decision Requested

The Board of Directors is requested to approve the following decision:

BOD/2011/05-XX – Trustee Budget Proposal: The EFA FTI Board of Directors approves the proposed Trustee budget for July 1, 2011 through June 30, 2012 (FY12).

3. Trustee's Budget Proposal

Details of the estimated costs and fees for services provided by the Trustee for FY12 are attached in Annex 1.

5. Trustee Contact

Board members and others with questions on the Trustee budget are invited to contact Mr. Kazuki Itaya, Senior Economist, Multilateral Trusteeship and Innovative Financing, Concessional Finance and Global Partnerships Vice Presidency, The World Bank, through telephone: +1-202-473-7146, or e-mail: kitaya@worldbank.org.

Annex1

Table 1 shows estimated costs and fees for services to be provided by the Trustee for FY12.

Table 1: Budgetary Requirements for Services Provided by the Trustee FY12 Estimates (in USD)

Trustee Services	Amount
Financial and Relationship Management	170,000
Investment Management	70,000
Accounting and Reporting	69,000
Legal Services	144,000
One-Time Fee	250,000
Total	**703,000**

FY12 Trustee Budget

The proposed Trustee budget for FY12 is US$ 703,000 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 Implementers. This estimate also covers travel costs of up to two Bank staff to attend the regular EFA FTI Board meetings and staff time associated with financial reporting of the Trust Fund, donor relationship management, and coordination with the Secretariat, the Supervising Entities and the Implementers 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 Education for All Fund for FY12 is US$ 200 million;

iii. Accounting and reporting: Costs are based on the management of the accounting model for the Trust Fund; maintenance of appropriate records and accounts to identify contributions and other receipts as well as Trust Fund liabilities to Supervising Entities and

Implementers; and preparation of Financial Statements and arrangement of the Bank's Single Audit;

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 Implementers. Costs also include staff time needed for policy advice, legal review of financial documents, and drafting new legal documents as required; and

v. One-time Trust Fund fee: This fee per fund is to recover IBRD's long-term costs of trust fund administration, including but not limited to, quality control and compliance, internal audit, human resources, and institutional integrity, in accordance with the Bank's Trust Fund policy which applies to funds with over US$ 100 million in expected contributions.