TRUSTEE BUDGET: 1 JANUARY- 31 DECEMBER 2014

UPDATED APPROVED BUDGET: 1 JULY 2012- 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 January 2014 to 31 December 2014 and to provide an update to the Board of Directors on estimated administrative expenses from 1 July 2012 to 31 December 2013. The request is submitted under Section 3 (i) (e) of the GPE Fund Governance Document which requires the Board of Directors to approve trustee costs budget on an annual basis.

2. RECOMMENDED DECISION

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

BOD/2013/11-XX–Trustee Budget: The Board of Directors:

a. approves the budget of the Trustee of up to US$544,000 for trustee services for the period of 1 January to 31 December 2014. And

b. approves the additional administrative expenses of up to US$60,400 for trustee services for the period 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 estimate to the Board of Directors for approval on an annual basis. The previous budget had been approved for 18 months on an exceptional basis in order to synchronize the budget of the Trustee with that of the Secretariat.

3.2 As with all Financial Intermediary Funds ("FIFs") for which the World Bank serves as Trustee, the Bank's costs and expenses associated with delivering Trustee services are reimbursed on a full cost-recovery basis.

4. REVISED TRUSTEE BUDGET FROM 1 JULY 2012 TO 31 DECEMBER 2013

4.1 The table below shows details of the approved budget[1] as well as the revised budget estimate for services provided by the Trustee for the period of July 1, 2012 to December 31, 2013.

Trustee Services	Approved Budget July 2012 to December 2013	Revised Budget July 2012 to December 2013	Additional Budget Estimate July 2012 to December 2013
Financial and Program Management	247,500	280,000	32,500
Investment Management	289,300	276,000	(13,300)
Accounting and Reporting	40,700	44,000	3,300
Legal Services	133,100	171,000	37,900
Total	**710,600**	**771,000**	**60,400**

4.2 The estimate of total costs to deliver trustee services to the GPE Fund has increased from US$710,600 to US$771,000. The change is due to increased staff time and expenses associated with the successful development of the partnership, which has led to a surge in activity in supporting its trust fund. To illustrate this development:

- From July 1, 2012 to September 20, 2013, the GPE Fund made 182 commitments, an increase from 9 commitments in the previous budget period.
- The number of cash transfers increased more than eight-fold between July 2011-June 2012 and July 2012-August 2013.
- The number of Supervising Entities ("SEs") or Managing Entities ("MEs") who have entered into a Financial Procedures Agreement with the Trustee increased from one to seven over the current budget period.

The process of transferring the pro-rata share of the remaining balance from the Education Plan Development Fund to the GPE Fund will also increase the number of transactions and require drafting of additional legal agreements.

4.3 As Trustee costs are billed on a full cost recovery basis, the increased activity drives the costs of the Financial and Program Management, of Accounting and

[1] BOD/2012/06 DOC 11 - Meeting of the Board of Directors - Berlin, Germany - 7-8 June 2012

Reporting, and of Legal Services. The decrease in investment management fees is due to a lower-than-expected fund balance. These fees are calculated based on a flat fee of 3.5 basis points on the average annual balance of the portfolio.

5. TRUSTEE BUDGET FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

5.1 The table below shows details of the estimated budget for services to be provided by the Trustee for CY14, compared with the revised and annualized budget for CY13.

Trustee Services	Revised Budget January to December 2013	Proposed Budget January to December 2014
Financial and Program Management	198,000	201,000
Investment Management	179,000	192,000
Accounting and Reporting	31,000	36,000
Legal Services	127,000	115,000
Total	**535,000**	**544,000**

5.2 The estimated budget increase for CY14 is less than 2% over the revised budget for CY13. The increase represents estimated costs associated with support for the replenishment of the GPE Fund that is scheduled to take place in CY14. The replenishment is expected to create additional activity linked to donor contributions and coordination with the Secretariat.

5.3 The budget includes the following components:

i. **Financial and program management:** Costs are based on staff time and expenses required for the management and execution of financial transactions, including receiving and processing donor contributions, recording allocations and commitments, making cash transfers to SEs and MEs, and resolving any financial and transactional issues with these counterparts. This estimate also covers travel costs of up to two World Bank staff to attend the regular GPE Board of Directors meetings and staff time associated with financial reporting of the GPE Fund, and coordination with the Secretariat, SEs and MEs to develop and implement operational procedures related 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 1 January to 31 December 2014 is US$500,000,000;

iii. **Accounting and reporting:** Costs are based on the management of the accounting model for the GPE Fund, including maintenance of appropriate records and accounts to identify contributions and other receipts as well as GPE Fund liabilities to SEs and MEs; and

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