GLOBAL PARTNERSHIP FOR EDUCATION FUND TRUSTEE BUDGET ESTIMATE FROM JANUARY 1 TO JUNE 30, 2015 AND UPDATE ON APPROVED BUDGET FROM JANUARY 1 TO DECEMBER 31, 2014

For Decision

1. PURPOSE

The purpose of this paper is to seek the approval of the Board of Directors for the estimated administrative expenses of the World Bank acting as Trustee for the Global Partnership for Education Fund (the "GPE Fund") from January 1 to June 30, 2015 and to provide an update to the Board of Directors on estimated administrative expenses from January 1 to December 31, 2014.

2. RECOMMENDED DECISION

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

BOD/2014/-XX—Trustee Budget: The Board of Directors approves of the estimated administrative expenses of US$ 276,000 for trustee services for the period of January 1 to June 30, 2015.

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 Trustee has been asked to prepare a budget for the first half of 2015 on an exceptional basis as the Board decided to move to a fiscal year starting July 1, and ending June 30.

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. TRUSTEE BUDGET FROM JANUARY 1 TO DECEMBER 31, 2014

4.1 The table below shows details of the approved budget[1] and its current rate of execution.

4.2 The estimate of the total costs to deliver Trustee services for the GPE Fund has not changed. The increase in activity of the Trust Fund from 2013 to 2014, related to the replenishment of the GPE Fund, to a lesser extent the transfer of the pro-rata share of the remaining balance from the Education Plan Development Fund to the GPE Fund, etc. was already budgeted in the original estimate and has been absorbed in the approved budget thus far. The Trustee expects that activities during calendar year 2014 will be managed within the budget approved by the Board in November 2013.

5. TRUSTEE BUDGET FROM JANUARY 1 TO JUNE 30, 2015

5.1 The table below shows details of the estimated budget for services to be provided by the Trustee for the first six months of 2015, compared with the budget for CY14.

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

Trustee Services	Approved Budget January to December 2014	Revised Budget January to December 2014	Proposed Budget January to June 2015
Financial and Program	201,000	194,390	98,500
Investment Management	192,000	192,000	117,000
Accounting and Reporting	36,000	36,300	13,500
Legal Services	115,000	66,400	47,000
Total	**544,000**	**489,090**	**276,000**

5.2 The estimated budget increase for the first six months of 2015 is less than 1.5% over the budget for CY14 (on a semi-annual basis). The increase is related to a higher projection on average balance of the portfolio.

[1] BOD/2013/11 DOC 12 - Meeting of the Board of Directors – Addis Ababa, Ethiopia – 18-19 November 2013

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 one World Bank staff to attend the regular GPE Board of Directors meetings and staff time associated with financial reporting of the GPE Fund, with budget preparation, 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 of January 1 to June 30, 2015 is US$670,000,000;

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 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. This estimate also covers travel costs of one World Bank staff to attend the regular GPE Board of Directors meetings.