GLOBAL PARTNERSHIP FOR EDUCATION FUND TRUSTEE BUDGET ESTIMATE FROM JULY 1, 2015 TO JUNE 30, 2016 AND UPDATE ON APPROVED BUDGETS FROM JANUARY 1, 2014 TO JUNE 30, 2015.

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 July 1, 2015 to July 30, 2016 and to provide an update to the Board of Directors on actual costs incurred and revised estimate of the administrative expenses from January 1, 2014 to June 30, 2015.

2. RECOMMENDED DECISION

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

BOD/2015/05/-XX— The Board of Directors approves of the estimated administrative expenses of USD 480,000 for trustee services for the period of July 1, 2015 to June 30, 2016.

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.

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 BUDGETS FROM JANUARY 1, 2014 TO JUNE 30, 2015

4.1 The table below shows details of the budget approved for 2014,[1] its execution and the annualized equivalent of the budget approved by the Board for the first six months of 2015.[2]

4.2 The total staff costs to deliver Trustee services for the GPE Fund have not changed since the 2014 budget approval. The difference between the actuals for 2014 and the budget stems from the higher than expected fund balance in the GPE Fund. The increase in activity related to the replenishment of the GPE Fund and, 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. has been absorbed in the approved budget. Based on the execution of the budget approved for the first six months of 2015, the Trustee may ask the Board to approve a supplementary budget to cover the higher than expected investment management fees from January 1, 2014 to June 30, 2015.

5. TRUSTEE BUDGET FROM JULY 1, 2015 TO JUNE 30, 2016

5.1 The table below shows the estimated budget for services to be provided by the Trustee, compared 1) to the budget and actuals for 2014, and 2) an annualized equivalent of the budget approved by the Board for the first six months of 2015.

5.2 The budget for fiscal year 2016 decreases by 12% from both the actuals for 2014 and the annualized equivalent of the budget approved for the first six months of 2015. Staff costs are stable while the expected investment management fee is sharply down.

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

Trustee Services	Budget CY2014	Actuals CY2014	Budget January to June 2015 (Annualized)	FY16 Estimate
Financial and Program Management	194,390	200,200	197,000	204,000
Investment Management	192,000	254,000	234,000	173,000
Accounting and Reporting	36,300	27,000	27,000	27,000
Legal Services	66,400	69,000	94,000	76,000
TOTAL	**489,090**	**550,200**	**552,000**	**480,000**

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

[2] BOD/2014/ - Meeting of the Board of Directors – Washington DC, USA – December 2014

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 portfolio size for the GPE Fund is US$450,000,000 as of March 31, 2015;

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.