JUNE 3-5, 2025 – MEETING OF THE BOARD OF DIRECTORS
PARIS, FRANCE – BOD/2025/06 DOC 07– FOR DECISION

FY2026 TRUSTEE BUDGET ESTIMATE AND UPDATE ON FY2025 TRUSTEE BUDGET

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:

- At its April meeting, the Finance and Risk Committee considered and recommended the estimated administrative expenses for the World Bank acting as Trustee of the GPE Fund.
- Committee members enquired about the success of the foreign exchange management pilot and its next steps. They noted the Secretariat and the Trustee's satisfaction with the pilot project, and that a comprehensive review of the mechanism, scheduled for 18 months after its start would be presented to the Committee before any decision to extend the arrangements.

Objective

1. This document sets out a Finance and Risk Committee recommendation on the estimated administrative expenses of the World Bank, acting as Trustee for the Global Partnership for Education Fund (the "GPE Fund") from July 1, 2025 to June 30, 2026 (FY26) for Board decision. It also provides an update of the estimated administrative expenses from July 1, 2024 to June 30, 2025 (FY25), including operation of the foreign exchange (FX) management pilot.

Recommended decision

BOD/2025/06-XX— FY26 Trustee Budget: The Board of Directors approves the estimated administrative expenses of US$1,398,000 for trustee services for the period of July 1, 2025, to June 30, 2026, which includes US$400,000 for ongoing operation of the foreign exchange (FX) management pilot.

Background and overview

1. According to the GPE Fund Governance Document, the Trustee is required to submit a budget estimate for services provided by the Trustee to the Board of Directors for approval on an annual basis.

2. As with all Financial Intermediary Funds ("FIFs") for which the World Bank serves as Trustee, the World Bank's costs associated with delivering trustee services are reimbursed on the basis of full cost recovery.
3. The services and related costs of the World Bank in the role of Trustee are separate and distinct from the services and related costs of the World Bank in the roles of host of the GPE Secretariat and Grant Agent. There is no duplication of costs.
4. The Trustee budget estimate from July 1, 2025 to June 30, 2026 (FY26), and update on the approved budget from July 1, 2024, to June 30, 2025 (FY25) are set out in Annex A.

Annex A – Trustee Budgets for FY25 and FY26

Trustee Budget from July 1, 2024 to June 30, 2025 (FY25)

1. Table 1 below presents the budget approved for FY25 (BOD/2024/06-01) relative to actual costs incurred.
2. The Trustee is reimbursed for its services based on the principle of full cost-recovery and presents budgets to the GPE Board for approval, including adjustments as required at the end of each fiscal year should there be changes in FIF activities during the year as compared to previous years. This includes the Trustee's *standard* services (financial and program management, accounting, and legal services) and *specialized* services (ongoing implementation of the FX management pilot). The investment management fee is calculated as a flat fee of 4.5 basis points on the average annual liquid balance of the GPE Fund.
3. The estimated actual costs for FY25 for financial and program management, accounting services, and legal services are in line with the budget approved. Investment management fees were slightly lower than anticipated due to a lower than anticipated average fund balance throughout FY25 (the FY25 budget assumed an average fund balance of $1,503 million while the actual balance was $1,406 million, resulting in a lower than anticipated fee). As such, the FY25 *standard* trustee fee is $1,195,000, which is $43,000 lower than the approved budget of $1,238,000.
4. The FY25 *specialized* trustee services for management of the FX pilot of $400,000 was in line with the approved estimated budget since all FX trades and monitoring and reporting activities were executed as planned.
5. In total, the total FY25 trustee fee is $1,595,000, which is $43,000 less than the approved budget of $1,638,000. **This balance will be returned to the GPE Fund.**

Trustee Budget from July 1, 2025, to June 30, 2026 (FY26)

6. Table 1 presents the estimated budget for provision of trustee services in FY26.
7. The estimated budget for *standard* trustee services for FY26 is $998,000, which is $197,000 lower than the estimated actual costs for FY25 owing to a lower investment management fee resulting from a lower projected fund balance over FY26. The underlying trustee activities and related cost drivers with respect to financial and program management and legal services are expected to remain unchanged from FY25, and the cost of accounting and reporting services is anticipated to increase slightly (by $6,000).

8. The *specialized* trustee service for the management of the FX pilot is also anticipated to remain unchanged from FY25. Importantly, the pilot period will end at the end of March 2026. If the GPE Board decides to continue the FX management strategy, the ongoing implementation cost will remain steady. If the GPE Board decides to end the FX management strategy, the implication on the budget will be determined, and any remaining funds will be returned to the GPE Fund.

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

Trustee Services	Budget for FY2025	Estimated Actual for FY2025	Proposed budget for FY2026
Financial and Program Management	384,000	384,000	384,000
Investment Management	676,000	633,000	430,000
Accounting and Reporting	58,000	58,000	64,000
Legal Services	120,000	120,000	120,000
Ongoing management of FX pilot	400,000	400,000	400,000
Total	**1,638,000**	**1,595,000**	**1,398,000**

9. These budget estimates will be subject to adjustment at the end of the period, based upon costs incurred in the provision of following trustee services to GPE:

    a. **Financial and program management** includes the management and execution of financial transactions, including receiving and processing of receipts of donor contributions, recording allocations and commitments, and processing cash transfers to Grant Agents using World Bank financial systems and procedures, and resolving any financial and transactional issues with these counterparts; coordination with the Secretariat and Grant Agents to develop and implement operational procedures related to financial transactions; maintenance of systems for reporting and transactional processes and procedures for the Trust Fund; and travel costs, if any, for trustee representatives to attend regular GPE Board meetings.

    b. **Investment management** fees are calculated as a flat fee of 4.5 basis points (i.e. 0.045%) of the average annual balance of the undisbursed cash in the GPE Fund. The projected average annual balance over FY26 is $955 million. The actual investment management costs may vary depending on the actual average liquidity level during FY26.

c. **Accounting and reporting** include the management of the accounting model for the GPE Fund, and maintenance of appropriate records, accounts and systems to identify contributions and other receipts as well as GPE Fund liabilities to Grant Agents and to support financing reporting.

d. **Legal services** include drafting and finalizing contribution agreements/ arrangements with contributors and financial procedures agreements with Grant Agents. It also covers providing policy advice, legal review of financial documents and drafting new legal documents as required.

Estimated Trustee Budgets beyond FY26

10. Assuming the current scope of GPE continues over the subsequent two years (FY27 and FY28), the *standard* trustee services of financial and program management, accounting and reporting, and legal are anticipated to remain unchanged. Given the investment management cost is a function of GPE's liquid fund balance, the cost is expected to fall slightly as the average annual fund balance is expected to decrease based on anticipated disbursements in FY27 and FY28. As GPE's replenishment will take place throughout 2026, contributions are expected to begin from early 2027.

11. With respect to *specialized* trustee services, the two-year pilot period of the FX management strategy will run until March 31, 2026. If the FX management strategy continues beyond the pilot phase, management costs are anticipated to remain steady around $400,000 per year.

12. Estimated budget estimates for FY27 and FY28 are set out below. These estimates assume the FX management strategy continues beyond the pilot phase and will be revised down if the FX strategy does not continue.

    a. In FY27, the anticipated budget is $1,373,000 based on an estimated average fund balance of $900 million over the year.

    b. In FY28, the anticipated trustee budget is $1,350,500 based on an estimated average fund balance of $850 million.