

JUNE 4-6, 2024 - MEETING OF THE BOARD OF DIRECTORS, BERLIN, GERMANY

BOD/2024/06 DOC 05 – FOR DECISION

GPE TRUSTEE BUDGET ESTIMATE FROM JULY 1, 2024 TO JUNE 30, 2025, AND UPDATE ON APPROVED BUDGET FROM JULY 1, 2023 TO JUNE 30, 2024

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.
- The Committee noted the increase in the Trustee budget due to the ongoing foreign exchange (FX) management pilot.

Objective

1. This document sets out the estimated administrative expenses of the World Bank, acting as Trustee for the Global Partnership for Education Fund (the “GPE Fund”) from July 1, 2024 to June 30, 2025 (FY25), for Board decision. It also provides an update of the estimated administrative expenses from July 1, 2023 to June 30, 2024 (FY24), including implementation of the foreign exchange (FX) management proposal.

Recommended decision

BOD/2024/06-XX – GPE Trustee Budget FY25: The Board of Directors approves the estimated administrative expenses of US\$1,638,000 for trustee services for the period of July 1, 2024, to June 30, 2025, which includes US\$400,000 for ongoing implementation of the foreign exchange (FX) management pilot.

Background and overview

2. 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.
3. 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.
4. 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.

5. The Trustee budget estimate from July 1, 2024, to June 30, 2025 (FY25), and update on the approved budget from July 1, 2023, to June 30, 2024 (FY24) are set out in Annex A.

Annex A – Trustee Budgets for FY24 and FY25

Annex A – Trustee Budgets for FY24 and FY25

Trustee Budget from July 1, 2023, to June 30, 2024 (FY24)

1. Table 1 below presents the budget approved for FY24 ([BOD/2023/06-05](#)) 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 in the form of 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 liquidity balance of the GPE Fund.
3. The estimated actual costs for FY24 for financial and program management, and accounting services are in line with the budget approved. Legal services are slightly (\$30,000) higher than anticipated given an increase in number of legal agreements established, particularly Financial Procedures Agreements (FPAs) for new GPE Grant Agents. Investment management fees were also higher than anticipated due to a higher than anticipated average fund balance throughout FY24 (the FY24 budget assumed an average fund balance of \$1,250 million while the actual balance was \$1,512 million, resulting in an additional cost of \$118,000). As such, the FY24 *standard* trustee fee of \$1,243,000 is \$148,000 higher than the approved budget of \$1,095,000.
4. The FY24 *specialized* trustee services for management of the FX pilot of \$100,000 was \$200,000 less than the approved estimated budget of \$300,000 since implementation of the FX strategy began later than anticipated due to a longer than anticipated time frame for all GPE contributors to sign the amended agreement to initiate hedging activities.
5. In total, the total FY24 trustee fee of \$1,343,000 was \$52,000 less than the approved budget of \$1,395,000. The balance of \$52,000 will be returned to the GPE Fund.

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

6. Table 1 presents the estimated budget for provision of trustee services in FY25.
7. The estimated budget for FY25 of \$1,638,000 is \$295,000 higher than the estimated actual costs for FY24, primarily due to *specialized* trustee service for the management of the FX pilot, which will be underway throughout FY25. The

underlying trustee activities and related cost drivers with respect to standard trustee services i.e., financial and program management, accounting and reporting, legal services and investment management are expected to remain unchanged from FY24.

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

Trustee Services	Budget for FY2024	Estimated Actual for FY2024	Proposed budget for FY2025
Financial and Program Management	384,000	384,000	384,000
Investment Management	563,000	681,000	676,000
Accounting and Reporting	58,000	58,000	58,000
Legal Services	90,000	120,000	120,000
Ongoing management of FX pilot	300,000	100,000	400,000
Total	1,395,000	1,343,000	1,638,000

8. 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 FY25 is \$1,503 million. The actual investment management costs may vary depending on the actual average liquidity level during FY25.
 - c. **Accounting and reporting** includes 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.
9. Assuming the current scope of GPE continues over the subsequent two years (FY26 and FY27), financial and program management, accounting and reporting, and legal costs are anticipated to remain unchanged. Given the Investment management costs are a function of GPE’s liquidity, the cost is expected to fall slightly as the average annual fund balance is expected to decrease based on anticipated disbursements.
- a. In FY26, the anticipated trustee budget is \$1,525,000 based on an estimated average fund balance of \$1,250 million and including the ongoing management cost of the FX pilot.
 - b. In FY27, the anticipated budget is \$1,502,000 based on an estimated average fund balance of \$1,200 million and assuming the FX pilot is extended. *As implementation of the FX management strategy began in April 2024, the two-year pilot period will run until March 31, 2026. As such, the FY27 trustee budget may change depending on whether the FX strategy continues beyond the pilot phase.*