CONSENT AGENDA

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1. Objective

1.1 The purpose of this paper is to present the Board with a consent agenda for approval. Please refer to the background section for a clarification of the meaning and purpose of a 'consent agenda.'

2. Decisions on Consent Agenda

BOD/2019/06-XX—Contribution Safeguards Policy: The Board of Directors approves the revisions to the Contributions and Safeguards Policy as set out in BOD/2019/06/02 Annex 1.

BOD/2019/06-XX—Investment Strategy: The Board of Directors further to its decision BOD/2018/06-10 permitting the Trustee to invest GPE Funds in Model Portfolio 4 (MP4) as outlined in BOD/2018/06 DOC 08, delegates authority to the Finance and Risk Committee to authorize the Trustee to invest GPE Funds in a socially responsible investment portfolio based on the assumption that the risk and investment return profile isn’t materially different to that of MP4 as set out in BOD/2019/06/02 Annex 2.

BOD/2019/06-XX—Trustee Budget: The Board of Directors approves of the estimated administrative expenses of US$587,000 for trustee services for the period of July 1, 2019 to June 30, 2020 and a supplementary budget of US$222,593 for the period of July 1, 2018 to June 30, 2019 to cover one-time expenses associated with the establishment of the Euro as a second operating currency and completion of GPE Hosting Arrangements review as set out in BOD/2019/06/02 Annex 4.

3. **Background**

3.1 A consent agenda is a meeting practice whereby all routine and non-controversial decision items that do not require deliberation and which are generally deemed to have consensus are packaged as one agenda item without discussion. All the decisions packaged in the consent agenda are passed with a single vote. This allows the Board more time to focus on strategic matters that do require deliberation.

3.2 Should any one Board member feel that a specific item on the consent agenda warrants discussion before decision, they can indicate so prior to the meeting or at the moment when the Consent Agenda is being presented by the Chair for consideration. That specific item is then removed from the Consent Agenda for discussion and decision at a later stage in the meeting.

3.3 At this meeting, the following items are part of the consent agenda:

- **Contribution Safeguards Policy.** The Board of Directors is requested to approve adjustments to the Contributions and Safeguards Policy as set out in BOD/2019/06/02 Annex 01.

- **Investment Strategy.** The Board is requested to approve a delegation to the Finance and Risk Committee to authorize the Trustee to invest GPE Funds in a socially responsible investment portfolio based on the assumption that the risk and investment return profile isn’t materially different to that of MP4.

- **Trustee Budget:** This 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, 2019 to June 30, 2020 and a supplementary budget for the period of July 1, 2018 to June 30, 2019 to cover one-time expenses associated with the establishment of the Euro as a second operating currency and completion of GPE Hosting Arrangements review.

- **December 6-7, 2018 Board Meeting Report.** This summary of the previous face-to-face Board meeting was sent to the Board on January 24, 2019 and no comments were received.

**ANNEXES:**

Annex 1: Adjustments to the Contributions and Safeguards Policy

Annex 2: FRC Delegation of Authority on the Investment Strategy
Annex 3: Board Decision: BOD/2018/06-10—Financing Options

Annex 4: Trustee Budget

Annex 5: December 6-7, 2018 Board Meeting Report
ANNEX 1

ADJUSTMENTS OF THE CONTRIBUTIONS AND SAFEGUARDS POLICY

For Decision

Recommended by: The Finance and Risk Committee (FRC)

Committee Consideration:

Contributions and Safeguards Policy

The FRC conducted a review of the CSP per its mandate. While noting that no major amendments are required at this time, the FRC are recommending two minor revisions to the policy

1. Inclusion of a stronger statement in the policy that emphasizes the Board’s expectations that contributions to the GPE Fund should be unrestricted.
2. An addition to the policy to clarify current practice that targeted contributions towards the cost of GPE Secretariat convened and administered events that are covered in the workplan may be acceptable (e.g. a contribution by the host towards the cost of a Board meeting etc)

The FRC also flagged that there are risks associated with targeted financing and the FRC and Board will need to maintain strong vigilance around any risks of distortion.

1. Objective

1.1 The objective of this paper is to request the Board to approve the adjustments to the policy to the Board.

2. Implementation of the CSP

2.1 The CSP was approved by the Board in March 2017. It sets out the safeguards and principles under which targeted contributions may be received. During its meeting in October 2017, and based upon the Board’s request, the FRC in consultation with the SIC approved a decision point which delineated the thematic areas under which targeted contributions could be accepted. The FRC also approved a standard assessment template for reviewing all offers of targeted contributions against the CSP and agreed to schedule a review of the policy to the Board for June 2019.

2.2 In previous updates to the FRC on implementation of the CSP, the Secretariat reported on two targeted contributions. US$740,000 from Japan in support of accelerated funding in Chad,
and US$1 million from Dubai Cares in support of the Knowledge and Innovation Exchange (KIX) mechanism targeted towards Gender. Both contributions were found to be in compliance with the policy.

2.3 Since the last report to the FRC in April 2018, there have been four new contributions that have been considered and approved by the CEO under her delegated authority per the policy. The completed assessment templates were reviewed by the FRC.

2.4 **Canada – Thematic – Gender:** As part of its 2018-2020 replenishment pledge, the Government of Canada committed CA$37.5 million as a notional contribution targeted to girls’ education under GPE. The contribution allowed Canada to increase their annual support to GPE in line with their Feminist International Assistance Policy. The contribution is designed to support approved expenditure within ESPIG grants, will only be used in GPE eligible countries and is less than the value of total thematic expenditure (US$143 million).

2.5 **France – Geographic – Sahel:** As part of its 2018-2020 replenishment pledge, the Government of France committed to GPE €100 million to support regional targeting in the Sahel. Countries included in the Sahel are Burkina Faso, Chad, Mali, Mauritania, Niger, Nigeria, Senegal. The contribution is designed to support existing allocations in the region and is less than the total Maximum Country Allocation for the region ($341.44 million).

2.6 **Japan – Geographic – South Sudan, and Bangladesh:** In 2017, Japan contributed $750,000 under GPE’s Accelerated Funding mechanism for Chad. This was provided through Japan’s supplementary budget process and was additional to their annual fiscal year contribution to GPE. In 2019, Japan contributed a total of $2,303,571 ($1,500,000 for South Sudan and $803,571 for Bangladesh) under the Accelerated Funding mechanism using the same process. This funding from Japan is only made available on an annual basis through a supplementary budget process, which the Secretariat must apply for. Since the 2018 replenishment financing conference, the supplementary budget contribution has effectively doubled the total amount of financing for GPE from the Government of Japan.

3. **Review and Possible Amendments to the CSP**

3.1 It is clear that the introduction of the CSP has been helpful in facilitating a number of contributions and has not resulted in any significant risks so far in terms of substitution or distortion of GPE funding, or of significant administrative burden. These were key risks identified and deliberated on by the Board when debating whether any form of targeted financing should be accepted.

3.2 From the Secretariat perspective, the CSP has provided a very useful framework to guide discussions with prospective donors on what can and can’t be facilitated, and we see no compelling reason to make any significant adjustments at this point.

3.3 The Secretariat does recommend a minor adjustment of the policy to formally account for current practice for situations where the Secretariat may co-convene events with partners who would
like to provide a financial contribution towards the costs of such events but who do not want to arrange the logistics directly. The Secretariat finds this approach to be administratively simpler as it avoids the need for multiple or split contracting or the risk of duplication or gaps. Examples include financial contributions from host governments towards the costs of GPE Board meetings, and sponsorship of replenishment related events. Given the relatively low value of such contributions and limited scope, the Secretariat would propose not to complete the assessment template. If acceptable, the CSP would be modified by the addition of the following paragraph:

“**3.7 Targeted contributions towards the cost of GPE Secretariat convened and administered events may be accepted provided such activities form part of the Board approved annual workplan, and the contributions can be administered in line with applicable World Bank procedures for their receipt and use**”

3.4 The Secretariat believes that for a one-off targeted contribution, it may continue to be approved by the Board on a case by case basis per current policy. For example, the acceptance of targeted contributions related to any GPE Board decision on locating more staff in Europe. This is currently under consideration but is not a recurring event and can be approved as part of the Board’s decision on location options.

3.5 Based on the recommendation of the FRC, the following text will be included in paragraph 1 of the policy to emphasize that while targeted contributions are permissible in certain circumstances, the strong expectation is that contributions should be unrestricted.

**“In principle, contributions should be unrestricted to the GPE Fund”**
ANNEX 2

INVESTMENT STRATEGY
For Decision

Recommended by: The Finance and Risk Committee (FRC)

Committee Consideration:
Investment Strategy
The FRC are supportive of a change in the investment strategy to allow the Trustee to invest GPE Trust Fund resources in a socially responsible manner pending a review of the documentation and provided the risk and return profile is similar to what has already been approved by the Board.

1. Objective

1.1 The objective of this paper is to request the Board to approve a delegation to the Finance and Risk Committee to authorize the Trustee to invest GPE Funds in a socially responsible investment portfolio based on the assumption that the risk and investment return profile isn’t materially different to that already approved by the Board in 2018.

2. Background

2.1 In June 2018, the Board agreed to diversify the GPE Fund investment strategy for funds managed by the World Bank prior to disbursement (BOD/2018/06-10 Decision) & (BOD/2018/06 DOC 08 – Paper). The World Bank developed a fourth Model Portfolio, which includes a small allocation to equities to provide additional investment options to trust funds that have liquidity levels that are significant in size and stable over a period of at least five years. Model Portfolio 4 was designed to potentially enhance the risk/return profile of funds through added diversification benefits, while retaining the conservative approach to risk that overarches the World Bank’s investment of donor funds.

2.2 At the time, the FRC asked about how ethical investment had been considered, and the Trustee flagged that an option was being worked on. An opportunity for a socially responsible investment portfolio with a similar risk/return profile as Model Portfolio 4 is nearing completion,

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and therefore given the nature of GPE’s mission, the Secretariat believes it appropriate to permit the Trustee to invest in this socially responsible investment portfolio. The Global Fund to Fight AIDS, Tuberculosis, and Malaria will also be investing in the same portfolio.

2.3 The relevant details will be available in the coming weeks for review by the FRC and given that the expectation is that there would be no material change in the risk and return profile that the Board has already approved, the Board are requested to delegate authority to the FRC to authorize a change in the investment strategy.
ANNEX 3

BOARD DECISION: BOD/2018/06-10—FINANCING OPTIONS

BOD/2018/06-10—Financing Options: The Board of Directors:

1. Requests the World Bank as Trustee to make the appropriate arrangements to introduce the Euro as a second Holding Currency of the GPE Fund, and agrees to provide euro grant allocations in addition to US dollars and further:

   a. Notes there will be an increase in Trustee fees to be incorporated within the annual trustee budget request.

   b. Delegates authority to the Secretariat in consultation with the Trustee to approve the necessary administrative changes to GPE’s governance documents, donor contribution agreements, and financial procedures agreements to facilitate this approach.

   c. Delegates authority to the Secretariat to instruct the Trustee as to which currency donor contributions should be held in/converted to and to authorize currency conversion from euro to dollar and vice versa to facilitate liquidity management.

   d. Determines that the US dollar maximum country allocations or grant ceilings may be converted to euros upon request to the Secretariat, provided the notification has been received prior to submission of the grant application and with the agreement of the grant agent.

   e. Agrees that the exchange rate used to determine the euro equivalent of a US dollar maximum country allocation or grant ceiling shall be the official World Bank exchange rate in effect on the date the request is received by the Secretariat.

2. Agrees that in addition to investing GPE Funds in the existing model portfolios, that the Trustee is also authorized to invest GPE Funds in Model Portfolio 4 as outlined in BOD/2018/06 DOC 08 which includes investments in equities, based on the current practice of liquidity projections provided by the GPE Secretariat as part of quarterly trust fund rebalancing exercises.

3. Approves the new and/or revised maximum country allocations for education sector program implementation grants as set out in Annex 3. The allocation for these countries will remain valid through the final application round of 2020 unless otherwise adjusted by the Board, and will be subject to the requirements of the GPE funding model.
ANNEX 4

For Decision

GLOBAL PARTNERSHIP FOR EDUCATION FUND TRUSTEE BUDGET ESTIMATE FROM JULY 1, 2019 TO JUNE 30, 2020, AND UPDATE ON APPROVED BUDGETS FROM JULY 1, 2018 TO JUNE 30, 2019.

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1. Objective

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, 2019 to June 30, 2020, and to provide an update to the Board of Directors on estimated administrative expenses from July 1, 2018 to June 30, 2019, for which a supplementary allocation is requested.

2. Recommended Decision

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

BOD/2019/06-XX—Trustee Budget: The Board of Directors approves of the estimated administrative expenses of US$587,000 for trustee services for the period of July 1, 2019 to June 30, 2020 and a supplementary budget of US$222,593 for the period of July 1, 2018 to June 30, 2019 to cover one-time expenses associated with the establishment of the Euro as a second operating currency and completion of GPE Hosting Arrangements review.

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 July 1, 2018, to June 30, 2019**

4.1 The table below shows details of the budget approved for fiscal year 2019\(^1\) as well as its execution.

4.2 The difference between the actuals for fiscal year 2019 and the budget stems from the work undertaken by the World Bank throughout the review of GPE’s hosting arrangements, preparation of the GPE MOU on Hosting Arrangements that was signed by the World Bank and GPE in April 2019, and the operationalization of the Euro as a second operating currency.

5. **Trustee Budget from July 1, 2019, to June 30, 2020**

5.1 The table below shows the estimated budget for services to be provided by the trustee for fiscal year 2020, compared to the budget and actuals for fiscal year 2019.

5.2 The budget for fiscal year 2020 is 16% percent higher than that for FY2019, largely as a result of an anticipated increase of 28% in investment management costs owing to an anticipated increase in investment management fees from 3.5 to 4.5 basis points of the average fund balance from FY20. The estimated financial and program management costs are expected to increase by 7% to facilitate the maintenance of the Euro as a second operating currency and manage a greater number of transactions. Accounting and reporting costs are estimated to remain unchanged while legal costs are estimated to fall slightly.

| Table 1: Budgetary Requirements for Services Provided by the Trustee (in USD) |
|----------------------------------|------------------|------------------|------------------|
| Trustee Services                | Budget for FY2019 | Actuals for FY2019 | Proposed budget for FY2020 |
| Financial and Program Management | 215,000          | 433,340           | 231,000           |
| Investment Management           | 193,000          | 199,553           | 248,000           |
| Accounting and Reporting        | 30,000           | 29,700            | 30,000            |
| Legal Services                  | 79,000           | 77,000            | 78,000            |
| Total                           | **517,000**      | **739,593**       | **587,000**       |

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\(^1\) BOD/2018/06 — Meeting of the Board of Directors, Brussels, Belgium, June 12-14, 2018.
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 Grant Agents, 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, budget preparation and coordination with the Secretariat, Grant Agents to develop and implement operational procedures related to financial transactions. Further to the review of GPE’s hosting arrangements, a provision of an additional $160,000 would be recommended in the event that a family of funds option under GPE is explored further and/or established.

ii. **Investment management:** From FY20, it is expected that investment management fees will be 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 Trust Fund. The projected average annual balance over the next fiscal year is estimated at USD 500 million. This fee will be increased across all World Bank FIFs (from 3.5 basis points to 4.5 basis points), reflecting general increased costs for Treasury services since the fee was last reviewed in 2003. In keeping with the pace of evolving industry trends and to continue delivering first class asset management service for trust funds, additional resources are needed for adding more complex investment options, process implications of regulatory requirements imposed on counterparties and markets, increased cost of compliance, systems etc. Finally, fees charged for asset management services are found to be lower than average for fixed income industry market pricing, according to recent independent review of investment management services.

The average annual balance over FY20 is estimated to be US$550.0 million.

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 Grant Agents.

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 Grant Agents. 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.