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

BOD/2024/06 DOC 06 – FOR INPUT

SEMI-ANNUAL CORPORATE RISK UPDATE

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:

- The Finance and Risk Committee considered the Corporate Risk Update at its April 2024 meeting. It noted the progress made, with a reduction or trend in the right direction for risks levels in most areas but called for vigilance for those risks that are still high, notably around resource mobilization.
- The Committee noted the work on the prevention of sexual exploitation abuse and harassment but raised concerns about potential underreporting of cases by grant agents. It welcomed a discussion on this issue at the May grant agents workshop.

Objective

1. The Board is invited to review the corporate risk update and determine if additional risks could affect GPE's ability to deliver on GPE 2025.

Background

2. The geopolitical and global economic outlook remains challenging. Many countries are still grappling with weak economic growth, high inflation, and elevated public debt in the post-pandemic era, and re-prioritizing spending, putting pressure on education financing in partner countries and international aid budgets. Several major international organizations will seek to replenish their funds ahead of GPE, increasing pressure for limited resources. The ability of education to be prioritized remains a key risk, at a time when the global learning crisis persists.
3. As demand for GPE funding is significant, resource mobilization remains the biggest strategic risk, exacerbated by the risk of insufficient funding to meet sustained demand. Co-financing targets under the Multiplier have been exceeded well ahead of schedule, and despite the increase in funding approved by the Board in December 2023, available resources can no longer keep pace with demand. While high demand and the success of the Multiplier are very positive, the shortage of funding exacerbates GPE's reputational risk with partners who are working to unlock funds. Demand has also exceeded supply for the Girls' Education Accelerator which has not yet reached its initial fundraising target.
4. The success of GPE's innovative finance and clear demand for these mechanisms raise strategic questions for the Board regarding allocations in GPE's next strategy, including whether GPE should invest significantly more resources towards leveraging

finance to crowd in resources to support system transformation.

5. While gender equality risk has decreased, with evidence of gender being better hardwired during grant development, the focus is now on measuring how gender is effectively mainstreamed during implementation to deliver results.
6. Risks around mutual accountability have increased. The extent to which partners stay engaged in the priority reform will likely impact its implementation. A persistent effort from organizations overseeing the process is necessary to sustain engagement, along with leadership from governments to monitor engagement. Partners should also pay increased attention to monitoring of the compact given the mid-term review of the compact will be used as the basis for strategic parameters for the next funding round, as indicated by the Board in July 2023.
7. With replenishment ahead, the priority remains to demonstrate results and strengthen the case for GPE's added value as a catalyst of system transformation to continue attracting and increasing donors' commitments.
8. The pace at which partner countries develop funding applications has significantly picked up. The adaptations to optimize GPE's country-level engagement and reduce transaction costs are proving effective, as evidenced by the record number of strategic parameters approved in 2023. Thus, grant approvals should increase significantly in 2024 as evidence shows that applications can be submitted within 8 months of strategic parameter approval.
9. The risk that contributions to the GPE Fund are not allocated promptly has decreased, and the positive direction of travel is expected to continue as grant approvals rise over the course of 2024, leading to increased disbursements. The record number of Multiplier expressions of interest approved in 2023 and the increased use of system capacity grants will also contribute to higher approvals.
10. While disbursements are now rising as evidenced by a more than 35% increase in 2023, the initial delay in approvals means we are playing catch up which makes it challenging to keep the Secretariat's operating expenses budget (OPEX) within the recommended 7% envelope of total disbursements or to keep the cash balance within the 12–15-month target for disbursement cover. However, progress is being made, and the OPEX percentage for the current financial year will be significantly lower than the previous year due to tight budgetary control and increasing disbursements. Overall cash levels will continue to fall in 2024 and 2025 as disbursements exceed contributions.
11. GPE's overall financial position is challenging but stable. There has been no major increase or decrease in overall donor pledges. Exchange rates have been relatively stable, and investment returns remain strong.
12. Detailed information is provided in **Annex A: Semiannual Corporate Risk Update May 2024**.

Annex A

Semiannual Corporate Risk Update – May 2024

Introduction

1. GPE's Risk Framework is designed to be an effective internal management tool while supporting the Finance and Risk Committee and the Board in strategic decision-making. The report focuses on the key risks that could impact the delivery of GPE 2025, building on the previous report presented to the GPE Board in December 2023. Where relevant, links are made with findings from the Monitoring, Evaluation and Learning Framework, the Results Report, and other evaluations and/or reviews.
2. The report follows the structure of the risk taxonomy which includes risk, control, and performance indicators under GPE 2025, while relevant indicators developed under GPE 2020 continue to be monitored. Qualitative information is presented alongside quantitative information to contextualize the analysis and better reflect perceived risk levels. Furthermore, the qualitative assessment aims at considering the impacts of external factors and how these affect GPE operations.
3. The rating is based on a scale detailed in the 2019 Board approved methodology following quantitative and qualitative assessments. An estimate of the impacts (i.e., estimated consequences should the risk materialize) is provided, as well as the direction of travel where possible. The risk rating at the category level is the outcome of a collective qualitative assessment by the Secretariat risk owners.
4. The main section of the report presents key findings and trends focusing on ongoing business management risks on an outlier basis and matters that will require attention in the future. An update on relevant risk areas discussed in the previous report is also provided. The annexes present data and detailed information including mitigation plans.

Key Findings and Trends

I) Strategic risk exposure remains moderate

5. **Resource mobilization, or the risk that contributions to the GPE Fund are insufficient, remains the greatest strategic risk as demand for GPE funds is sustained (high risk level).** The challenge of increasing donor commitments towards the US$5 billion target persists in a world facing multiple crises, including armed conflicts and climate change. These global tensions, coupled with upcoming elections in 64 countries this year, increase the risk of polarization and insecurity. At the same time, countries are grappling with the impact of weak economic growth, high inflation, and elevated public debt in the post-pandemic era as well as the need for more resources for climate change adaptation, which puts pressure on education financing in partner countries and on international aid budgets. Some donors are pressured to reallocate resources towards defense spending

and refugee support. Heightened competing priorities are likely to further reduce the volume and/or reorient the direction of aid available for education at a time when multiple organizations will be campaigning for funds. Resource mobilization risk is also exacerbated by the risk of insufficient funding to meet the demand for the Multiplier which has exceeded its co-financing targets under GPE 2025 and benefitted from an increase in funding from the Board. Demand for the Girls Education Accelerator has also exceeded supply and the initial fundraising target set by the Board has not yet been reached.

6. **In this context, GPE is continuously adapting donors' advocacy strategies, considering political and economic situations to create an enabling environment to bring in existing pledges from donors and diversify further the donor base.** With the upcoming replenishment on the horizon, the priority remains to demonstrate results with evidence-based data at the system level to continue attracting and increasing donors' commitment to financing GPE's core programs. While grant-level results are collected and demonstrated continuously, system-level evidence will be supported by data collected via the mid-term review, hereby applying the principle of mutual accountability. While the Secretariat is confident in its ability to demonstrate results in countries where GPE grants have been implemented since as early as 2011, it remains challenging to show evidence of GPE's impact at the sector level among other players. GPE also aims at maximizing opportunities to join forces and create synergies with complementary sectors and actors (see technical assistance initiatives). A surge replenishment envelope phased over 3 years will be submitted to the FRC in April, and the Board in June 2024, and an internal Secretariat task force is at the forefront of building the case for investment.

7. **Co-financing targets have been exceeded well ahead of schedule, showing strong interest in GPE's innovative finance mechanisms and potential to scale up. The risk has shifted toward financing the demand and managing partners' and new co-financers' expectations.** In December 2023, the GPE Board agreed to increase the Multiplier envelope for the GPE 2025 financing period from US$755 million to US$950 million. Despite the positive development from the December 2023 board meeting, the funding is still insufficient to meet the sustained demand for the Multiplier. The Board also called for increased contributions to the Girls' Education Accelerator (GEA). US$179.5 million have been raised for the GEA, against an original target of US$250 million. All available funds have been allocated. Six countries have been either approved or are currently seeking board approval to access up to US$115.6 million subject to the Secretariat's confirmation of available GEA resources. While the popularity of these instruments is very positive, the inability to meet demand exacerbates GPE's reputational risk in front of partners and co-financers who are working tirelessly to unlock funding, and the Secretariat is communicating with affected partners. As requested by the Board, the Secretariat is proposing a potential reallocation of additional resources to the Girls' Education

Accelerator for FRC consideration and Board decision in June 2024. It will also consider options to deal with demand for the Multiplier.

8. **The success of GPE's innovative finance portfolio raises strategic questions for the GPE Board regarding GPE's next strategy and Financing and Funding Framework.** These include whether GPE should invest significantly more resources towards leveraging finance and whether to scale up funds deployed to mechanisms aimed at crowding in resources for education. The additional Multiplier allocation recognizes the success of the instrument in leveraging and dramatically scaling up education financing. As of February 2024, GPE has exceeded its target of mobilizing an additional US$3 billion in co-financing. GPE's Innovative Finance mechanism has also strengthened its thought leadership and convening power, as confirmed by an independent evaluation conducted in June 2023. The Secretariat is preparing for GPE 2030 and considering the best use of limited grant resources in an environment where donors expect grant dollars to stretch further. To this end, an external consulting firm has been contracted to support the work. Consultations with stakeholders will take place in advance of the Committees and Board meetings.

9. **The risk of gender not being hardwired during the implementation of GPE 2025 has decreased from high to moderate. Progress in addressing gender risk requires action across the partnership to deliver on GPE 2025's ambitions.** Increased communication on GPE's gender approach and targeted resources within the Secretariat (i.e., the Gender Hub) have improved countries' understanding and integration of gender equality in grant development. The September 2023 paper on gender supported this effort by clarifying partners' roles and responsibilities and providing a common language for discussing gender equality issues. It also highlighted existing tangible actions and entry points for gender equality in GPE processes. As a result, the grant agent selection criteria now include gender expertise, and an increasing number of System Capacity Grants (i.e., 10 to date) are used to support gender capacity, often generating robust gender data and analysis. Most of these are from later cohorts, following revisions of the enabling factors and compact guidance. Gender hardwiring involves checking at every stage of engagement, from compact development to implementation, that gender is adequately addressed. The focus is now on measuring how gender is effectively mainstreamed during implementation and delivers results, acknowledging that change is incremental, and strengthening capacity, expertise, and evidence takes time.

10. **Domestic financing risk remains high considering government education spending is insufficient to close the learning gap sustained during the pandemic while the proportion of development assistance for education is falling when it is most needed.** According to Education Finance Watch 2023, despite the notable increase in total education spending in real terms in low income countries (LIC) at the height of the pandemic, it remains insufficient to close the learning gap sustained during the pandemic. Education spending as a percentage of gross domestic product (GDP)

declined in all other country income groups. Meanwhile, the proportion of development assistance devoted to education is declining and could be spent more efficiently. It declined by 7% between 2020 and 2021 due to a reduction in general budget support, returning to pre-COVID levels. LICs remain dependent on aid to fund education service delivery: it comprises 13% of their total education expenditure.

11. **Therefore, GPE 2025 focuses not only on increasing volume but also on improving equity and efficiency of domestic education spending to ensure that limited resources are maximized targeting the most marginalized.** The system transformation approach assesses domestic financing volume early and upstream in the enabling factors assessment and partnership compact, with continued monitoring by local partners and the Secretariat of delivery of commitments. The Secretariat notes increased use of system transformation grant top-ups to incentivize domestic financing progress, with 30 Board-approved top-up triggers on domestic financing worth US$193.8 million. Top-ups are tailored to country contexts. For instance, in Sierra Leone, the disbursement of half of the top-up is conditioned on an increase in the execution rate of the education budget from the actual 78% to 85% by 2024. GPE also supports initiatives to expand the fiscal space for education in partner countries (e.g., Debt2Ed, TaxEd Alliance through Education Out Loud). Advocacy for domestic financing continues to bring greater visibility to education as a strategic investment, positioning GPE as a key partner in education financing at the highest political level (e.g., participation at the African Union meeting in February 2024, and the UNECA Conference of African Ministers of Finance in March 2024).

12. **Risks around mutual accountability have escalated from moderate to high.** An assessment of 37 partnership compacts in terms of partner commitments to monitoring reform progress suggests a moderate risk level, 1% point short of low risk, indicating strong foundations for mutual accountability. However, a second indicator, monitored for the first time, based on an assessment of 9 partnership compacts, suggests weaknesses in terms of compact monitoring processes, potentially undermining mutual accountability for driving reform progress. This finding is aligned with the early lessons from the country and thematic evaluation phase 1. Partnership compacts focus partners at the country level on identifying and achieving reforms with the potential to unblock bottlenecks and trigger system transformation, creating a framework for mutual accountability. Regular monitoring allows countries to track progress on the delivery of a reform and make changes if needed. As the adoption of partnership compacts grows, the focus shifts towards monitoring implementation and partner commitments. However, despite the small sample for the analysis, few pilot compacts have robust monitoring mechanisms in place. The Secretariat urges early attention to monitoring the partnership compact, given the mid-term review of the compact will be used as the basis for strategic parameters for the next funding round, as indicated by the Board in July 2023.

13. **A significant challenge and potential risk to mutual accountability is the focus on GPE processes instead of approaching these as a means to an end to achieve system transformation.** The July 2023 Board's endorsement of the principle of adaptive learning for continuous improvement from one strategy period to the next means updating the strategy without significantly changing the operating model from one funding cycle to another, which provides stability for country partners to implement profound changes. As GPE transitions between strategy periods, updating the strategy without altering the operating model is crucial for building a common understanding of system transformation, with clear roles and responsibilities, with feedback loops from country to global levels, with mutual accountability for results. Mutual accountability also requires engagement from Board members and participants in GPE's governance structures to work with the Secretariat, ensuring country-level counterparts understand their roles in achieving the shared ambition of GPE's system transformation. The Secretariat notes an increased understanding of the approach due to positive partnership engagement.

II) Operational risk exposure remains high

14. **Operating model risk, or the risk that partner countries are unable to progress through key stages of the system transformation approach effectively has decreased from high to moderate.** Between July and December 2023, a record number of 22 strategic parameters were approved, and the positive trend continues currently. Countries have shown that applications can be submitted within 8 months of strategic parameter approval, leading to successful grant applications for countries with strategic parameters approved by May 2023. Grant application pace has noticeably accelerated for cohorts 4 and 5. The first phase of grant application (i.e., approval of strategic parameters) has been challenging and longer than expected in many contexts, while the second phase (i.e., selection of grant agent, grant development, quality assurance review, and approval) has aligned with expected timelines. As 70% of countries have completed the first phase, forward-looking risk depends on the speed of progress through the second phase. The Secretariat is confident the accelerated pace of grant application will continue in the second phase of the grant application.

15. **The risk that contributions to the GPE Fund are not allocated timely has decreased from very high to high, and the positive direction of travel is expected to continue as grant approvals are anticipated to significantly rise in FY2025, leading to increased disbursements.** The record number of strategic parameters approved in the past 6 months suggests that more countries will access their system transformation grants. Additionally, the record number of Multiplier expressions of interest (EOI) approved in 2023 is expected to result in more applications in 2024. Countries are also utilizing more system capacity grant resources, increasing further funding access in 2024. Therefore, grant approvals are expected to rise significantly in 2024. The trend of lower-than-expected

approvals impacting disbursements in the early years of the strategic plan has started to reverse, with disbursement numbers likely to increase considerably going forward.

16. **The risk of Partners not progressing effectively through key stages of the system transformation approach has effectively been mitigated by the Secretariat's actions to streamline processes, enabling faster progress through grant applications.** Operational adaptations were made in early FY2023 based on lessons learned from the first two cohorts. Further adaptations in February 2023 included simplifying guidance, improving work sequencing, and strengthening gender hardwiring. In July 2023, the GPE Board approved additional adaptations to optimize country-level engagement and operations, reduce transaction costs, and preserve GPE's ambition for country-led system transformation. GPE accelerated its learning and adjustments throughout 2023, drawing on evidence and experience to simplify operations and better support partner countries. A key lesson learned is that selecting ambitious but above all *practical* priority reform is the best way to focus support and accelerate education system improvements. Gathering peers from various countries and regional experts has been instrumental in advancing evidence-based prioritization. Feedback from workshops shows that peer collaboration enhances understanding of the model and evidence-based discussions on priority reforms. The positive impact of process adaptations is evident in the accelerated grant application pace for cohorts 4 and 5. The system transformation approach is a paradigm and mindset shift; the Secretariat is confident it will deliver on its promises.

17. **Alignment risk is considered moderate. The methodology of two new indicators is refined to better monitor alignment opportunities and measure GPE's leverage.** GPE partner countries face challenges due to fragmented external aid in education, characterized by multiple projects operating on the margins of national systems and domestic financing, which leads to high transaction costs and risks for country systems, affecting coordination, accountability, predictability, and sustainability. To respond to the weaknesses and barriers to alignment, GPE has clarified its conceptual approach. Going forward, the Secretariat will review its quality assurance process to reduce transaction costs and be more relevant and realistic to opportunities and challenges of alignment with country systems. At the country level, the focus will be on developing an alignment scoping study methodology and providing support operations to foster change and facilitate dialogue between practitioners (e.g., training partnerships with grant agents).

18. **Grant performance and the risk of grants not achieving results within their intended timeframe remain high, despite ongoing progress and upward trend.** Currently, 88% of active grants under GPE 2020 are on track with implementation, up from 80% six months ago, showing improvement. Positive interventions at the country level have enabled several grants initially off-track to accelerate implementation or address issues, including through restructurings. Other grants faced issues that delayed implementation earlier in the program (such as COVID-19-related school closures, slow initial approval processes)

but have picked up implementation pace in this fiscal year. Delays are also attributed to exogenous factors like political crises, changes in government leadership, and natural disasters. However, despite progress in implementation leading to higher fund utilization, some programs are still underspending. The Secretariat is working with grant agents to determine if additional actions are needed to speed up spending for programs lagging. Implementation continues to be affected by institutional instability in certain contexts.

19. **Delays in approval of new grants combined with earlier delays on a number of existing grants have negatively impacted the disbursement rate, which in turn has negative repercussions on other risks.** While disbursements are now rising, they are backloaded due to the initial delays. This, in turn, makes it challenging to keep the Secretariat's operating expenses budget (OPEX) within the recommended 7% ceiling of total disbursements and to keep the cash balance within the 12–15-month target for disbursement cover. However, the tide is turning: OPEX has stabilized and is moving closer to the target 7% ceiling as disbursements should increase and tight budgetary control remains. The Secretariat is confident that the strong pipeline to come will continue to have a positive impact on disbursements and lower cash levels. This requires a concerted effort from all partners to accelerate progress on approvals and program implementation, which is critical in driving disbursements.

20. **Grant management compliance risk exposure has decreased from high to moderate following a qualitative assessment.** While compliance of grant agents is crucial, the risk level has been downgraded after the assessment to reflect the fact that delays in submission of progress and completion reports are often minor and inconsequential to operations. For example, out of 6 delayed completion reports, 3 were submitted within 1 month of delay, 1 within 2 months, and the rest after 3 months. Overall risk exposure is driven high by the percentage of audit reports received late (72%). Actions are taken by the Secretariat to improve the submission process for audit reports, including updating relevant GPE policies and procedures to explicitly mention the requirement for annual audits to be performed and reported to the Secretariat. Grant agents are sensitized, and compliance with GPE policies will be discussed during a workshop scheduled in May 2024.

21. **Fraud and misuse risk has decreased from moderate to low following a qualitative assessment, as grant agents are promptly addressing incidents of misuse of funds and external audit findings.** All significant audit issues identified in the last fiscal year were satisfactorily addressed timely. Of the five misuse cases reported to the Board in December 2023, only one was an outlier, and it has been open since 2020. Additionally, the Secretariat's review of external audit reports during the current fiscal year has not revealed any high-risk issue. The low-risk rating reflects the effectiveness of the preventive risk management strategy implemented by the GPE Secretariat to mitigate the risk. However, the Secretariat acknowledges the possibility of underreporting and the challenges in recovering misused funds in certain contexts.

22. **The risk level for PSEAH (Protection from Sexual Exploitation, Abuse, and Harassment) remains moderate following a qualitative risk assessment to flag the risk of underreporting.** The rollout of the GPE PSEAH policy has shown that grant agents have varying capacities to address sexual exploitation, abuse, and harassment within GPE-funded programs and to report cases to GPE as required by the PSEAH policy. Three grant agents currently lack mechanisms to report individual SEAH cases, as mandated by the policy. The Asian Development Bank and the International Development Research Centre have committed to implementing mechanisms for reporting individual SEAH cases. However, the World Bank has stated that it cannot adjust to GPE's reporting requirements without violating its policies on data privacy and survivor protection principles, resulting in no reported case by the World Bank to GPE. While GPE trusts that the World Bank is appropriately applying its policies on PSEAH, the lack of information on potential GPE cases creates an information gap. The World Bank and GPE Secretariat are in constructive dialogue. As of February 2024, there were no open SEAH cases. The Secretariat remains vigilant about the risk of underreporting; hence risk exposure remains moderate. The risks around underreporting will be discussed at an upcoming workshop of GPE grant agents.

23. **The risk related to GPE's support to strengthen capacity, which involves connecting expertise, innovation, and knowledge to help partner countries enhance their education systems, remains very low.** Initially focused on the Knowledge & Innovation Exchange and Education out Loud, the risk will encompass GPE's technical assistance initiatives going forward. These aim at providing targeted expertise, tools, and solutions to strengthen partner country capacity for system transformation. These initiatives have the potential to address significant cross-sectoral challenges affecting equitable learning, such as climate change, malnutrition, school-related violence, gender discrimination, and the digital divide. The potential for scaling up depends on whether expanded technical assistance can receive dedicated funding from the GPE fund or be supported through co-financing or other instruments. Additionally, scaling up will hinge on the ability to mobilize financing from new partners (e.g., climate funds, private sector).

III) GPE fund management risk exposure has decreased from high to moderate

24. **Liquidity risk exposure is moderate after the targeted range for disbursement was adjusted to ensure sufficient collateral for currency hedging contracts under the Foreign Exchange Framework.** GPE's cash balance remains above the new 12-15-month target for disbursement cover, despite a significant increase in disbursements in 2023 compared to 2022. The substantial volume of donors' contributions received in the GPE Fund in 2023, while positive, temporarily elevates the cash balance. The higher cash balance is expected to decrease as disbursements have started to rise significantly while fewer donor contributions are expected. The cash balance has generated stronger than expected investment returns, especially in the high-interest rate environment.

25. **GPE's exposure to foreign exchange risk has decreased from high to moderate in the past six months due to a reduction in the amount exposed to FX risk and fewer exchange rate fluctuations.** The outstanding non-USD contributions as a percentage of total replenishment resources for GPE 2025 have continued to decline as donors make payments to the GPE Fund, reducing the outstanding funds subject to further FX risk. Using the total current value of the replenishment, 40.1% of total donor pledges are in non-US dollar currencies, down from 56.5% six months ago. The overall financial position of GPE has remained stable in the past six months with less pressure on exchange rates. However, small movements in the US dollar can still have a significant impact, as almost all grant expenditure is in USD but 90% of the remaining contribution for the replenishment period is in non-USD. The Foreign Exchange Framework should help mitigate this risk, and the pilot is set to begin once all donor contribution agreement updates are signed. Ongoing efforts are made to obtain signatures. While currency hedging will reduce future exposure, it will not eliminate it unless there is a significant increase in donors converting their pledges into multi-year contribution agreements with defined payment schedules.

IV) GPE business continuity risk remains moderate

26. **The Secretariat's budgeted expenditures are within the Board-approved amount, and the risk of operating expenses (OPEX) exceeding the target range as a percentage of total GPE fund disbursements has decreased from high to moderate.** GPE aims to keep operating expenses within 7% of total disbursements from the GPE Fund. With increased disbursements, the operating expenses ratio has moved closer to the 7% targeted ceiling, despite persistent inflation and the application of the 20.5% hosting fee on Secretariat direct expenses. OPEX have stabilized on a cumulative basis, and the FY24 OPEX percentage will be lower than FY23. The GPE 3-year staffing plan and budget envelope for the July 2024 to June 2027 period will be reviewed by the FRC in April 2024, and Management is preparing that plan based on remaining within 7% of total disbursements.

27. **Human Resources risk exposure has remained moderate. To mitigate risks from organizational changes supporting the system transformation approach, the Secretariat developed robust risk and change management plans.** These plans will aid in effectively re-engineering GPE processes. A staff review is underway to inform the 3-year-staffing envelope, to be presented to the FRC in April 2024. This review aims to drive efficiencies, reduce costs, and provide adequate human resources to meet the growing demand for GPE funds and manage a more complex grant portfolio. Organizational changes will focus on country-facing roles and processes, aiming to expand capacity in a regional, matrixed structure. This will facilitate decision-making with clearer roles, boundaries, and less fragmentation. GPE has a comprehensive risk mitigation plan for a smooth transition, including the recruitment of four new manager-level positions. These will strategically reallocate country-facing responsibilities for enhanced efficiency. GPE also developed a comprehensive change management plan to support staff in

navigating necessary business changes. The staff review aims to accurately forecast the projected headcount in the next 3 years across GPE locations, especially non-HQ sites.

28. **GPE's technological environment poses a high risk due to potential inadequacies in its current systems in enabling GPE to achieve its objectives in the coming years.** However, the Secretariat is well-positioned to mitigate this risk through the GPE Digital Transformation Project, investing in modern, integrated IT solutions for efficiency gains and innovation to stay competitive in the sector. The project is progressing as planned, currently in the vendor procurement phase. Following an Enterprise Architecture Review, GPE adopted a unique hybrid IT services delivery model for flexibility in adopting modern IT platforms and solutions tailored for a mid-sized grant-making organization with a strong advocacy and country engagement profile. Initiated in 2022 with a multi-year budget, the project is expected to decrease risk over time but introduces new risks with the introduction of new IT systems by external contractors. GPE is the only World Bank-hosted Financial Intermediary Fund with a hybrid IT model. Mitigation actions focus on the ongoing procurement process to identify a vendor with a background in grants management and operations, with World Bank and GPE involvement to ensure technological and operational fit. The existing system was successfully migrated to a new platform in January 2024, ensuring effective operation during the transition.

29. **Although Diversity, Equity, and Inclusion (DEI) risk exposure remains high, actions taken to improve DEI within the Secretariat are expected to reduce the risk going forward.** The DEI coordination group has continued to advance DEI priorities after the approval of the DEI Compact by the CEO. The Secretariat collaborates with the World Bank's Ethics & Business Conduct Office to ensure staff are aware of available services.

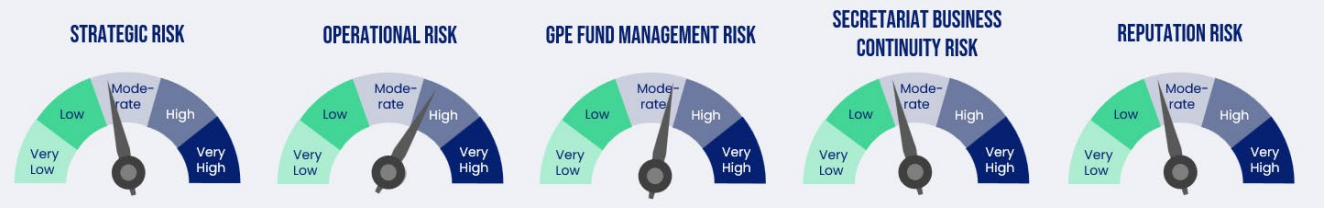
V) Reputation risk remains moderate

30. **GPE's reputation risk is moderate, with GPE's most significant reputational risk hinging on its ability to deliver effectively and efficiently on its goals and objectives, and ultimately demonstrate its added value as a catalyst of system transformation.** While the success and demand for the Multiplier and Girls' Education Accelerator are positive, the inability to fully meet this demand can negatively affect GPE's reputation in front of partners and co-financers. Ahead of the Replenishment, GPE faces a threefold risk: increasing approvals within GPE 2025, advancing grant disbursement on existing approved grants, and demonstrating results from the system transformation approach to reaffirm its added value. If donors question GPE's ability to deliver, resource mobilization could suffer, and policy influence could decline. Management is confident in GPE's ability to deliver, noting the pace of grant approval has picked up, and is anticipating record grant approvals in 2024. While the likelihood of reputational risk materializing is low, its potential impact is significant and could hinder fund mobilization.

Annex A

Annex: Risk levels, scores, and indicators

Annex 1: Overall risk levels per risk category



Annex 2: Risk levels and risk scores per category and sub-category and direction of travel in the past six months

STRATEGIC RISK	S2 23	S1 24	DOT
Overall category	3.08	2.83	=
Financing risk and resource mobilization	4.00*	4.00*	=
Financing risk and co-financings	1.50*	1.00	↘
Domestic financing risk	4.00*	4.00*	=
Mutual Accountability risk	3.00	4.00*	↗
Governance risk	2.00	1.00	↘
Gender Equality Risk	4.00	3.00*	↘

SECRETARIAT BUSINESS CONTINUITY RISK	S2 23	S1 24	DOT
Overall category	3.12	2.62	=
Operating expenses risk	1.00	1.00	=
Human Resources (HR) risk	3.49*	2.50*	=
Information Technology (IT) risk	4.00	3.50	=
Diversity Equity and Inclusion risk	4.00	3.50	=

The **Direction of Travel** (DOT) indicates whether the risk level has increased (e.g., from low to moderate), remained similar (e.g., from low to low) or decreased (e.g., from high to moderate) compared to the previous reporting exercise. The DOT does not consider changes of risk scores (e.g., changes from 1.6 to 2.3 shows "remained similar").

The **Star (*)** next to the risk score indicates when the risk level was reviewed (i.e., elevated or lowered) as the result of a qualitative risk assessment, following the quantitative assessment.

FUND MANAGEMENT RISK	S2 23	S1 24	DOT
Overall category	4:00	3:00	↘
Liquidity risk	4:00	3:00	↘
Currency exchange risk	4.00	3.00	↘

OPERATIONAL RISK	S2 23	S1 24	DOT
Overall category	3.50*	3.50*	=
Operating model risk	3.70	3.49*	↘
Access to funding risk and approvals	5.00	4.40	↘
Access to Funding Risk and Multiplier	1.49	1.49	=
Alignment	n/a	2.50*	n/a
Access to Funding Risk and Value for Money	4.00	3.49*	↘
Grant Performance Risk	4.00*	3.70	=
Grant Compliance Risk	4.00*	3.49*	↘
Risk of Fraud and Misuse	3.00	2.49*	↘
PSEAH Risk	3.00*	3.00*	=
GPE's Support to Strengthen Capacity Risk	1.00	1.30	=

REPUTATION RISK	S2 23	S1 24	DOT
Overall category (hybrid risk, with no sub risk)	2.50	2.50	=

Very Low (0/1-1.49)	Low (1.50-2.49)	Moderate (2.50-3.49)	High (3.50-4.49)	Very High (4.50-5)

Annex A

Annex 3: Detail on risk indicators, per risk category

GPE Strategic Risk: the risk that GPE is not able to achieve its goals and objectives.			
	**Top Risk(s):** **1. Financing Risk & Resource Mobilization or the risk that contributions to the GPE Fund are insufficient (high risk)** **2. Mutual Accountability Risk or the risk that partners at the country level do not take accountability for their commitments in the compact (high risk)**		
Risk Area	**Risk Indicators & Trends (when applicable)**	**Risk level, Impact & Direction of Travel (when applicable)**	**Context & Specific Countermeasures**
1. Financing risk and resource mobilization: the risk that contributions to the GPE Fund are insufficient impeding GPE's abilities to fund its programs	• Total amount pledged versus US$5 billion target: **US$ 4.052 billion against the US$5 billion target or 81%** (using the FX rates at the time the pledges were made) • Data for S2 2023: US$ 4.051 billion or 81%	• **High risk** (elevated after qualitative assessment) • High Impact • Direction of travel: ↔	• The funding landscape remains challenging, with donors having renewed priorities (e.g., military spending, climate change, refugees, etc.) in a global economic and political context that has remained strenuous. Competing donors' priorities are likely to further reduce the volume and/or reorient the direction of aid available for education. • There have been some positive movements concerning donors' pledges. GPE welcomed a 134 million EUR pledge announcement from Denmark for 2022-2025, and a pledge of 3 million EUR from Japan to help cyclone-impacted children in Mozambique return to school. The US House and Senate Appropriations Committees proposed level funding for GPE at 130 million USD despite strong calls for cuts to spending. • While the high demand for co-financings is positive, it exacerbates resource mobilization risk and raises questions on the long-term strategic direction of GPE, including whether the GPE should invest significantly more resources towards leveraging finance as part of the next Replenishment.
2. Financing risk and co-financings: the risk that co-	• % of total co-financing mobilized per calendar year versus target: **US$**	• **Very Low risk** • Moderate Impact	• Co-financing targets remain well ahead of schedule with sustained interest and high demand for the Multiplier and diversification of co-financers, showing the success as well as the potential to scale up such initiatives,

financing targets are not reached impeding GPE's abilities to co-finance its programs	**2,256 billion against a US$ 1,250 billion target or 180%** • Data for S2 2023: US$ 1,712 billion or 184%	• Direction of travel: ↓	hereby raising questions on the strategic orientations of GPE2030 and the future Financing and Funding Framework. • Deeper innovative finance technical support is now delivered during country engagement to ensure that partner countries can leverage their Multiplier allocation in an opportunistic and timely manner. New Board-approved Multiplier initiatives (e.g., SmartEd, Debt2Ed,) are rolled out with targeted engagements aimed at expanding opportunities. Diversifying co-financing beyond the usual partners is a priority (e.g., climate actors). • The challenge has shifted towards financing the sustained demand for co-financing and keeping up with expectations. While the higher-than-anticipated demand is very positive, it exacerbates GPE's reputational risk in front of partners and co-financers. • Ensuring that co-financings achieve results by measuring the impact of co-financing is important as part of the reflections on the strategic focus.
3. Domestic Financing Risk: the risk is that Partner Countries do not make progress towards GPE benchmarks in terms of domestic financing volume during implementation	• % of GPE countries or states persistently below GPE benchmarks for DF volume: **29%** • Data for S2 2023: 27%	• **High risk** (elevated after qualitative risk assessment) • High impact • Direction of travel: ↔	• There is no clear upward or downward trend based on the data, given it takes several years to observe trends in education financing. However, government education spending in partner countries remains insufficient to close the learning gap sustained during the pandemic while the global economic context is challenging. Therefore, the assessment remains high. • GPE 2025 offers the option to use the system transformation grant (STG) top-up as a lever for incentivizing progress where relevant. An uptake in the number of countries using this mechanism is to note, with as many as 30 Board-approved top-up triggers on domestic financing to date (trigger meaning an action linked to a funding amount), worth 193,8 million USD. • Advocacy on domestic financing continues, as part of GPE's ongoing strategy to bring greater visibility to education as a strategic investment. (e.g., ministerial communique endorsed by 41 countries presented to the Board in December 2023; partnership with the African Union and the Head of State for Ghana to host a presidential discussion on domestic financing for education in February 2024; participation in UNECA Conference of African Ministers of Finance in March 2024).

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4. Mutual Accountability Risk: the risk that partners at the country level do not take accountability for their commitments in the compact, impeding GPE's ability to mobilize global, and national partners and resources for sustainable results	• % of partnership compacts that include specific commitments by country-level partners or a specified monitoring mechanism in the prioritized reform area: **89%** • Data for S2 2023: **94%** --- • % of partnership compacts where agreed monitoring mechanism is implemented by country-level partners: **56%** • Data for S2 2023: 82%	• **High risk** (lowered after qualitative risk assessment) • Moderate Impact • Direction of travel: ↑	• Risk exposure increased from moderate to high, as the second indicator is reported for the first time, and assesses whether monitoring arrangements foreseen in the partnership compacts are implemented in countries where compacts have been in place for more than one year. • The first indicator assesses 37 partnership compacts in terms of partner commitments to monitoring reform progress, including 20 new partnership compacts. It shows a moderate risk level, 1% point short of low risk, indicating strong foundations for mutual accountability. • The second indicator assesses 9 partnership compacts in terms of compact monitoring practices and shows a very high-risk level, with only 56% having available evidence at this time of monitoring activity in line with their compact monitoring commitments. The data should however be contextualized considering the small size of the sample, hence the overall risk is downgraded to high risk. Despite the small sample, the assessment urges countries and their partners to pay attention to compact monitoring well before it reaches the mid-term point. The Secretariat is developing guidance for mid-term reviews, and this collaborative exercise involving partner countries will support regular monitoring and checkpoints for fostering mutual accountability for compact and reform implementation, learning, and adaptation.
5. Governance Risk: risk that the systems by which GPE makes and implements decisions in pursuit of its goals and objectives are not fit for purpose	• % of Board decisions approved without modification (i.e., approved "as is") out of all Board decisions in the last 12 months: **97% (83 out of 85 decisions)** • Data for S2 2023: n/a	• **Very Low risk** • Moderate Impact • Direction of travel: n/a	• The risk indicator has been revised to overcome the challenges presented by having a previous indicator relying on the Board survey (i.e., low response rate, lack of alignment with survey calendar). The new indicator measures the effectiveness of Board decision-making based on the assumption that a decision approved "as is" is clear, comprehensive, and facilitates GPE's prompt mission delivery. • Very low risk indicates the Board is provided with the information it needs to operate strategically and in the best interest, with the support of clear and focused decision language provided by the Secretariat and supporting documentation that enables informed decision-making.

6. Gender Equality Risk: the risk that gender equality is not hardwired during the implementation of GPE 2025	• % of programs that have hardwired gender equality through the program design to a satisfactory or highly satisfactory level at the QAR I stage since the inception of GPE2025: **70%** • Data for S2 2023: 60% in the past 12 months	• **Moderate risk** (elevated after a qualitative assessment) • High impact • Direction of travel: ↓	• Now reported cumulatively, the indicator shows a significant increase in the proportion of countries integrating gender equality from an early stage of program development at QAR 1, from 60% to 70% in six months. The number of countries assessed more than doubled, from 11 in July 2023 to 23 in December 2023, as more countries applied for GPE grant funding. Increased and clearer communication on GPE's gender approach helped countries to have an increased understanding of expectations and enabled them to integrate gender equality from an early stage of program development. • Going forward, the focus is shifting to assessing how countries take account and integrate GPE's recommendation (e.g., an indicator on integration of gender at QAR III is explored to measure the Secretariat's leverage) as well as how gender is mainstreamed and delivers results as set out in GPE 2025.

GPE Operational Risk: the risk that GPE is not able to deliver on its country-level objectives.



Top Risks:
1. The risk around access to funding and approvals, or the risk that contributions to the GPE Fund are not allocated timely impeding GPE's abilities to implement its programs (very high risk)
2. Grant Performance Risk, the risk that GPE grants do not achieve results in the intended timeframe (high risk)

Risk Area	Risk Indicators & Trends (when applicable)	Risk level, Impact & Direction of Travel (when applicable)	Context & Specific Countermeasures
1. Operating Model Risk: the risk that Partners are unable to progress through key	a) % of applications approved within 24 months of cohort start date (actuals, including pilot countries): **63%** (Data for S2 2023: 67%)	• **Moderate Risk** (lowered after a qualitative assessment) • High Impact	• Between July and December 2023, a record number of 22 strategic parameters have been approved, and the positive direction of travel has continued in the second half of FY2024. Countries continued to show that applications could be submitted within 8 months of approval of the strategic parameters, leading to successful system transformation grant applications for all countries whose strategic parameters were approved no later than May 2023.

stages of the system transformation approach in an effective manner	b) % of applications on track to have strategic parameters approved within 16 months of cohort start date (actuals and projections): **25%** (Data for S2 2023: 45%) c) % of applications on track to have GA selected, grant developed, QA completed, and approval made within 8 months of approval of strategic parameters (actuals and projections): **64%** (Data for S2 2023: 81%)	• Direction of travel: ↔	• Meanwhile, the percentages reported have increased given the time to approve of strategic parameters has been longer than initially forecasted. The first phase has now been achieved by 70% of the countries so forward-looking risk is informed by indicator c. Going forward, limited delays (up to 3 months) are anticipated for the second phase as some countries have taken longer for grant agent selection. • The above result has been positively influenced by different actions that the Secretariat has taken to streamline the process, including but not limited to the Board-approved July 2023 set of adaptations. Some acceleration on phase 1 has been observed with cohorts 4 and 5. GPE picked up the pace of learning and adjustments throughout 2023, drawing on evidence and experience to simplify and speed its operations and more effectively support partner countries.
2. Access to funding risk and approvals: the risk that contributions to the GPE Fund are not allocated timely impeding GPE's abilities to implement its programs	• Cumulative % of funds approved under GPE 2025 versus targets: **US$ 809.3 million against a US$ 1.031 billion target or 78%** • Data for S2 2023: 56% (US$ 349.2 million against a US$ 623.8 million target)	• **High Risk** • Very High Impact • Direction of travel: ↓	• Access to funding risk is correlated to the above risk "Operating Model Risk" and a consequence of the above risk. The risk level has decreased from very to high, showing positive progress regarding approval numbers. The positive direction of travel is expected to continue as grant approvals are anticipated to significantly rise in FY2025, with the record number of strategic parameters approved expected to translate into applications in 2024, the record number of Multiplier EOIs approved in 2023, and the increase in the use of the system capacity grant. Disbursements were backloaded due to initial approval delays, but they have started to rise and are expected to increase further in FY2025 and FY2026 as a consequence of increased funding access. • Access to funding risk remains negatively impacted due to the current political situation in several countries which may mean that it will be impossible to provide access to funding to the government. The Secretariat has been mitigating this risk by operationalizing the operational framework for fragile and conflict-affected countries.

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3. Access to Funding Risk and Multiplier: the risk that partners do not, or are not able to, apply for GPE Multiplier funding, impeding GPE's ability to implement its programs	• % of Multiplier envelope allocated (= EOIs approved) per calendar year versus target **US$ 588 million against the target of US$375 million or 157%** • Data for S1 2023: US $588 million or 153%	• **Very Low Risk** • Moderate Impact • Direction of travel: ↔	• This indicator is correlated to the "Financing risk and co-financings" sub-risk above in the Strategic Risk Category. • Demand for the Multiplier has continued to be high and the target has been exceeded by far. The increase in funding approved by the Board in December 2023, while positive, is insufficient to meet the sustained demand, hereby exacerbating GPE's reputational risk in front of partners and co-financers. The Secretariat is communicating with countries and co-financers on the funding situation • Meanwhile, the challenge has shifted towards financing the demand for the Multiplier and measuring the impact of the Multiplier grants in advance of the next replenishment, to advance the reflection on GPE's future Financing and Funding Framework.
4. Alignment Risk: the risk that GPE grants insufficiently use government systems for implementation *(abridged)*	• % of GPE grants (i.e., ESPIG, STG/GEA, Multiplier) that are aligned out of total grant funding: 53.6% • Data for S2 2023: n/a (newly reported in risk report)	• **Moderate Risk** (elevated after a qualitative assessment) • Moderate impact • Direction of travel: n/a	• The indicator reported is part of the 2023 Results Report. The proportion of aligned grant funding in 2023 bettered the average of 48% seen over the 8 years from 2015. However, there is significant latency in this indicator, with the 2023 sample mainly consisting of pre-GPE 2025 grants. Meanwhile, the Secretariat is finetuning the methodology of two new indicators aimed at improving the monitoring of alignment opportunities and risk, more closely related to the GPE 2025 roll-out. These focus respectively on the % of countries where the use of country systems is expected, that effectively implement GPE 2025 grants using country systems, and the number of countries with no current viable aligned funding modality that carry out a credible scoping study to determine options and steps towards development of aligned modality.
5. Access to Funding Risk and Value for Money: the risk that GPE	• Active grant portfolio administrative costs as of the FY-end*: **10.1%** • Data for S2 2023: 10.1%	• **Moderate Risk** (lowered after a qualitative	• Costs remain similar to six months ago given the data is updated annually, with 10.4% as several mid-to-large higher-cost grants became inactive by the end of FY23, including over 30 Covid-19 accelerated funding grants. Additionally, some larger lower-cost grants that were approved in FY22 and FY23 became active by this FY-end.

investments do not demonstrate Value for Money	• Operating expenses (OPEX) as a % of total GPE Fund transfers: **7.4%** • Data for S2 2023: 7.5% *Active grant portfolio administrative costs represent all agency fees, supervision allocations, and management costs as a % of the total active grant portfolio.	risk assessment) • High Impact • Direction of travel: ↓	Strong oversight of administrative expenses charged by grant agents has helped lower grant administrative costs. Meanwhile, it is important to contextualize this data point: it does not necessarily reflect a lack of value-for-money in GPE investments but rather GPE's risk appetite to work in partner countries affected by fragility and conflict. • With regards to OPEX, the direction of travel is positive as the overall operating expenses ratio has dropped from 7.5% (i.e., high risk) to 7.4% (i.e., moderate risk) on a cumulative basis, as a result of increased disbursements and tight budgetary control despite persistent inflation. The operating expenses ratio will continue to decrease and fall back into the range in the outer years of the strategic plan as disbursements rise.
6. Grant Performance Risk: the risk that GPE grants do not achieve results in the intended timeframe	• % of system transformation grants and Multiplier grants effective within targeted approval date (new OM): **36%** • Data for S2 2023: n/a ---------- • % of active grants on track with implementation* (GPE 2020): **88.1%** • Data for S2 2023: 80% ---------- • % of active grants on track with implementation* (GPE 2025): **83.3%** • Data for S2 2023: n/a * The last two indicators look at grants on track with implementation (as opposed to on track with implementation and utilization).	• **High Risk** • High Impact • Direction of travel: ↔	• The percentage of grants on track with implementation under GPE 2020 has continued to improve compared to 6 months ago. This is explained by a series of positive interventions at the country level where programs have accelerated implementation and/or addressed issues, including through restructurings approved by GPE (e.g., Pakistan, Madagascar, Mali, and Guinea Bissau). As flagged previously, many of the off-track grants had issues that delayed implementation early in the program (e.g., school closure due to COVID-19, slow government approval process, etc.), but implementation has picked up pace during this fiscal year. When considering utilization along with implementation, some programs are still relatively underspending. This is because progress around implementation generally resulted in higher fund utilization but insufficient utilization to catch up for the grants to be on track in utilization. The Secretariat is engaging with the grant agents on whether additional actions need to be taken to accelerate spending. Finally, implementation keeps being impacted by institutional instability, including the downgrading of Niger to off track. • The percentage of grants on track with implementation under GPE 2025 is reported for the first time. However, it is important to note that the sample is small (i.e., 6 grants) and that grants have higher chances of being on track during the first year of implementation.

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7. Grant Management Compliance Risk: the risk of a breach of the policies and procedures on grant management	• % of grants reports (progress, completion, audit) received late: **38%** • Data for S1 2023: 36% 38% broken down as follows: - 12% delayed progress reports - 30% delayed completion reports - 72% delayed audit reports	• **Moderate Risk** (lowered after qualitative risk assessment) • Moderate impact • Direction of travel: ↔	• While risk exposure remains high and while compliance of grant agent is of great importance for the Secretariat, the risk level is lowered after a qualitative assessment given delays for submission or progress and completion reports are often minor and inconsequential on operations (e.g., out of 6 delayed completion reports, 3 were submitted within 1 month of delay, 1 within 2 months and the rest after 3 months). • While the percentage of grant reports received late is generally driven up by the higher percentage of audit reports received late (72% for this reporting period), concrete actions are taken to improve the process for submission of audit reports. Relevant GPE policies and procedures have been updated to explicitly mention the requirement for annual audits to be performed and reported shared with the Secretariat. Sensitization of grant agents is ongoing and compliance with GPE policies will be discussed during a workshop for grant agents.
8. Risk of Fraud and Misuse: the risk of losses due to fraud or misuse in GPE-funded programs	• % of misuse cases satisfactorily addressed within an appropriate timeframe: **80%** • Data for S2 2023: 80%	• **Low Risk** (lowered after a qualitative risk assessment) • Low impact • Direction of travel: ↓	• Grant agents are taking prompt actions to address incidents of misuse of funds and external audit findings. As a result, all significant audit issues identified during the last fiscal year were satisfactorily addressed timely. Moreover, the Secretariat's review of external audit reports during the current fiscal year has not revealed any high-risk issues. Only 1 out of 5 misuse of funds cases reported to the Board in December 2023 was an outlier as the case has been open since 2020. • The preventive risk management strategy implemented by the GPE Secretariat to mitigate the risk of fraud and misuse is effective. This strategy includes 1) ensuring that grant agents have strong policies and procedures in place to prevent misuse (and should it occur to detect it and ensure repayment), 2) reviewing fiduciary risk during QAR processes, 3) reviewing progress reports and annual audit reports, 4) engaging regularly with grant agents on the topic and 5) reporting to the FRC and the Board on all credible misuse cases until repayment is made or the case is otherwise resolved and the lessons learned. Meanwhile, the Secretariat acknowledges the possibility of

			underreporting and the challenges in recovering misused funds in certain contexts.
9. PSEAH (Protection from Sexual Exploitation, Abuse, and Harassment) Risk: the risk that GPE governance officials, staff and partners involved in grant implementation are not able to prevent, manage the risk of and address SEAH incidents, should they occur in the delivery of GPE programs	• % of SEAH cases where information is provided by Grant Agents to allow the GPE Secretariat to monitor and track status, and report to the Board accordingly: **no case** • Data for S2 2023: **100%** (1 open case with sufficient information provided by the Grant Agent).	• **Moderate Risk** (elevated after qualitative risk assessment) • Very high impact • Direction of travel: ↔	• As of February 2024, there were no open cases of SEAH. The Secretariat is aware of the risk of underreporting. As a mitigation measure, the Secretariat continues to engage closely with grant agents on the topic and has scheduled a workshop for grant agents to discuss steps that can be taken to ensure greater compliance with the policy in May 2024. • The issue around compliance with the GPE PSEAH policy continues given that 3 grant agents do not have mechanisms to report on individual SEAH cases, as required by the PSEAH policy, thereby contributing to the risk of underreporting. The Asian Development Bank and the International Development Research Centre have communicated their commitment to putting in place said mechanism. The World Bank and GPE Secretariat are engaging in constructive dialogue on PSEAH, including enhanced reporting, transparency, and accountability. The World Bank has indicated its commitment to exploring further with GPE whether there may be any path forward on enhanced reporting, transparency, and accountability without impacting privacy and survivor protection principles.
10. Support to Strengthen Capacity Risk: the risk that GPE is not able to connect expertise, innovation, and knowledge to support partner countries to build stronger	• Overall % KIX and EOL milestones met in the last FY: **95%** • Data for S2 2023: 100%	• **Very Low Risk** • Moderate Impact • Direction of travel: ↔	• KIX Hubs and grantees produced 34 primary outputs, 17 training events, and 90 knowledge mobilization events, leading to 27 cases of policy and practice development based on KIX knowledge. Strengthening the link between KIX research and policy uptake is a priority. • 47 EOL-supported coalitions influenced 46 policy changes in 2023. 35 grantees contributed to partnership compact development. Civil society participation is key for advocacy and understanding education contexts, but shrinking civic space is a concern. Strong support is needed for transparent, accountable decision-making in public policy. • GPE's technical assistance portfolio includes 7 initiatives, with the Climate Smart Education Systems Initiative scaling support to 22 countries. Other initiatives like Safe Learning, Gender Equality, Tech4Ed,

education systems			and School Nutrition are in preliminary stages. Key risks include delayed implementation, lack of coordination, and complex arrangements hindering grant agents' roles.

GPE Fund Management Risk: the risk associated with the ineffective or underperforming financial management of the GPE Fund

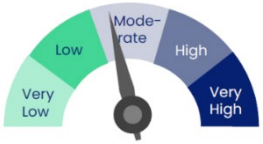


Top Risk(s): None

Risk Area	Risk Indicators & Trends (when applicable)	Risk level, Impact & Direction of Travel (when applicable)	Context & Specific Countermeasures
1. Liquidity risk: the risk that GPE is unable to ensure that all payment obligations are met when they come due or that excess funds on hand impact ability to demonstrate funding need to donors	• GPE Fund balance within targeted range: **23.2 months expected disbursement held in cash (moderate risk)** • Data for S2 2023: 17.5 months expected disbursement held in cash (high risk)	• **Moderate Risk** • High impact • Direction of travel: **n/a**	• Risk exposure is reduced due to the revised indicator methodology, which adjusts the targeted range upwards for better collateral coverage in currency hedging contracts under the June 2023 Foreign Exchange Framework. Meanwhile, the volume of expected disbursement held in cash has increased. • GPE's cash balance remains high despite increased disbursements in FY2023, due to a significant influx of donor contributions in 2023. This rise in cash balance is temporary and will decrease as disbursements continue to grow and fewer donor contributions are expected for the remainder of GPE2025.
2. Currency Exchange Risk: financial risk when the value of significant amounts of GPE donor pledges are subject to change, due to movement in FX rates resulting in uncertainty for financial	• Value of unhedged outstanding non-USD contributions as a % of total replenishment pledges: **40.1%** • Data for S1 2023: 56.5%	• **Moderate risk** • High impact • Direction of travel: ↓	• As donors continue to make payments to the GPE Fund, the outstanding amount of funds subject to further FX risk reduces, hereby lowering GPE exposure to currency exchange risk from high 6 months ago to moderate currently. • In June 2023, the Board approved the foreign exchange framework. Efforts are ongoing to ensure donors sign amended contribution agreements with language that states that the GPE fund will be responsible for payments and costs associated with

planning and potential reduction in funds available			hedging. The currency hedging pilot is due to begin once all donor contribution agreement updates have been signed.

GPE Secretariat Business Continuity Risk: the risk that the Secretariat is unable to operate its critical business functions.

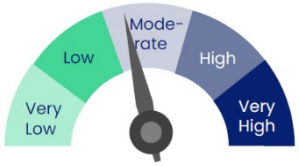


Top Risk(s):
1. Information Technology Risk, arising from GPE's IT infrastructure not adequate and requiring significant investment and expansion to enable the Secretariat to operate its critical business functions (high risk).

Risk Area	Risk Indicators & Trends (when applicable)	Risk level, Impact & Direction of Travel (when applicable)	Context & Specific Countermeasures
1. Operating Expenses Risk: the risk that GPE's operating expenses are not aligned with needs	• Actual vs. projected Secretariat expenditures overall (%): **91%** • Data submitted for S2 2023: 93.5%	• **Very low risk** • Moderate impact • Direction of travel: ↔	• Expenditures are within the Board-approved budget for the first six months of the fiscal year. A robust annual budgeting exercise ensures that budgets are aligned with the work program, and are as accurate as possible. A monthly review of actual versus planned expenditures is conducted by all budget holders. A quarterly review of the budget & work program takes place with the Team Leads and Managers to monitor spending, reallocate funds as needed, and ensure tight cost control.
2. Human Resources (HR) Risk: the risk that people, culture, and governance factors that cause uncertainty in the business environment could adversely affect operations	• % of staff (excluding short-term and extended-term consultants) currently employed out of the total number of approved positions: **95%** • Data for S2 2023: 88%	• **Moderate Risk** (elevated after a qualitative risk assessment) • Moderate to High Impact • Direction of travel: ↔	• To ensure a smooth transition amid organizational changes, the Secretariat has a risk mitigation plan for HR initiatives, aiming to complete 7 recruitments by June 2024 and increase the fill percentage to 98%, including 4 new manager positions. • In response to a staff survey showing over half of the Secretariat staff working excess hours and nearly a third feeling stressed, 18 positions have been recruited, and all service providers regrouped under one team to streamline service delivery. • Salary inequities between the DC and Paris/Brussels offices persist. The Secretariat is working with the World Bank to ensure

			equitable treatment within World Bank parameters, and the percentage of GPE staff based in Europe continues to grow. • Future recruitment in Washington DC may be affected by changes in Green Card allocation by the U.S. Department of State. The Secretariat is monitoring the policy change's impact on G4 visa holders' planning.
3. Information Technology (IT) Risk: the risk that GPE IT systems are not fit for purpose to effectively enable the organization to deliver on its objectives (implementation side/ supply side)	• GPE IT systems are effectively supporting GPE objectives: **Major but manageable adverse impact to GPE's business processes as a result of IT systems unavailability, as the systems may prevent achieving business objectives.** • Data for S2 2023: same	• **High risk** • High impact • Direction of travel: ↔	• As the project is in the vendor procurement phase, the risk to GPE operations remains high due to the potential inadequacy of current systems for achieving future objectives. • In the past six months, consultations with the World Bank and ITS procurement team have advanced the process. Proposals from vendors were received and verified in February 2024, but none met the standards. The lessons learned will inform a revised bid solicitation, and a technical panel of World Bank and GPE staff will evaluate bids to ensure a fit with the hybrid IT services model. • In January 2024, GPE Exchange has been successfully migrated to a new platform to mitigate security threats and support core grant-related operations until the new system is in place.
4. Diversity, Equity, and Inclusion (DEI) Risk: The risk that the GPE Secretariat is not working in an environment that fosters diversity, equality, and inclusion (DEI)	• Number of DEI areas (out of six) in which the GPE Secretariat is performing below the benchmark based on the latest staff survey: **3 areas (i.e., diversity, equity 2, and fear of speaking out) below benchmark out of 6** • Data for S2 2023: same (i.e., the staff survey is reported annually)	• **High risk** • High impact • Direction of travel: ↔	• The value of the risk indicator still reflects the results of the last staff survey conducted in May 2023, with a high-risk level given that 3 areas out of 6 were below the benchmark. • In the past six months, the DEI coordination group has continued to work with the Secretariat to move forward with DEI issues. A DEI compact was approved by the CEO and published on a new DEI intranet page. A long-term psychological safety program is being piloted by a team within the Secretariat, with the potential to be expanded based on its success. Alternatives to improve the implementation of GPE's PSEAH policy are also explored. The Secretariat elected a new respectful workplace adviser. The GPE has also a representative elected at the World Bank Staff

			Association and is working with the World Bank to bring awareness to GPE staff of existing services about DEI.

GPE Reputation Risk: the risk of threat or danger to the good name or standing of the GPE.			
	**Top Risks: None** Reputational risk is a hybrid risk: it requires special management since reputation is shaped both inside and outside of the organization, and since all risks have the potential to damage GPE's reputation.		
Risk Area	**Risk Indicators & Trends (when applicable)**	**Risk level, Impact & Direction of Travel (when applicable)**	**Context & Specific Countermeasure**
The risk of threat or danger to the good name or standing of the GPE	• % negative media coverage out of total GPE media coverage: **13%** • Data for S2 2023: 10% --- • % of negative coverage in social media: **10%** • Data for S2 2023: 13% It is important to note that these two indicators measure a sentiment, which is an imperfect metric since posts or tweets that mention education challenges (i.e., displacement, COVID, child	• **Moderate risk** • Very High Impact • Direction of travel: ↔	• Given reputational risk is largely dependent on the successful management of all the above risks flagged in the report, reputation is considered and integrated into strategy and planning, with policies and procedures in place to respond quickly and appropriately to reduce the likelihood and severity of events that could cause reputational damages. These include ongoing media monitoring, having a crisis response protocol in place comprising of talking points and statements, and mitigating specific pre-identified risks (e.g., Policy on Protection from Sexual Exploitation, Abuse, and Harassment performing due diligence of potential donors and partners, etc.). Thus, GPE's reputation risk management strategy consists of identifying and mitigating risks upstream to avoid having the risk materializing while being reactive and further mitigating should risks occur downstream. Furthermore, all high-probability risks flagged in the report are monitored against a set of specific actions listed in a mitigation plan.

	marriage) are usually counted by algorithms as negative, even if the message itself is not.		• Meanwhile, the Secretariat seizes every opportunity to proactively communicate on and enhance GPE's reputation, strategically using GPE leadership engagement in key political/policy fora, the media, social media, and GPE's communications platforms.