NOVEMBER 6, 2025 – MEETING OF THE BOARD OF DIRECTORS

BRUSSELS, BELGIUM – BOD/2025/12 DOC 05 – FOR INFORMATION

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:

- At its October meeting, the Finance and Risk Committee (FRC) received an update on the Semi-Annual Corporate Risk.
- Members expressed their concerns regarding high strategic risks, particularly risks to domestic education financing. They noted the Secretariat's explanations that domestic financing will be an important element of the financing campaign, and the importance of efforts on sustainable financing that will be discussed by the Board.
- Concerns were raised regarding the high mutual accountability risk (now reframed in the revised taxonomy as partnership risk), especially in the context of reduced partner capacity due to budget cuts. Members noted the comments from the Secretariat on the importance of effective partnerships in the strategy and revised risk framework, and the opportunity of mid-term reviews of partnership compacts, and strengthened grant agent selection processes to mitigate this risk (and also alignment risk)

Objective

1. The Board is invited to review the corporate risk update and assess whether additional risks could impact GPE's ability to achieve its GPE 2025 objectives. With the transition to GPE 2030 underway, it also integrates considerations linked to the new strategy, and the upcoming replenishment.

Background and overview

1. Amid a volatile global context characterized by geopolitical tensions, conflicts, and challenging economic conditions, placing pressure on domestic and development assistance budgets, resource mobilization remains GPE's highest strategic and overall risk **(very high risk)**. The principal risk, a significant shortfall in new pledges or failure to deliver on existing ones, will constrain GPE's ability to support system transformation. A strong financing campaign is therefore critical to replenishing the GPE Fund, mobilizing co-financing, and reinforcing domestic financing commitments.
2. GPE's role as Fund and Partnership makes it a unique broker and facilitator in mobilizing and aligning education investments, leveraging donor contributions and partnerships to maximize efficiency, generate impact, and support sustainable aid delivery while reducing long-term dependency. GPE is well positioned to drive change in a sector where aid must catalyze and align other capital sources, domestic, philanthropic, and private, as part of sustainable financing pathways for education systems that equip individuals with the skills needed to participate in evolving labor markets, fostering growth, peace, and stability.

3. Following FRC and Board action to reduce planned allocations in June (BOD/2025/06-02), GPE's financial position is stable but challenging. Sustained demand for funds combined with some payment delays and uncertainty on outstanding donor pledges is straining liquidity (**moderate risk**) with cash balances projected to fall below target range by end-2025.
4. Co-financing targets have far exceeded expectations (**very low risk**), positioning GPE to expand its innovative financing instruments under the GPE 2030 financing toolbox. Innovative finance mechanisms mobilized US$3.78 billion under GPE 2025, surpassing the US$3 billion goal ahead of schedule, broadening the co-financiers pool to over 60.
5. While the risk of gender not being fully embedded in GPE operations remains **moderate** and progress has been achieved, a key concern is potential for reduced focus from partners in the current global environment, risking erosion of progress.
6. Domestic financing risk remains **high** as government education spending falls short of closing the learning gap. GPE 2030 will expand use of domestic financing triggers and domestic financing will be a key focus for the financing campaign.
7. Sustaining ownership and accountability for results remains a core risk as GPE transitions to GPE 2030 **(moderate risk)**. With GPE 2030's stronger emphasis on results attribution through better data and results-based financing, the challenge is ensuring partners move beyond commitments to sustained delivery and ownership, requiring stronger mutual accountability **(high risk)**. Data gaps threaten the system transformation approach: despite progress and rollout of new IT systems, insufficient data quality could weaken accountability, limiting GPE's ability to show impact.
8. Risks related to GPE's operating model have decreased **(low risk)**, with most GPE 2025 grants approved, and all remaining applications on track for approval by November 2025. Cumulative GPE 2025 approvals have reached US$ 2.83 billion across all grant types including a record US$ 1.3 billion last fiscal year. Hence, the risk of contributions to the GPE Fund not being timely allocated has decreased **(low risk)**.
9. Disbursements have continued to be high, driven by strong approvals and high projected and actual utilization for grants. In fiscal year 2025, disbursements exceeded US$1 billion for the second year in a row. High disbursements combined with tight budgetary control have allowed Operating Expenses (OPEX) to be at 6.6% of disbursements over GPE2025, well within Board parameters of 7% (**low risk**).
10. Grant performance risk has decreased **(low risk)**, reflecting strengthened monitoring and improved responsiveness to at-risk grants. Nonetheless, future performance may be affected if partner capacity weakens due to the challenging funding landscape.
11. Alignment risk remains **high**, with some grant agents either less able to facilitate alignment or lacking a robust framework to do so. The revised grant agent selection process and strengthened GPE regional capacity should help reduce the risk.

12. Human Resources risk has decreased to low **(low risk)**. GPE's regional structure supported by global practices enhance delivery, efficiency, and cost-effectiveness. Staff relocations are substantially complete, and the Nairobi office is fully staffed. Increased capacity supports improved performance and lower operational risk.
13. GPE has demonstrated agility and resilience in adapting to the external environment and remains firmly committed to steady progress, anticipating and mitigating emerging risks to the greatest extent possible, and preparing for future challenges, including the evolving global aid architecture for education.
14. See **Annex A: Semiannual Corporate Risk Update**, for detailed information.