

GLOBAL PARTNERSHIP *for* EDUCATION

CORPORATE RISK UPDATE

SUMMARY AND COMMITTEES REPORT TO THE BOARD

FOR INFORMATION



PURPOSE

- The purpose of this report is to provide the Board with information on the current status of risk management of GPE
- This is the **first report** using the **new methodology** approved in June 2019. The new methodology uses a more **quantitative approach** to risk management through the use of risk indicator data collected through the dashboard.
- **Each committee provides oversight for risk and sub risks assigned**. In addition, the FRC provides oversight on all high and very high risk and sub risks categories.
- **All four committees welcomed the new format of the corporate risk update** noting the substantial design work that has been completed.
- This report takes into account committee feedback and issues flagged by them for Board attention are included in this report
- The Secretariat will integrate more detailed comments on indicators & methodology into future iterations of the report.

Risk Indicators

June 2019

The GPE Board of Directors approved the methodology and list of risk indicators.

Risk Dashboard

Aug. 2019

The GPE Secretariat developed an internal online risk dashboard with developers.

Data Collection

Sept. 2019

GPE risk data providers, focal points & owners completed their roles in the dashboard.

Corporate Risk Update

Oct. 2019

The first “Corporate Risk Update” is delivered to committees with data collected in the dashboard.



OBSERVATIONS

1 General tendency for risk levels to be lower than in previous reporting exercise.

- At the indicator level, **scales and weights might need to be further adjusted**. Weighting system at the sub risk level might be developed.

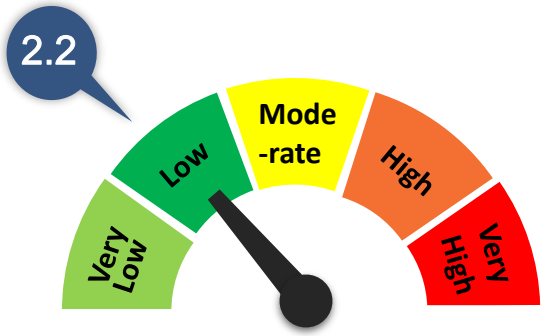
2 Risk indicators are being further developed.

- One constraint we work with when developing indicators was to not create new data collection mechanisms. Hence **some indicators are proxies** (i.e. indirect indicators that can approximate) that need to be refined.
- Four risk areas are based on **qualitative assessments only** while risk indicators are developed.

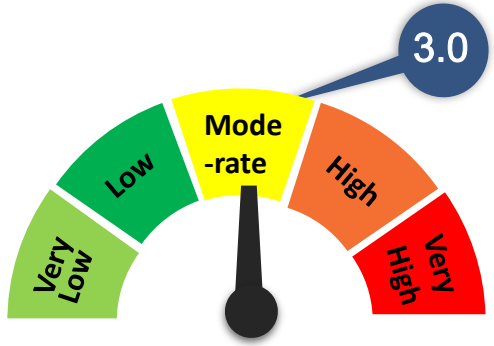
3 Online Risk Dashboard is being further developed.

- Mechanisms to compare risk exposure over time and to **track implementation of mitigation actions.**

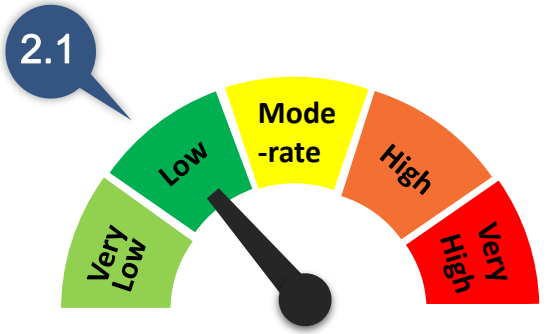
Strategic Risk



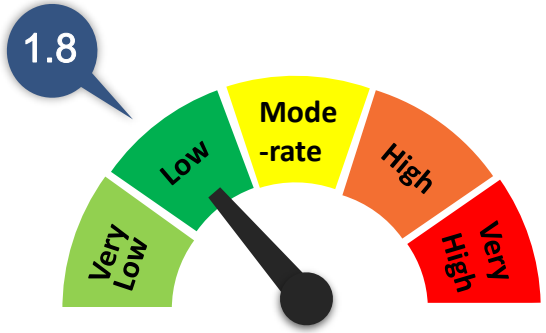
Operational Risk



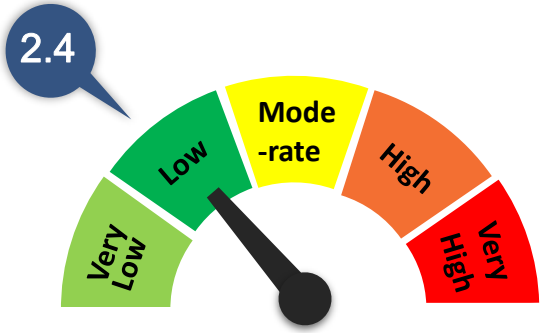
Reputational Risk



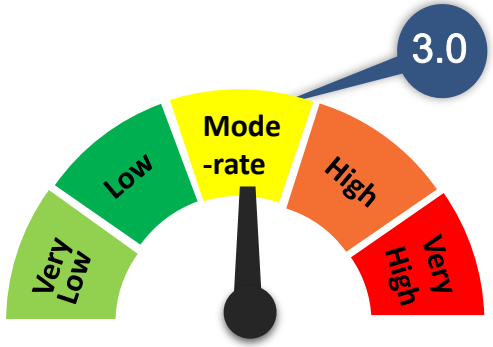
GPE Fund Management Risk



Secretariat Business Continuity Risk



Fragmented Global Aid Architecture

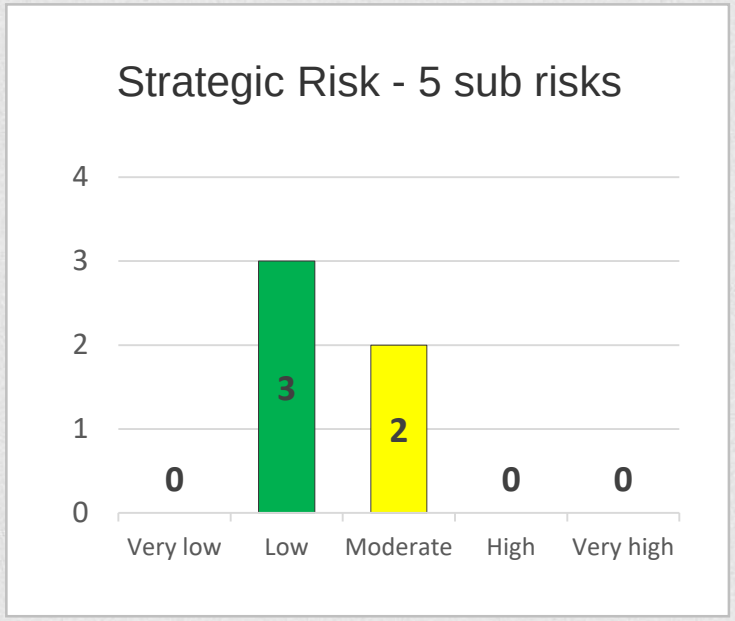


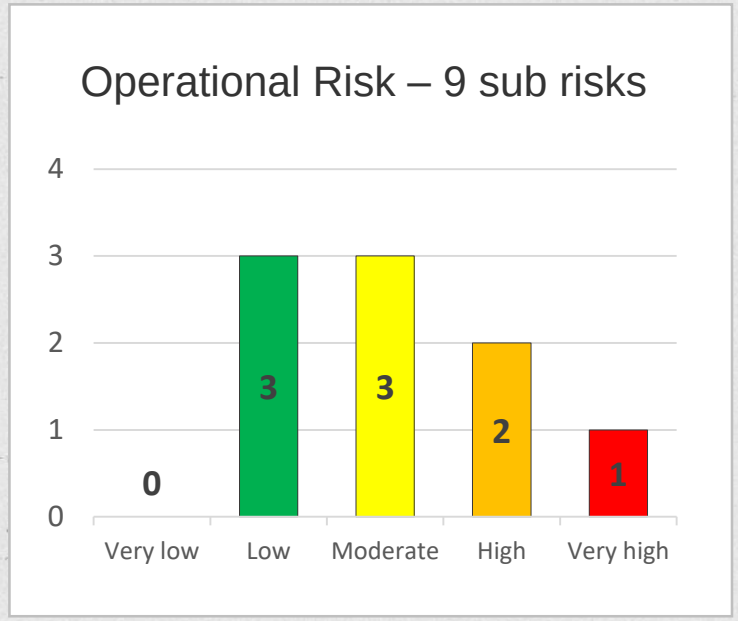
Legend & Scale

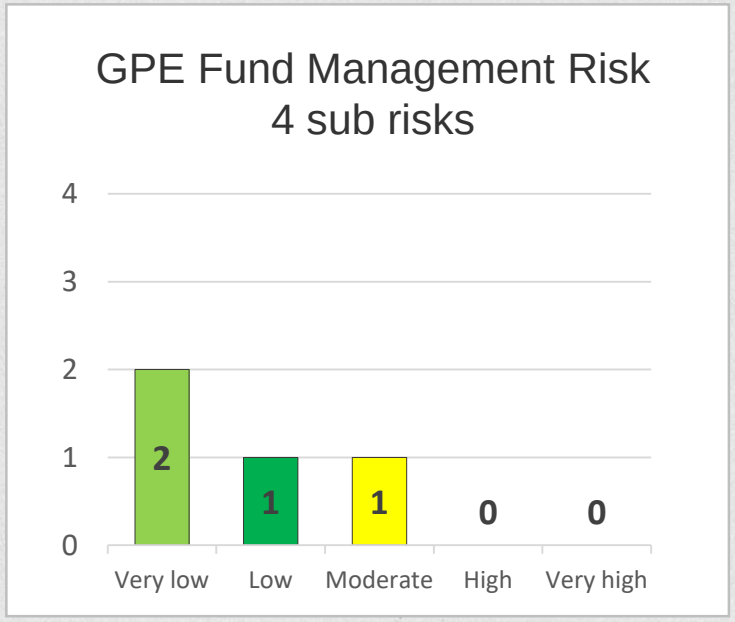
Very Low (0/1-1.49)	Low (1.50-2.49)	Moderate (2.50-3.49)	High (3.50-4.49)	Very High (4.5-5)

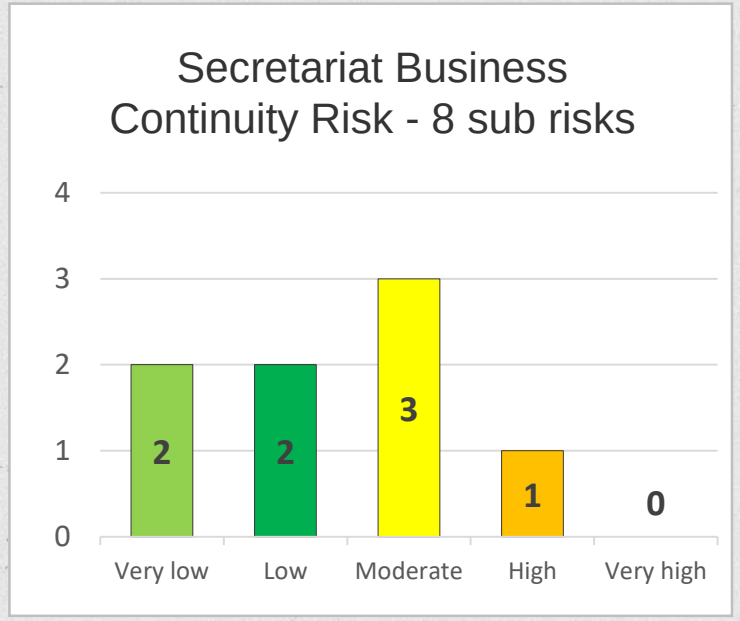
Category score

SUMMARY VIEW



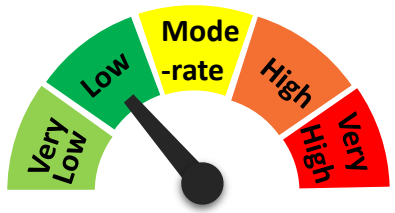






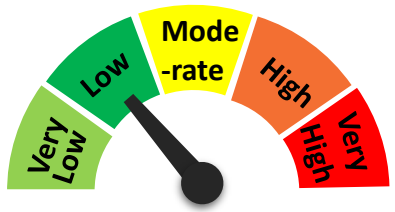


Strategic Risk



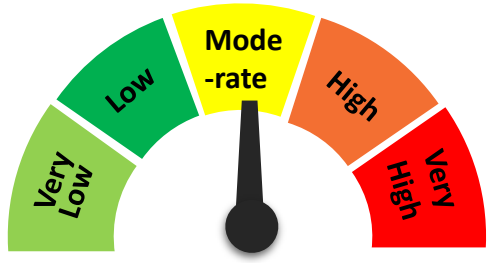
Financing risk	Moderate – 2.7
Governance risk	Low – 1.7
Mutual accountability risk	Moderate – 3.0
Impact risk	Low – 2.1
Value for money risk	Low – 1.7

GPE Fund Management Risk



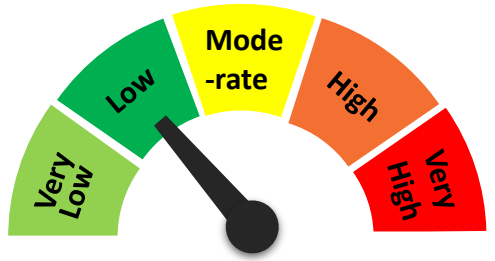
Liquidity risk	Low – 2.0
Transaction processing risk	Very Low – 1.0
Currency exchange risk	Moderate – 3.0
Investment risk	Very Low – 1.0

Operational Risk



Access to funding risk	Very High – 4.5
Risk to context appropriate sector plans	Low – 2.3
Risk to sector dialogue and monitoring	Moderate – 3.3
Risk to ESPs financing	High – 3.9
ESPIG design risk	Moderate – 2.7
ESPIG performance risk	High – 3.7
Risk of doing harm	Low – 1.5
Risk of fraud and misuse	Moderate – 3.2
Grant management compliance risk	Low – 2.3

Secretariat Business Continuity Risk



Operating Expenses Risk	Low – 2.0
Human Resources Risk	Very Low – 1.0
Information Technology Risk	High – 3.8
Workplace Risk	Moderate – 3.0
Suppliers and Service Providers Risk	Low – 2.0
Integrated Processes Risk	Moderate – 3.0
Risk to new project and strategies	Moderate – 3.0
Secretariat Compliance Risk	Very Low – 1.0



Key risk areas flagged by Committees for Board’s attention.

1 **Within Operational Risk, the sub risks Access to Funding Risk, ESPIG Performance Risk and ESPs Financing Risk have respectively very high, high and high risk levels.** A key driver of current risk ratings in these areas is how quickly applications for funding are submitted, approved and implementation commences. Increasing delegated authority, reducing transactions costs as per the EPR, and adopting actions within the Secretariat to increase approvals in 2020 will help to mitigate these risks.

- **With regards to the indicators, provided that currently received applications will be approved, the number of successful applications received in 2019 will reach 17.** While the target for the number of countries that apply for funding by 2019 will not be met, the additional applications since July will significantly decrease the risk exposure.
- The Secretariat will **develop new indicators to better capture performance risk** (i.e. indicators that can better detect signs indicating that a particular ESPIG is not likely to achieve results in intended timeframe). The GPC also indicated that having too ambitious timelines is part of the problem while setting more realistic timelines from the beginning will help drive risk exposure down. The Secretariat will **explore the possibility to develop an indicator that can capture how the lack of realistic timelines drives risk exposure up.**

- Regarding ESPs Financing Risk, the GPC requested the Secretariat to **explain why there is little appetite to test the Education Sector Investment Cases (ESIC).** Both the GPC and the FRC asked how Partners can provide more support and coordinate at the country level.

2 **The GPC believe that Mutual Accountability Risk has a higher risk exposure than its current moderate risk rating.** Noting that the assessment for this sub category is qualitative only for this round (i.e. not based on risk indicators but on manager's judgement), the FRC also encouraged the Secretariat to develop risk indicators on the risk that partners at the country level are not accountable for their commitments.

3 **Under Value for Money Risk, the FRC wanted to draw the Board's attention to the indicator on operating expenses that shows a very high risk level.** Operating expenses are targeted to keep within a 5-7% range of total expenditure for budgeting purposes. While this range was exceeded in FY19 at 8.7% due to lower than anticipated disbursements, actual operating expenses were less than budget. The increasing pipeline of grants and low budget growth should ensure it falls back within the range going forward.



STRATEGIC RISK

The risk that GPE is not able to achieve its goals and objectives.

Financing Risk

Risk that contributions to GPE Fund do not reach targets.

Moderate – 2.7

100%

% of pledges delivered vs. fundraising goals

10 donors

Number of donors pledging more than 100 USD million

75% of target

% of funds raised for Replenishment period formally approved as grants. Target: 25%

Mitigation Action Plan

- **Resource mobilization is on track however a key concern for ongoing fundraising is demonstrating timely utilization of these resources through increased grant applications and approvals.**
- The GPC and Secretariat prioritized multiplier expansion efforts and work is underway on newly eligible countries. **The appointment of 3 Regional Managers has reinforced managerial focus on grant preparation process. Monthly meetings with CEO enable progress tracking across portfolio.** Two staff have been redeployed to CST.
- EPR recommendations approved by the GPC and the Board will reduce transaction costs and accelerate access to funds for ESPIGs.
- A **proposal on greater delegation of authority**, to be considered by the Board in 2019, could reduce workload and significantly speed up approvals for lower value grants.



Governance Risk

The risk that the system by which GPE makes and implements decisions in pursuit of its objective is not fit for purpose.

Low – 1.7

95%



Attendance rate of members at Committees & Board Meetings

90%



Attendance rate of DCP members at last round of Committee meetings

85%



% of Committee and Board workplan delivered on schedule

95%



% of decisions approved by the Board, of those put forward for consideration

87%



% of decisions that were implemented by GPE according to specified timeline



75%

% of papers distributed within page limit and set deadline



55%

% of participation in Committee and Board self-assessments

Mitigation Action Plan

The **Board and Committee Self-Assessment is a governance best practice.** At its October 2019 meeting, the Governance and Ethics Committee will be considering revisions to the Board and Committee self-assessment to ensure that the self-assessment hits the right tone, captures data that is useful and can be used for learning and development.

STRATEGIC RISK

Mutual Accountability

The risk that partners at the country level are not accountable for their commitments.

Moderate 3.0

Qualitative Assessment
Development of indicators in progress

Mitigation Action Plan

Lack of mutual accountability is an inherent risk to GPE as there are no 'hard' enforcement mechanisms around desired partnership behaviors. Hard-wired accountabilities exist around grant funding, but in order to leverage the full intended impact at country level, the partnership depends on actors that do not manage funds to also act according to expected roles, responsibilities and accountabilities laid out in the **Mutual Accountability Matrix** adopted by the Board in June 2019. Mitigation strategies for this risk include the rollout of a **Communication and Partnership Engagement Strategy** to ensure key stakeholders are aware of their roles and a **LEG self-assessment mechanism** to allow partners at country level to mutually assess how well the partnership is defined, its objectives, how it is working, and what can be done better.



Impact Risk - The risk of not being able to measure results. **Low – 2.1**

Risk Indicator: Quality of learning assessment systems (RF 15)

48% of DCPs had a learning assessment system that met quality standards, or 61 countries which is 5 more countries than the baseline

- Very Low - Exceeding the milestone (38%)
- Low - Within 5% of meeting the milestone
- Moderate – 6-10 % below milestone
- High - 11-20 % below milestone
- Very high - More than 20% below milestone

Risk Indicator: Data reporting to UNESCO Institute for Statistics (RF 14)

34% of DCPs report data on at least 10 out of 12 key education indicators to the UIS, or 21 countries

- Very Low - Exceeding the milestone (43%)
- Low - Within 5% of meeting the milestone
- Moderate – 6-15 % below milestone
- High - 16-25 % below milestone
- Very high - More than 25% below milestone

Risk Indicator: M&E strategy implementation

Strategy in place and implementation on track

- Very Low: Strategy & implementation on track
- Strategy in place and implementation slightly behind schedule
- Strategy in place and implementation behind schedule
- Strategy in place but not being implemented
- Very high – No Strategy

Risk Indicator: % ESPIG progress reports received on time

95% ESPIG progress reports received within 3 months after end of the reporting period

- Very Low – 100 %
- Low – 95-99%
- Moderate – 90-94%
- High – 85-89%
- Very high – Less than 85%

Mitigation Action Plan for Impact Risk

- Data reporting to UIS depends on the actions of the DCP governments and requires the Partnership to work together at country level to focus on the barriers to data generation, reporting, and use.
- Mitigation actions include the **Secretariat's engagement during the grant cycle at the time of GPE ESPIG approval** and through ongoing dialogue during (i.e. JSR). **Financing from GPE grant supports the development and strengthening of the country's EMIS,** if the country does not report data to UIS or publish it at the national level, and it does not have a funded data strategy.
- The 2019 Results Report shows that data reporting to the UIS improved in 2018 over the previous year, with almost half the of the DCPs that are below the threshold of 10 indicators reporting 8 or 9 indicators. This risk element is therefore expected to improve over time.
- The **new KIX program** will help countries identify and address barriers to data reporting through its dedicated "strengthening data systems" window.





Value for Money Risk

Low – 1.7

Risk that GPE investments do not demonstrate value for money.

7.5%

Active grant portfolio administrative costs as of the FY-end

8+%

Operating expenses as a % of total GPE Fund transfers

100%

% of ESPIGs rated Moderately Satisfactory or above for overall outcome.

All targets exceeded

Indicator 21 : Proportion of textbooks purchased & distributed through GPE grants, out of the total planned by GPE grants	91%
Indicator 22: Proportion of teachers trained through GPE grants, out of the total planned by GPE grants	90%
Indicator 23 : Proportion of classrooms built or rehabilitated through GPE grants, out of the total planned by GPE grants	89%
Indicator 9: Equity index	46%

Mitigation Action Plan for Value for Money Risk

- A **situational analysis of value for money** (VFM) (April 2019) found that in recent years, GPE has sharpened its operational focus by working closely with partners to build VfM considerations into its procedures and management processes.
- Mitigation actions include the **monitoring of VFM metrics within grant application and implementation** through the review of budgets for reasonableness, progress reports submitted by grant agents, along with completion reports so that lessons learned can be fed into the design of new programs.
- **Admin costs are closely monitored**: a 7% maximum cap is in place for GA agency fees.
- **Operating expenses are targeted to keep within a 5-7% range of total expenditure.** While this range was exceeded in FY19 due to lower than anticipated disbursements (OPEX in dollars was actually lower than budget), the increasing pipeline of grants and low budget growth should ensure it falls back into place going forward.
- An important part of VFM is the equity dimension, and **the equity indicator is monitored and reported regularly by the GPE Secretariat**. In terms of future actions to improve VFM, a VFM conceptual framework has been produced by the GPE Secretariat (June 2019) and VFM guidance notes are due to be completed for textbooks (October 2019), school construction (March 2020) and teachers and teaching (October 2020).
- Recommendations from the Effective Partnership Rollout will further improve efficiency and lower transactions costs for improved VFM.



OPERATIONAL RISK

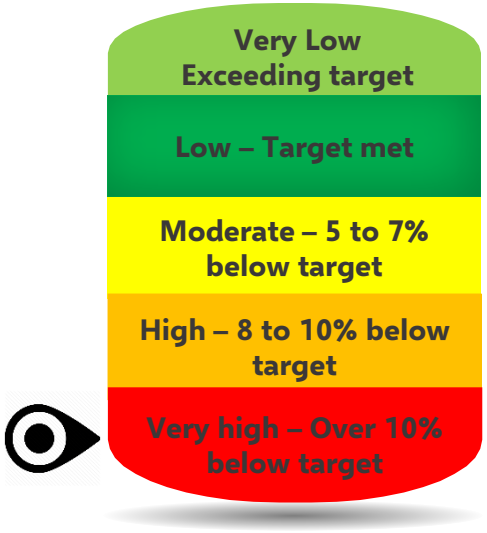
The risk that GPE is not able to deliver on its country-level objectives.

Access to Funding Risk - The risk that partners do not, or are not able to, apply for GPE funding. **Very High - 4.5**

Risk Indicator: Number of countries that apply by 2020, excluding the Multiplicator.

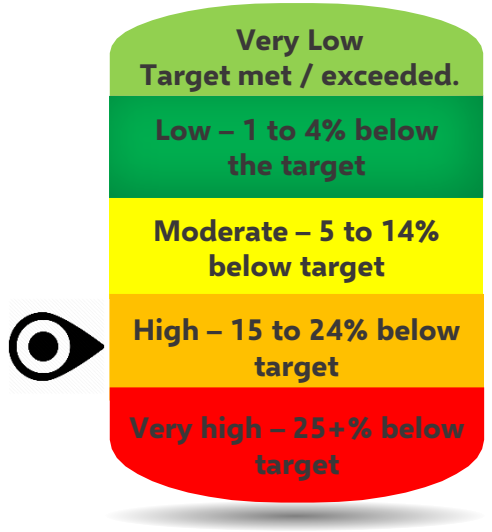
Target for FY 2019: 25 countries.

5 countries have applied so far. 16 countries should apply by the end of FY 2019, bringing the Secretariat closer to the target.



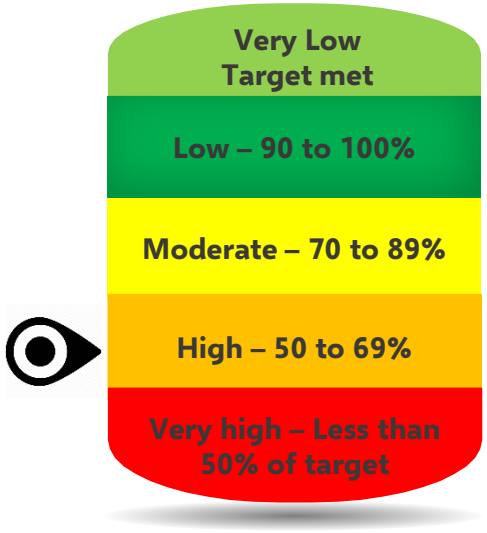
Risk Indicator: Total value of Multiplier Expression of Interests approved by 2020 vs. target. **Target in mid-2019: 60% of US$ 300M.**

US$ 132 million or approximately 23% below the US$ 180 million target for mid 2019



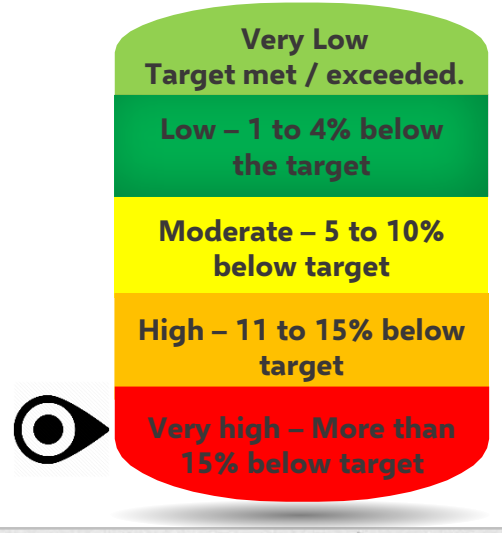
Risk Indicator: Total value of Multiplier ESPIG applications approved vs. target. **Target in mid FY 2019: US$ 100M.**

US $54 million approved in Multiplier amounts since January 1st 2018 or 54% of target.



Risk Indicator: % of funds raised for replenishment period formally approved (defined as approved grant proposal by the Board). **Target in 2018: 25%**

Of US$2.3 billion, US$ 426.5 million was approved in 2018 (19%). Only 75% of the 25% target was met.



Mitigation Action Plan for Access to Funding

- The Board requested the GPC to **analyze the transaction costs associated with the funding model** requirements that undermine the countries' ability to access Multiplier Funding.
- Based on current approved, received and expected proposals, the partnership could approve 16 applications before the end of 2019. While that would be in line with the high level of approvals that have been done in the last two fiscal years, it would leave between 30 and 35 ESPIG approvals to be done in 2020. While the decision to submit a grant proposal is determined by the Government in consultation with the grant agent and other partners, the Secretariat takes proactive action in order to support the submission of quality grant proposals in a timely manner to the GPC and Board for approval. **An assessment is made on countries that risk not to be able to apply for their MCA or multiplier allocation before the end of 2020, and actions are undertaken to with regards to different issues that could block application**, including monitoring delays in implementation of the current ESPIG and ESP development, upfront conversations on other requirements, including domestic financing and streamline QAR process to reduce slippage.
- A **proposal to increase delegation to Secretariat and GPC** for lower grant approvals could lead to faster approvals, while proposals to allocate more resources for accelerated financing may also speed up utilization in a critical area of GPE's support.

OPERATIONAL RISK

Risk to context appropriate sector plans

Low - 2.3

The risk that GPE does not support evidenced-based, government-endorsed sector plans focused on equity, efficiency and learning.

14%

% of endorsed ESPs not meeting context sensitive criteria

32%

% of endorsed ESPs not meeting achievability criteria

100%

% of ESPs not meeting quality standards (RF 16)

Mitigation Action Plan

Strong performance in this area reflects ongoing improvements to robust Secretariat QA processes. The only area for further attention is the "achievable" ESP standard. A key focus of EPR and the current strategic process is **how to better plan in a context sensitive way** to make sector plans more implementable. Over time support in this area should translate into more realistic and achievable plan development.



Risk to sector dialogue and monitoring

Moderate – 3.3

The risk that GPE does not support improved sector dialogue and monitoring of the sector plan's implementation.



38%

% of JSRs conducted annually in GPE partner countries



11%

Out of countries which conducted a JSR, % of GPE countries that did not publish Annual Implementation Report



54%

% of JSRs that do not monitor sector performance and ESP indicators (Criteria 4: Monitoring instrument)



89%

% of LEGs with civil society or teacher representation (RF 19)

Qualitative Assessment



Low

% of GPE countries where there is a duly recognized CSO EFA coalition on the LEG

Mitigation Action Plan

- As part of the **Effective Partnership Roll Out,** the Secretariat will reinforce its engagement with different partners to take a **leading role in the organization of quality JSRs** (e.g. continued communication on importance of JSR, targeted engagement with HQ of development partners). EPR includes a decision to finance JSRs through ESPDG, which ensure availability of specific financing and increases the leverage towards quality JSRs.
- The Secretariat continues to **increase its technical support** amongst others through the publication of JSR guidelines and associated tools.
- CSO engagement in LEGs is increasing, and results framework milestones have been met. Continuous communication on importance of inclusive LEGS.

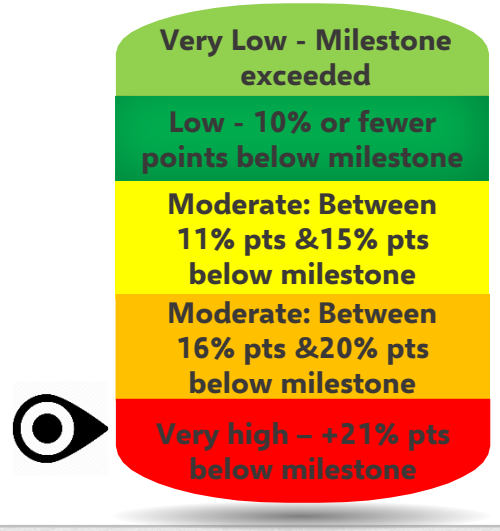
Risk to ESPs financing

The risk that financial commitments are not sufficient or not continuously expanding to finance the implementation of the sector plan.

High – 3.9

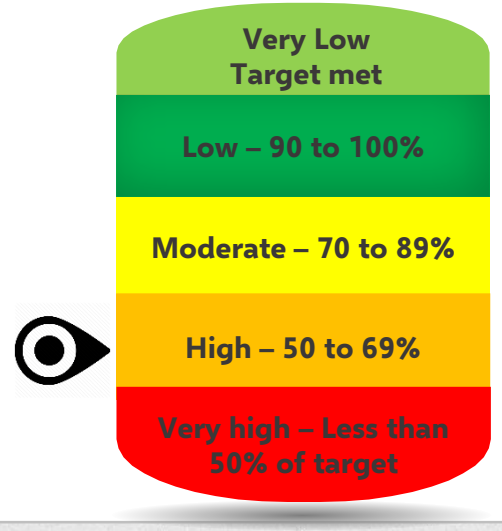
Risk Indicator: % of DCPs not meeting the domestic financing benchmark (indicator 10).

35%



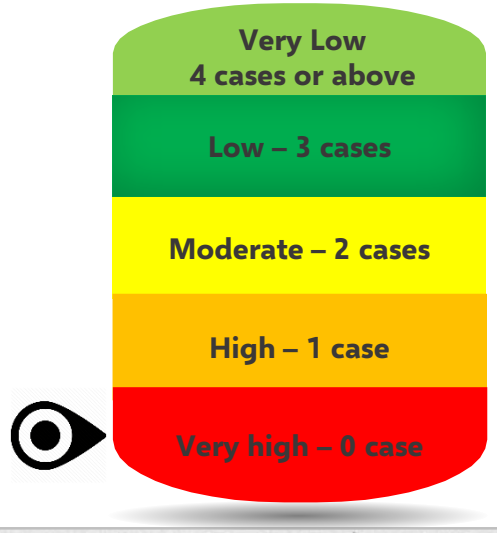
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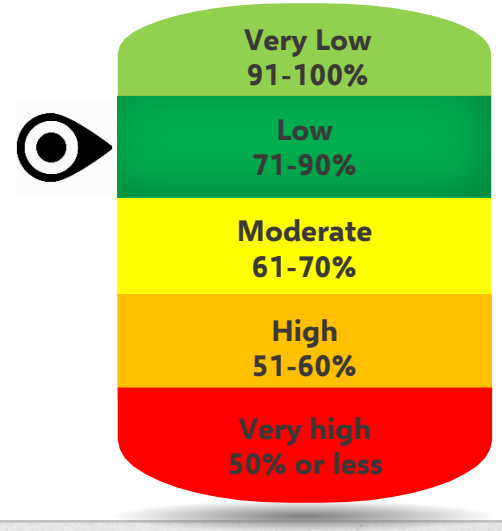
Risk Indicator: Number of Education Sector Investment Cases (ESICs) tested by end of 2020.

0



Risk Indicator: % of countries where civil society in ASA funded projects (future EOL)has monitored education policy and budget implementation

73%



Mitigation Action Plan for Risk to ESPs financing

- The domestic financing benchmark is a proxy indicator – of **significance is whether or not countries are driving meaningful policy dialogue on education financial allocations and expenditure** to be able to fully finance the programs envisaged under their ESPs including domestic and external financing, and whether budget amounts reflected in ESPs are actually allocated by the MoF and fully disbursed in subsequent years.
- The Secretariat has published **guidelines for LEG to strengthen their capacity on budget monitoring**. With the new strategy development, new/differentiated approaches to assessing levels of commitment to domestic financing are underway, and it may be possible to include more differentiated and context specific measures.
- The Secretariat is **working actively with the WB and other agencies including IMF to (a) discuss the main domestic financing challenges in LMIC** with respect to education; (b) identify the main weaknesses in education financing systems that drive low mobilization, inequality and inefficiency; and (c) assess existing development partner support, identify gaps and explore possible areas of collaboration. The Secretariat has joined and will actively supports the Global Platform to Strengthen Education Financing Systems (WB).
- **Education Out Loud (formerly ASA) launched its first call for proposals in FY20** (closes October 2019) so it is unsurprising that this indicator reflects as high risk. As grantees are selected and programs are implemented, it is expected that results will improve.
- The Secretariat continues to aim to **test the robustness of the ESIC approach** in a small number of countries. Piloting the approach requires an alignment of country-level policy cycles with Secretariat bandwidth, which has proven challenging. Building on newly-reallocated HR to support the delivery of the Multiplier, the Secretariat anticipates that it will be able to identify and follow-through on country-level demand for ESIC.

ESPIG Design

Moderate – 2.7

The risk of approving programs that do not support equity, efficiency, and learning in an efficient and effective way.



93%

% of ESPIGs rated moderately satisfactory or above for Quality at Entry* in completion report



36%

Proportion of GPE grants aligned to national systems (RF 29)



34%

Proportion of GPE grants using project or sector pooled funding mechanisms (RF 30)

Risk of Doing Harm

Low – 1.5

The risk that interventions cause inadvertent harm to intended beneficiaries and /or marginalized populations



5%

% of WB-managed grants with a high or critical rating on social & environmental risk in latest progress report



18%

% of active ESPIGs in FCAS that do not include initiatives supporting gender equality

Mitigation Action Plan

The **Multiplier** is incentivizing more co-financed programs. The implementation of the **Alignment Roadmap** and the clarification of the GA selection criteria as part of EPR are intended to incentivize more aligned programs. Because of the way this indicator is constructed – with the value being based on all active ESPIGs at any given time, it will tend to change slowly because of the time it takes from GA selection to a program being approved and being active.

Mitigation Action Plan

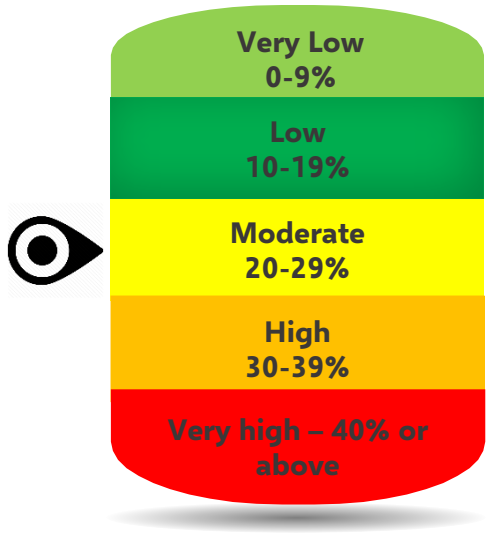
Primary responsibility for design & implementation of the program rests with the Government and GAs. The Secretariat supports this through its QA process which seeks to identify such risks, and during implementation undertakes and documents a review of each ongoing ESPIG **to minimize this risk and to be positioned to identify and address any indication of inadvertent harm to beneficiaries.**

ESPIG Performance Risk - The risk that ESPIGs do not achieve results in intended timeframe.

High - 3.7

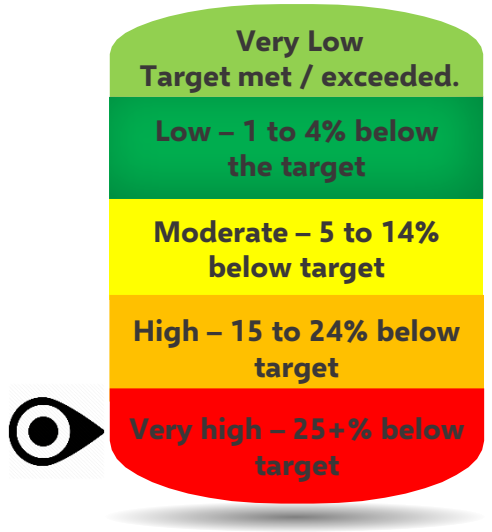
Risk Indicator: % of active ESPIGs (active at any point in the current fiscal year) extended by more than 12 months in comparison to original closing date.

28%



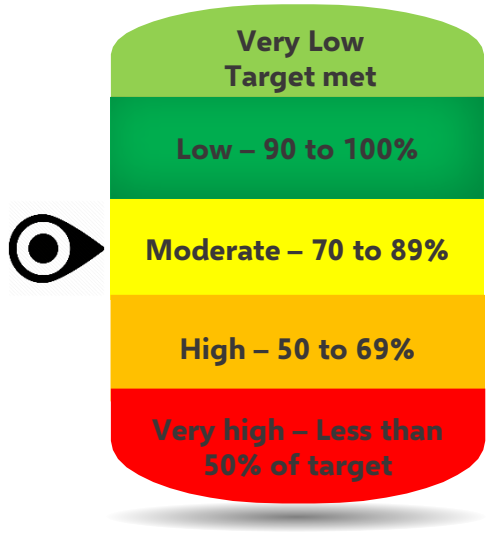
Risk Indicator: % of grants where either implementation or disbursement status is slightly behind or delayed, as defined in the Portfolio Review.

76%



Risk Indicator: % of grants where either implementation or disbursement status is delayed, as defined in the Portfolio Review.

21%



Disbursement delays are a proxy for not achieving results (i.e. if we do not spend, then we are unlikely to be implementing).
The indicators here are however not on whether an ESPIG performs or not, but whether it is behind on doing so. **Indicators will be refined.**



Mitigation Action Plan

- The Effective Partnership Review has reconfirmed the prime responsibility of the GAs to support countries on implementation of programs. It also requests to Secretariat and GPC to increase their monitoring on efficiency and effectiveness of grant implementation.
- **The Secretariat employs measures both upstream prior to grant approval and downstream during grant implementation.**
- Prior to grant approval, it carries out a QA process for the proposed grant, including an assessment of implementation readiness and timeline.
- During grant implementation, the Secretariat has been engaging in dialogue with country level partners where major issues are identified. The Secretariat has now systematized its monitoring beyond the delayed grants, which should allow it to detect and react on implementation issues earlier. At the same time, **GPE encourages programs to conduct mid-term reviews and make the necessary adjustments to achieve results, in addition to having realistic program timelines to start with.**

Risk of Fraud and Misuse

Moderate – 3.2

The risk of losses due to fraud or misuse in GPE-funded programs.

100%



% of significant audit issues satisfactorily addressed during the current fiscal year (RF 35)

42%



% of audits reviewed with high/very high risk issues in the current fiscal year

81.8%



% of misuse cases where funds are fully recovered within 18 months of identification

Mitigation Action Plan

- The indicator on % of audits with significant issues does **not indicate that these programs have identified fraud**, but rather that there are issues of concern raised in the audit that need to be followed up on and the number of grants encountering such issues elevates the overall risk of fraud and misuse.
- The Secretariat ensures that grant agents have **strong policies and procedures in place to prevent misuse, and should it occur, to detect it and ensure repayment** (e.g. review of GAs standards during accreditation, financial procedures agreements between GPE and GAs and contractual agreements between GAs and GPE member governments and partners to govern use of funds).
- **Secretariat reviews fiduciary risk during QAR process, and during reviews of progress reports, and annual audit reports**, following up with the GA to ensure significant issues are addressed satisfactorily.
- Regular engagement between the Secretariat and GA, and reporting to the GEC/FRC and Board on all credible misuse cases until repayment is made.

OPERATIONAL RISK

Grant Management Compliance Risk

Low – 2.3

The risk of a breach of the policies and procedures on grant management.

23%

% of audits received late (i.e. 1 month after due date)

95%

% ESPIG progress reports received within 3 months after end of reporting period

91%

% ESPIG completion reports received within 6 months after end of the program

Mitigation Action Plan

- The decentralized GPE model relies on grant agents to proactively monitor their grants through producing regular **reporting on grant progress, grant completion and arranging regular audits.** The Secretariat monitors the timely delivery of these reports and follows up in the case of late delivery or if particular concerns arise with the content of the reporting.
- **Reporting requirements have been lowered for lower risk smaller grants** (in particular for PDG and ESPIG), whilst the grant agent still has to report to the Trustee on its expenditure. This both reduces transaction costs and allows resources to be deployed towards monitoring of the higher risk ESPIG grants.





GPE FUND MANAGEMENT RISK

The risk associated with the ineffective or underperforming financial management of the GPE Fund.

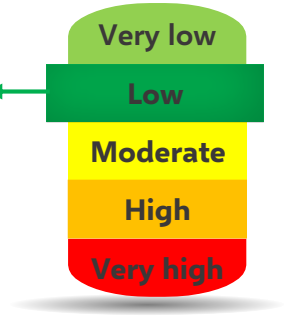
Liquidity Risk

Low – 2.0

The risk that the Secretariat is unable to ensure that all payment obligations are met when they come due.

12.5 months' worth of disbursement in cash

Overall committable cash balance (on track vs. off track)



Transaction Processing Risk

Very Low - 1.0

The risk that deficiencies in transaction processing, in internal processes or controls result in delayed transactions.

100%



% of requests for funding from GA that are not processed for payment within 30 days of receipt

Mitigation Action Plan

The liquidity approach presented in the **June 2019 financial forecast** guides how the GPE Secretariat seeks to manage liquidity. The amount of funds on hand depends on the expected outflows for the GPE Trust Fund for the calendar year. The Secretariat actively monitors the portfolio of grants, and seeks to balance the amount of contributions made with the funds transferred out of the Fund by working closely with the GAs to monitor cash needs quarterly.

Mitigation Action Plan

The Secretariat will continue to work very closely with the Trustee to ensure all payments are made in a timely manner to all GAs. To ensure smooth transaction processing, **the financial officer outlines and reminds GAs of the process for submission of cash transfers and supports the requests.** To address the risk of loss of key personnel that might impact our ability to process transactions, additional staff will be trained to act as a back up finance officer.

Currency Exchange Risk

Moderate – 3.0

The financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the GPE.



83%

% of replenishment total exposed to FX risk (non-US$)



1.2%

Volatility of exchange rates of non-US$ & EUR currencies in the last 6 months

Investment Risk

Very Low - 1.0

The risk of losses relative to the expected return on an investment.



25%

% of Trust Fund balance in cash (earning no interest)

Mitigation Action Plan

The possibility to hedge GPE's FX exposure was explored extensively but deemed unviable due to inability of sufficient donors to sign irrevocable agreements with the Trustee. The Secretariat is continuing to work closely with the Trustee and WB Treasury to determine if **alternative hedging options could be viable option.** Until then, the Secretariat will continue to advise that donor pledges and payments are best made in US Dollar in order to further mitigate this risk. Some action has been taken to mitigate the risks including **introduction of Euro grants and the provision of USD contributions** by some donors.

Mitigation Action Plan

The Secretariat actively manages the GPE Trust Fund in collaboration with the Trustee by **providing quarterly cash flow projections** to ensure that any excess funds are properly invested to maximize investment returns. This re-balancing effort ensures that a minimum amount of funds are in investment portfolios earning no interest while sufficient liquidity is present to disburse funds as needed.

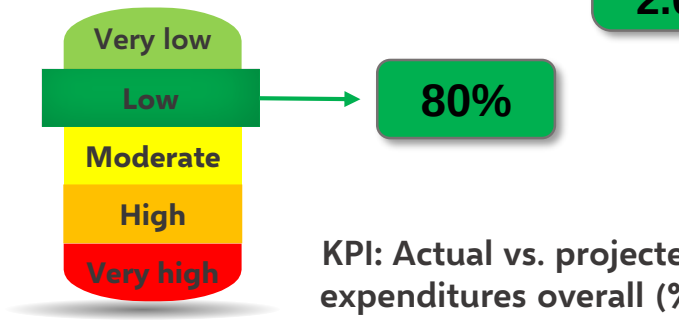


BUSINESS CONTINUITY RISK

The risk that the Secretariat is unable to operate its critical business functions.

Operating Expenses Risk

Low 2.0



KPI: Actual vs. projected expenditures overall (%)

Human Resources Risk

Very Low 1.0



44%

KPI: % of staff time spent on country-facing work (Indicator 36)

Workplace Risk

Moderate – 3.0



0.9 office

KRI: Number of offices available per head (staff, ETCs, secondees, cross support assignment, long-term STCs)

Mitigation Action Plan

- An extensive workplan and budget exercise involving FRC inputs and Board decision takes place to ensure resources are deployed to where most needed. **Ongoing quarterly monitoring** takes place throughout the year, and the Management Team will **re-allocate resources as needed** to meet emerging needs.
- With regards to HR, the current level of risk does not warrant immediate action, but the situation should monitored for any trending. The Secretariat Management Team focuses heavily on this issue during consideration of staffing needs, and while preparing its annual work plan and budget.
- With regards to workplace, the **staffing of the Paris office is progressing well in terms of securing office space and initial staffing levels**, with 4 staff in place and 2 more expected by end of 2019/early 2020. However there are challenges in moving existing staff from DC linked to the current approach to compensation applied by the World Bank for internal transfers of staff to Europe. The current office space in DC is inadequate for the number of full-time staff. The Secretariat is exploring options.

Information Technology Risk

High – 3.8

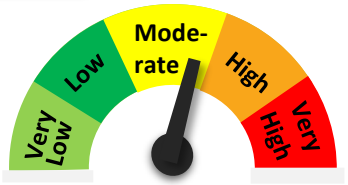
Strategy drafted but not approved

KRI: Three Year IT Strategy Documented and Up-To-Date

1 failed IT project

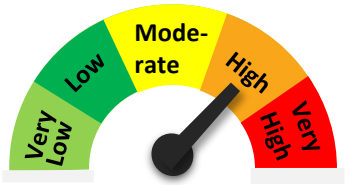
KPI: Number of failed (did not meet business objectives) or abandoned IT projects

70%



KRI: % of GPE IT vendors whose activities and performance levels are governed by a formal SLA

65%



KRI: % of business system use

Mitigation Action Plan

- The Secretariat GPE has just met with the World Bank's ITS CIO to develop a strategic approach on GPE's IT projects implementation. The response from ITS needs to be analyzed and the draft IT strategy revised and adjusted as appropriate and approved by GPE management.
- As a part of such approach GPE will require from ITS to ensure that project delivery quality is documented and that all **GPE systems are covered by respective Service Level Agreements.**
- GPE will require ITS to monitor GPE's business system use and provide periodic reports.
- In case of low business system use GPE will develop awareness/training programs to unsure that all GPE staff are trained in respective business systems.

Integrated Processes Risk

Moderate 3.0



73%

KPI: % of SOP workplan completed (completion rate)

Secretariat Compliance Risk

Very Low - 1.0



More than - 5 % difference

KCI: Administrative expenditures for travel: GPE risk-based sample exception rate vs. comparator



More than - 5 % difference

KCI: Administrative expenditures for staff and other expenses: GPE risk-based sample exception rate vs. comparator

Mitigation Action Plan

- With the arrival of the Deputy CEO, a team focusing on organizational development and efficiencies has been formed under the DCEO to work on key efficiency changes (e.g. review of grant process, fiscal year workplan development and monitoring, SOPs, budget, delegation of authority and accountability systems, etc.).
- With regards to compliance risk, GPE Secretariat employees are required to undertake mandatory orientation and training to understand key corporate policies and procedures to ensure compliance. Compliance units within the Bank perform regular quality control checks of transaction, and the Secretariat's exception rate is well below that of comparator units within the World Bank.

Development of additional indicators in progress

- Human resources risk
- Suppliers and service providers risk
- Integrated processes risk
- Risk to new projects and strategies

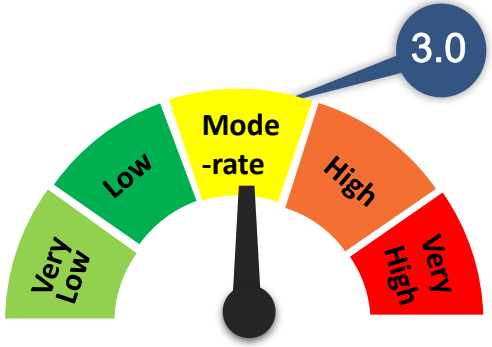


FRAGMENTED GLOBAL AID ARCHITECTURE RISK

The risk that the education architecture is not well defined and complementary.

FRAGMENTED GLOBAL AID ARCHITECTURE RISK

Category Score



Fragmented global aid architecture is a hybrid risk:

It has no sub risk and requires special management since the global aid architecture is shaped both inside and outside of the GPE.

Qualitative Assessment
Development of indicators in progress

Mitigation Action Plan

- GPE as a key actor within the education architecture should actively engage and contribute to **ongoing discussions and efforts** to reduce the risk of fragmentation within the sector.
- GPE participated in a UNESCO convened event in July, and two events during the recent UNGA meetings including the recently formed **Global Education Forum.**
- Discussions around a family of funds was considered by the Board in June 2019 and it was agreed to hold off on further work until the outcome of the strategic plan is known.

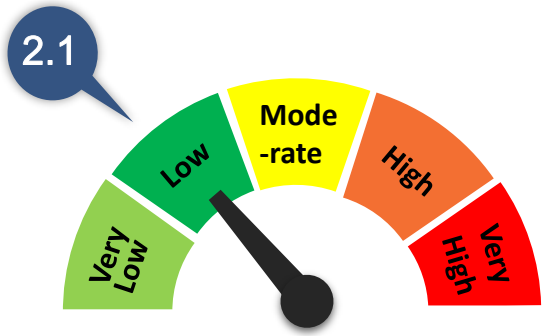




REPUTATIONAL RISK

The risk of threat or danger to the good name or standing of GPE.

Category Score



0.18%

KRI: % negative media coverage out of total GPE media coverage

14%

KRI: % of negative coverage in social media

100%

KPI: % of pledges delivered vs. fundraising goals

Very High

KRI: Access to funding risk sub risk rating

Reputational risk is a hybrid risk: It has no sub risk and requires special management since reputation is shaped both inside and outside of the organi--zation, and since all risks have the potential to ultimately damage GPE's reputation.

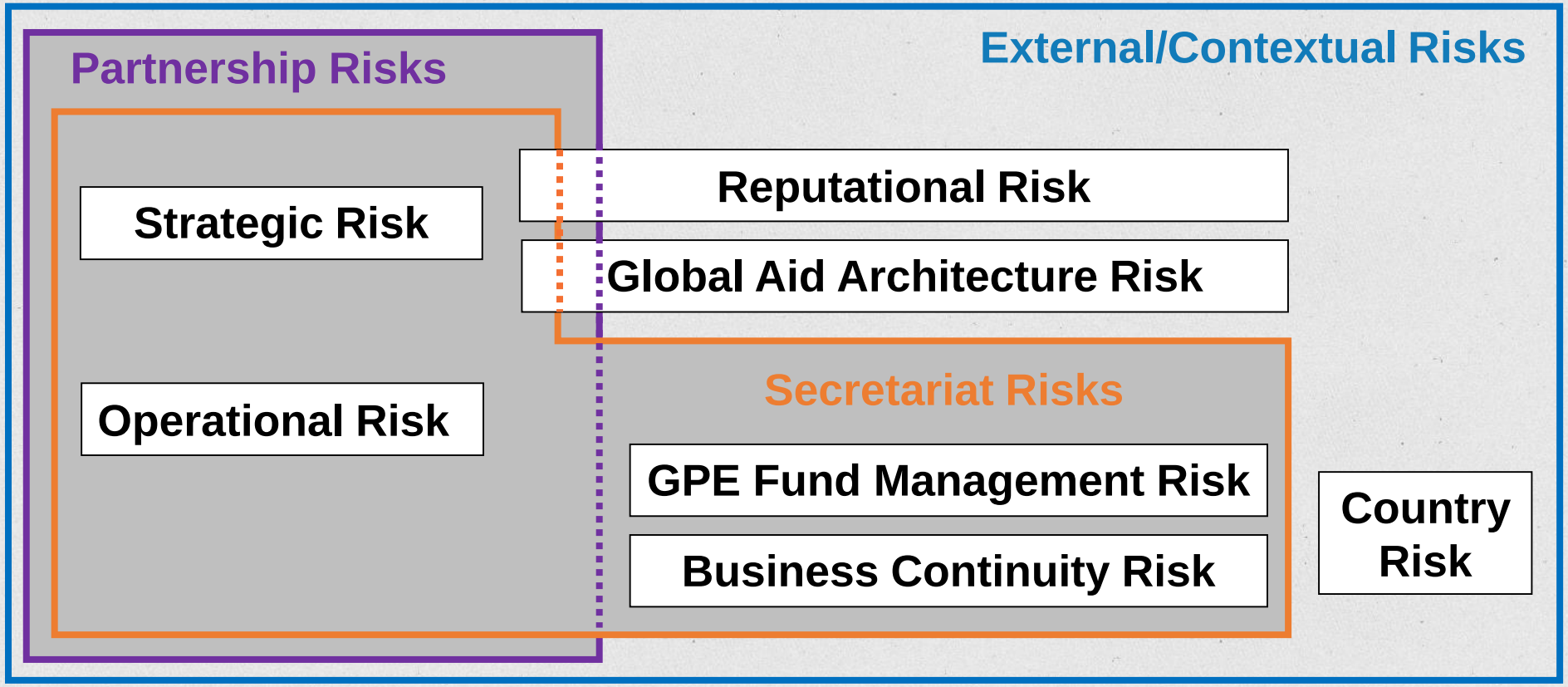
Mitigation Action Plan

Failures in any one of many areas can damage reputation. In that sense **mitigation action for reputational risk is the sum of all other risk mitigation measures**. More specifically, mitigating potential damage has two components:

- Adherence to a **crisis communications protocol** in the event that an issue emerges that could potentially damage GPE reputation. Both the substantive issue and the communications about it need to be managed effectively and efficiently.
- Enhancing the base reputation by **positioning GPE as a transparent and effective organization, achieving results in an innately risky environment**. In so doing, GPE can build the capacity to endure potential shocks to its reputation.



GLOSSARY



External risks risks that arise from events outside of the organization's control and tend to be not predictable. These risks can offer positive and/or negative benefits. The organization cannot influence the likelihood of these risk events but can reduce the cost of impact by focusing on recognition/early reaction *(e.g. political changes in a country).*

Internal risks are faced by an organization from within and arise during the normal operations. These risks can be forecasted with more reliability, and therefore, an organization has a good chance of reducing internal risks. For the GPE, there are two types of internal risks:

Partnership risks: internal risks managed by all the partners, including the Secretariat *(e.g. ESPIG performance risk)*;

Secretariat risks: internal risks managed by the Secretariat, that have a negative impact on the Partnership should they occur *(e.g. operating expenses risk).*

Partnership Risks

Strategic Risk

- Financing Risk
- Governance Risk (Global)
- Mutual Accountability Risk (Country Level)
- Impact Risk
- Value for Money Risk

Operational Risk

- Access to funding Risk
- Risk to context appropriate ESPs
- Risk to sector dialogue & monitoring
- Risk to ESPs financing
- ESPIG Design Risk
- ESPIG Performance Risk
- Risk of Doing Harm
- Risk of Fraud and Misuse
- Grant Management Compliance Risk

External/Contextual Risks

Reputational Risk

Global Aid Architecture Risk

Country Risk

Secretariat Risks

GPE Fund Management Risk

- Liquidity Risk
- Currency Exchange Risk
- Transaction Processing Risk
- Investment Risk

Business Continuity Risk

- Operating Expenses Risk
- Human Resources (HR) Risk
- Information Technology (IT) Risk
- Suppliers and Service Providers Risk
- Integrated Processes Risk
- Risk to new projects or strategies
- Secretariat Compliance Risk
- Workplace Risk



GLOBAL PARTNERSHIP *for* EDUCATION

Thank You