RISK MANAGEMENT FRAMEWORK

For Decision

1. PURPOSE

1.1 The purpose of this paper is to seek a decision from the Board of Directors endorsing a draft Risk Management Matrix ("Matrix") (Annex 2) and assigning a Board sub-committee or working group to assist the Secretariat in finalizing a Risk Management Framework for the Global Partnership for Education ("Global Partnership" or "GPE").

1.2 In order to finalize the Risk Management Framework, the Matrix will need to be refined and risk mitigation measures developed for each of the risks identified in the Matrix. It is important that the Board of Directors, through a Board sub-committee or working group, engage directly in finalizing the Risk Management Framework in order for the Global Partnership to minimize the potential risks identified.

1.3 The Risk Management Framework will be presented to the Board of Directors at its next face-to-face meeting in June 2014.

2. RECOMMENDED DECISION

The Secretariat requests that the Board of Directors approves the following decision:

BOD/2013/11-XX — Risk Management Framework: The Board of Directors:

a. endorses the draft Risk Management Matrix in Annex 2 of BOD/2013/11 DOC 10 ("Matrix");

b. designates a [*sub-committee or working group of the Board of Directors]* to finalize a comprehensive Risk Management Framework for the Global Partnership that includes risk mitigation measures, responsible parties and estimated timeframes for implementation for each of the identified risks; and

c. requests that a comprehensive Risk Management Framework be submitted to the Board of Directors for approval at its next face-to-face meeting in June 2014.

3. BACKGROUND

3.1 At its face-to-face meeting in Paris in November 2012, the Board of Directors requested the Secretariat to deliver a risk management framework for review by May 2013. Due to a change in leadership, the Secretariat was unable to meet this timeframe, but committed to submitting it at the face-to-face meeting of the Board of Directors in Addis Ababa in November 2013.

3.2 The reason for developing a Risk Management Framework is to determine the *likelihood* that any adverse situation may occur and the *consequences* (or impact) for GPE should it occur. The Secretariat identified a series of risks to GPE using a Risk Management Matrix (Annex 2). The Matrix analyses each risk according to two criteria: the probability of the risk occurring and the impact of the risk on GPE if it does occur.

3.3 The definitions of probability employed in the Risk Management Matrix are as follows:

- Very Likely – The risk is seen as certain to occur within the next 2 years.
- Likely – The risk is seen as likely to occur within the next 2 years.
- Possible – The risk is seen as possibly occurring within the next 2 years.
- Unlikely – The risk is seen as unlikely to occur within the next 2 years.

3.4 The definitions of impact employed in the Risk Management Matrix are as follows:

- Minor – The risk will not substantively impede the achievement of the objective, causing minimal damage to the Global Partnership's ability to carry out its work or to its reputation.
- Moderate – The risk will cause some elements of the objective to be delayed or not be achieved, causing potential damage to the Global Partnership's ability to carry out its work and to its reputation.
- Major – The risk will cause major elements of the objective to be delayed or not be achieved, causing likely damage to the Global Partnership's ability to carry out its work and to its reputation.

- High – The risk will cause the objective to not be achieved, causing serious damage to the Global Partnership's ability to carry out its work and to its reputation.

3.5 The risks were then categorized as strategic risk, implementation risk, governance risk, financial risk or staffing/organizational culture risk. Some of the risks were categorized as both strategic and implementation risks.

3.6 After the risks were rated according to probability and impact, a total score was developed to assess the overall risk to GPE. The probability/impact chart attached as Annex 1 shows how the overall score for each risk was determined. There are four possible scores: Critical, High, Medium and Low. The reason for giving each risk an overall score is to enable GPE to rank the risks in order of priority in order to separate the minor risks from the major ones and make informed choices about the risk priorities for the organization.

3.7 This is the first step in developing a Risk Management Framework and a Risk Management Matrix. The second important step is to develop risk mitigation measures for each risk. After the risk mitigation measures are identified, responsibility needs to be assigned for implementation within an agreed upon timeframe. The Board of Directors, with support from the Secretariat, will need to monitor the implementation of the risk mitigation measures and track progress year to year on reducing the potential risks to GPE. New risks may materialize in the future, while current risks may disappear or be greatly diminished. The Secretariat will report to the Board of Directors on the progress being made on implementing the risk mitigation measures on a semi-annual basis. The Secretariat will review and update the Matrix on an annual basis and share the revised Risk Management Matrix with the Board of Directors for their inputs and comments.

3.8 A draft of the Matrix was shared with the members of the Board of Directors for comments in September 2013. The draft Matrix found in Annex 2 incorporates many of the comments received.

4. REASONS FOR RECOMMENDATION

The Board of Directors requested that the Secretariat develop a Risk Management Framework for the Global Partnership. The Matrix developed by the Secretariat has

identified the main risks facing GPE that should be addressed in order to avoid serious impacts that could harm GPE's future sustainability and ability to achieve its strategic goals. The Secretariat needs the Board of Director's direction and input into the Matrix and would benefit from closer collaboration going forward to finalize it. Many of the risk mitigation measures will necessitate the engagement of the Board.

5. IMPLICATIONS FOR SECRETARIAT RESOURCES

There are no additional Secretariat resources required at this time. The work can be carried out by the current Secretariat staff. Once risk mitigation measures are proposed to the Board and approved, there may be a cost attached to implementing them, but at this time the potential cost is unknown.

6. NEXT STEPS

6.1 The Secretariat will, in collaboration with a Board sub-committee or working group, refine the identified risks and scoring in the draft Matrix and will develop risk mitigation measures for each risk. Responsibility for implementing each risk mitigation measure will be assigned to a responsible party who will then develop an implementation plan.

6.2 The final Risk Management Framework will include a Risk Management Matrix that contains the following elements:

- Risks categorized into five areas: strategic, implementation, governance, financial and staffing/organizational culture;
- Rating of each risk as to its probability and impact;
- Determination of an overall score to measure the risk;
- Summary of risk mitigation measures for each risk;
- Responsible party for implementing risk mitigation measures to address each risk; and
- Proposed timeframe for implementing the risk mitigation measures.

Annex 1 – Probability/Impact Chart

Probability	Impact			
	Minor	Moderate	Major	Severe
Very Likely	Medium	High	Critical	Critical
Likely	Low	Medium	High	Critical
Possible	Low	Low	Medium	High
Unlikely	Low	Low	Low	Low

Definitions of Probability:

Very Likely – The risk is seen as certain to occur within the next 2 years.
Likely – The risk is seen as likely to occur within the next 2 years.
Possible – The risk is seen as possibly occurring within the next 2 years.
Unlikely – The risk is seen as unlikely to occur within the next 2 years.

Definitions of Impact:

Minor – The risk will not substantively impede the achievement of the objective, causing minimal damage to the Global Partnership's ability to carry out its work or to its reputation.

Moderate – The risk will cause some elements of the objective to be delayed or not be achieved, causing potential damage to the Global Partnership's ability to carry out its work and to its reputation.

Major – The risk will cause major elements of the objective to be delayed or not be achieved, causing likely damage to the Global Partnership's ability to carry out its work and to its reputation.

Severe – The risk will cause the objective to not be achieved, causing serious damage to the Global Partnership's ability to carry out its work and to its reputation.

Overall Risk Score: According to Probability/Impact Chart above

Low Risk – Green
Medium Risk – Yellow
High Risk – Orange
Critical Risk - Red

Annex 2 – Risk Management Matrix

Risk ID	Risk Component	Risk Factors	Risk Consequences	Impact	Probability	Overall Risk Score
1.10	Strategic	Insufficient influence on gender policy in DCPs.	Inability to make substantial progress in raising number of girls attending school.	Severe	Likely	Critical
1.11	Strategic	Inability to improve and measure learning outcomes and demonstrate progress in achieving strategic objectives of GPE.	Failure to achieve and demonstrate results.	Major	Likely	High
1.12	Strategic	Lack of high level GPE partner involvement/ commitment to GPE strategy.	Limited success in implementation of strategic plan and increased risk of loss of funding.	Severe	Possible	High
1.13	Strategic/Implementation	Lack of national capacity as well as difficult and sometimes sporadic access to insecure areas of the country in fragile and conflict-affected states.	Failure to increase the number of children who have access to education in fragile and conflict-affected states.	Severe	Likely	Critical
2.01	Implementation	Lack of a robust monitoring framework supported by credible data.	May hinder taking corrective action during program implementation and articulating results and impact.	Major	Likely	High
2.02	Implementation	Failure to implement and disburse grants within reasonable time frames.	Delays in program implementation leading to slow results and impact on the ground. Possible negative impact to GPE's ability to attract future funds.	Major	Likely	High
2.03	Implementation	Poor cooperation and/or communication between LEG and ME/SE.	SE/ME is unable to fulfill its intended role.	Major	Unlikely	Low
2.04	Implementation	Lack of clarity pertaining to roles of GPE, LEG, SEs and MEs in country.	Poor quality of grant proposals, slow implementation, lack of adequate results and impact.	Major	Possible	Medium

Risk ID	Risk Component	Risk Factors	Risk Consequences	Impact	Probability	Overall Risk Score
2.05	Implementation	Lack of harmonized accountability and reporting framework for all GPE partners.	Poor enforcement and monitoring mechanisms for performance creates gaps in accountability. Results in GPE's inability to consistently obtain substantive data to demonstrate results and impact.	Severe	Likely	Critical
2.06	Implementation	Inadequate data systems to track grants from approval through various stages of implementation to completion.	Inability to easily monitor and track disbursements and progress of grants.	Moderate	Likely	Medium
2.07	Implementation	Poor quality assurance process of grant applications.	Poorly designed grants that are difficult to implement and do not achieve desired results.	Major	Possible	Medium
2.08	Implementation	GPE's inability to obtain substantive reporting from SEs and MEs on results and impact of programs.	Makes it difficult for GPE to demonstrate results and impact and value-added of GPE model.	Major	Possible	Medium
2.09	Implementation	Lack of capacity by SE/ME for effective oversight and support of program implementation.	Inability to accurately evaluate progress and impact of GPE-sponsored programs.	Major	Likely	High
2.10	Implementation	Confusion of roles and division of labor between Secretariat and WB.	Use of WB policies and procedures may lead to some inefficiency in administrative decision-making processes and less visibility of GPE where programs are being implemented.	Moderate	Possible	Low
2.11	Implementation	Capacity of the current model and resources to effectively manage surge in demand for support by countries with volatility in the supply of funding.	May lead to delays in the ability to commit funds to grants when they are needed. Reliance on relatively uncertain payments to assess GPE capacity to meet its obligations.	Major	Likely	High

Risk ID	Risk Component	Risk Factors	Risk Consequences	Impact	Probability	Overall Risk Score
3.01	Governance	Insufficient engagement by GPE Board members in working with other high level members in their own governments and constituencies to garner more support for GPE both programmatically and financially.	Threatens future sustainability of GPE.	Major	Likely	High
3.02	Governance	Failure of GPE partners to consistently and convincingly message value added of GPE.	Threatens future sustainability of GPE.	Major	Possible	Medium
3.03	Governance	Failure of Board members to implement their respective parts of the implementation plan.	Inability of GPE to meet its strategic goals.	Severe	Possible	High
3.04	Governance	Slow decision grant making processes discourage ability to respond to partner needs in real time.	May negatively impact speed and efficiency of execution and achieving expected outcomes at country level as well as GPE's ability to respond in emergency/humanitarian crises.	Moderate	Possible	Low
3.05	Governance	Rigid governance procedures - need for full Board consultation on various levels of decision-making; lack of smaller working groups or sub-committees with some delegated decision-making authority.	Inability for GPE and the Secretariat to respond quickly to improve quality of grants and implementation.	Major	Likely	High
3.06	Governance/Financial	Lack of an effective enterprise risk framework and risk mitigation measures in place.	Inability to avoid or mitigate risks leaving GPE exposed to loss of credibility and financial liabilities.	Major	Unlikely	Low
4.01	Financial	Inability of GPE to meet its current funding pledges.	Uncertainty about GPE's ability to honor current commitments.	Major	Possible	Medium
4.02	Financial	Misappropriation of grant funds.	Damage to country programs. Possible loss of trust, credibility and funding.	Severe	Possible	High

Risk ID	Risk Component	Risk Factors	Risk Consequences	Impact	Probability	Overall Risk Score
4.03	Financial	Sustained decline in overseas development aid to education.	Long-term sustainability of GPE is threatened.	Severe	Likely	Critical
4.04	Financial	Inability to meet growing demand due to weak replenishment.	Long-term sustainability of GPE is threatened.	Severe	Possible	High
4.05	Financial	Lack of alternative or innovative financing arrangements geared to private sector.	Insufficient funding to meet growing demands.	Major	Likely	High
5.01	Organizational Culture	Conflicting staff loyalties and identity (WB vs. GPE).	Lack of shared vision and culture in the organization.	Moderate	Possible	Low
5.02	Staffing	Lack of an effective system for recruiting and developing GPE staff.	Failure to attract and retain quality staff.	Moderate	Unlikely	Low
5.03	Staffing	Inappropriate staffing levels (skill mix and numbers of staff in particular types of positions).	Staff burn out and/less than satisfactory performance	Major	Possible	Medium