RISK MANAGEMENT REPORT #3: REPORT FROM THE GOVERNANCE, ETHICS, RISK AND FINANCE COMMITTEE

For Decision

1. STRATEGIC PURPOSE

1.1 The purpose of this paper is for the Board to review the overall GPE risk portfolio based on the Governance, Ethics, Risk and Finance Committee (GERF) recommendation, the Secretariat analysis, and input from the Country, Grants and Performance Committee (CGPC) and the Strategy and Policy Committee (SPC).

1.2 This paper also presents the new operational risk framework, which complements the risk matrix and allows the Global Partnership for Education (GPE) to improve risk management by addressing risk at the country and grant levels in a systematic way.

2. EXECUTIVE SUMMARY

Risk Matrix

2.1 The Secretariat has developed a simplified risk matrix to monitor information related to each risk and to update the status of current and additional mitigation actions required, as presented in Annex 2. In reviewing each risk and the mitigation measures being implemented, the Secretariat has formulated recommendations related to the impact, probability and overall score of each risk and added a "target risk." The target risk describes how much risk the Board is willing to accept in order to reach objectives. This will inform the Board's tolerance for each specific risk and will help to define management's "risk appetite." Target risk helps to ensure that risks are not over- or under-managed, and that financial and human resources are allocated effectively.

2.2 The Secretariat has also reviewed the alignment of the risk matrix with the strategic plan, as presented in Annex 1.

2.3 The GERF, SPC and CGPC supported the revised format of the risk matrix, specifically the inclusion of inherent, residual and target risk.[1] They also reviewed their assigned risks and addressed the following recommendations to the Board:

- **SPC:** On risk 1.1.3, Knowledge and Good Practice Exchange (KGPE) — Increase level of impact of both inherent and residual risk from moderate to major, and add the following mitigation action: "Secretariat — ensure design of KGPE initiatives explicitly links global and regional activities to country level work." The risk matrix now reflects this recommendation from the SPC.

- **CGPC:** On risk 2.2.1, Independent Appraisal (Grants) — Suggest to include in a mitigation action (cf Annex 2).

- **GERF:** Specifically discuss and approve target risk levels. The GERF noted that the Board should pay attention to the following high or critical risks:
  - — 3.2.1 Misuse of Funds.
  - — 3.1.1 Donor Pledges.
  - — 3.1.3 Strategic Financing.
  - — 4.2.3 Secretariat Capacities.

- One GERF member also stressed that risk 4.2.2, Secretariat Institutional Arrangement, may be rated too low, especially in view of the possible hosting of the Education in Emergencies and Protracted Crises Platform and the potential impact of new and innovative finance mechanisms that may be considered through the work of the Strategic Finance Working Group. The Secretariat clarified that the risk is assessed based on current arrangements, and that the direction the Board takes on these issues over the coming weeks and months could indeed result in an increased assessment of this risk.

- The GERF also noted that at country level, GPE continues to be seen as a World Bank program. The risk associated to the GPE identity and branding should be further analyzed in the context of discussions on new financing windows.

[1] **Inherent risk:** The risk that GPE faces prior to any mitigation efforts, before internal or other controls.
Residual risk: The level of risk remaining after reasonable mitigation efforts have been applied.
Target risk (risk appetite and risk tolerance for a specific risk): The amount of risk that management is willing to accept in order to reach objectives, which helps define management's "risk appetite."

- Members of the GERF queried the rationale for setting the target risk for 3.2.1, Misuse of Funds, as High (severe impact/possible likelihood). The Secretariat clarified that significant amounts of GPE funds are being implemented in some very challenging contexts, and therefore its assessment is that it would be challenging to move from "possible" to "unlikely." The GERF acknowledged this point and suggests the Board consider this issue in particular when setting the target risk.

Operational Risk Framework (ORF)

2.4 Both the CGCP and the GERF reviewed the proposed ORF and:

- Strongly supported the approach.
- Agreed that the overall risk rating by country, sector and grant should be made publicly available and will be valuable information to take into consideration for local education groups.
- Agreed that risk analysis should be included in the Secretariat's quality assurance review of education sector plan implementation grant (ESPIG) applications for CGPC consideration so that it feeds into the discussion and decision-making process.
- Shared the understanding that the risk mitigation assessment and country risk management plan shouldn't duplicate grant agents' existing mechanisms. They also cautioned against creating additional burden on countries and recommended that the Secretariat develop and share an example.
- A member of the GERF also suggested that risk analysis should be factored into the allocation formula, particularly with respect to the ability to absorb funds. The Secretariat clarified that it would raise the issue of absorptive capacity in the ongoing work of the Strategic Finance Working Group.

3. RECOMMENDED DECISION

3.1 The GERF requests that the Board of Directors approve the following decision:

GERF/2016/05-XX—<u>Risk Management Report</u>: The Board of Directors:

1. Notes that the revised risk matrix is fully aligned with the strategic plan and includes actions to strengthen the operational model.

2. Endorses the changes to the risk matrix, including revisions to the overall score of some risks, as well as inclusion of both inherent risk and a target risk, update on current mitigations actions, and addition of mitigation actions, as presented in BOD/2016/06 DOC 13 Annex 2.

3. Approves the proposed target risks, as presented in BOD/2016/06 DOC 13 Annex 2, noting that this target level indicates where risk would be acceptable and the associated additional mitigation actions required to move the risk toward the target level.

4. Endorses the proposed operational risk framework, as presented in BOD/2016/06 DOC 13 Annex 3, and requests that the Secretariat apply the methodology based on the timelines set out in that document and update the Risk Management Policy to include the incorporation of the operational risk framework.

5. Requests the Secretariat to update the CPGC and the GERF on the implementation of the operational risk framework for report to the Board at its next face-to-face meeting in 2016, taking into account lessons learned from the first year of implementation to recommend any further revisions to the operational risk framework and associated policies for the Board by June 2017.

4. BACKGROUND

4.1 In December 2014 (BOD/2014/12-03), the Board adopted the Risk Management Policy and endorsed the risk management matrix "with the understanding that it will be reviewed and revised semi-annually by the Secretariat and submitted for evaluation to the GERF, and any material changes will be reported to the Board."

4.2 Per the Risk Management Policy and related risk matrix, the GERF is responsible for overseeing risk management within the Global Partnership for Education (GPE) and ensuring that progress is being made on implementing risk mitigation measures.

4.3 During the October 14-16 Board retreat, the Board approved a number of recommendations to strengthen GPE's operational model (BOD/2015/10-02 and BOD/2015/10 Doc 06-Decision). This includes a recommendation to develop an operational risk framework (ORF) to support a differentiated risk-based approach to quality assurance and monitoring.

4.4 During its meeting in December 2015, the Board reviewed the risk portfolio (BOD/2015/12 DOC 12) and requested that the GERF (BOD/2015/12-09) "conduct an in-depth review of the full risk management matrix at its next meeting, to ensure full alignment with the strategic plan and recommendations to strengthen the operational model, including the operational risk framework, and report to the Board at its next meeting with any recommended adjustments to the Risk Management Policy and matrix."

5. IMPLICATIONS FOR SECRETARIAT RESOURCES AND RISK ANALYSIS

5.1 There will be no financial implications associated with this decision. The Secretariat will continue to use internal cross-team skills to finalize the sector and grant assessment templates, including completion of the risk factors, and to complete the risk identification, assessment and development of risk management plans as part of the operational risk framework.

5.2 The Secretariat will pay specific attention to the risk of duplication with existing grant agents' processes and the risk of creating additional administrative burden to countries.

5.3 The GERF agreed with the Secretariat that the overall risk rating by sector, country and grant will be publicly available, but that the individual scores assigned to each risk for a given country would not be made public to protect the integrity of the assessment process. The GERF noted that the Secretariat would make this information available for any review of its implementation of the operational risk framework.

6. INPUT REQUESTED

Risk Matrix (Annex 2)

6.1 The GERF recommends that the Board endorse the revised risk matrix and approve proposed target risks. A suggested approach might include reviewing the comfort level with the target risk outlined in the risk matrix and consideration of whether further mitigation activities would be needed, especially for high and critical risks identified by the GERF and/or the Secretariat (3.2.1 Misuse of Funds, 3.1.1 Donor Pledges, 3.1.3 Strategic Financing and 4.2.3 Secretariat Capacities).

Operational Risk Framework (Annex 3)

6.2 The GERF recommends that the Board approve the operational risk framework and next steps identified to test it and report back to the CGPC and the GERF.

7. NEXT STEPS

7.1 Subject to Board approval of the framework in June, the Secretariat will update the Risk Management Policy to include the incorporation of the operational risk framework.

7.2 The Secretariat will finalize the sector and grant assessment templates, including completion of the risk factors; complete the risk identification, assessment and development of risk management plans for each critical and high-risk country in time for the next meeting of the GERF in 2016; and report on progress with implementation of the framework at that time. Action plans for remaining countries will be completed by the first quarter 2017 at the latest.

7.3 The status of implementation of the management plans and any proposed policy modifications to GPE's application process, quality assurance and monitoring arrangements, along with adjustments to the framework itself, would be presented at the first meeting of the GERF in 2017.

8. PLEASE CONTACT: Padraig Power (ppower@globalpartnership.org) or Christine Guétin (cguetin@globalpartnership.org) for further information.

9. ANNEXES AND ADDITIONAL INFORMATION

Annexes:

- ✓ Annex 1: Alignment of the Risk Matrix and the Strategic Plan

- ✓ Annex 2: Risk Matrix
- ✓ Annex 3: Operational Risk Framework

References:

- ✓ Risk Management Report #2 (BOD/2015/12 DOC 12)
- ✓ Risk Management Policy (BOD/2014/12 DOC 04)
- ✓ Risk Management Report #1 (BOD/2015/05 DOC 17)

ANNEX 1 — STRATEGIC PLAN 2016–2020: RISKS ASSOCIATED TO OBJECTIVES

Results by Level	Associated Risk
Objective 1: Strengthen sector planning and policy implementation.	
(a) Support evidence-based nationally owned sector plans focused on equity, efficiency and learning.	2.2.2 **Independent Appraisals (Education Sector Plans)** The risk that independent appraisals do not always detect and correct poorly designed education sector plans.
(b) Enhance sector plan implementation through knowledge and good practice exchange, capacity development, and improved monitoring and evaluation, particularly in the areas of teaching and learning and equity and inclusion.	1.2.1 **Support to Education Sector Plans** The risk that the partnership does not address the sustainability of education systems in education sector plans. 2.4.2 **Quality Data (Education Sector Plans)** The risk that the partnership is unable to capture reliable data to monitor and demonstrate performance of education sector plans. 1.1.3 **Knowledge and Good Practice Exchange** The risk that the partnership fails to use the global and cross-national knowledge and good practice exchange to leverage improved education policies and systems.
Results by Level	**Associated Risk**
Objective 2: Support mutual accountability.	
(a) Promote inclusive and evidence-based sector policy dialogue and sector monitoring, through government-led local education groups and the joint sector review process, with participation from civil society, teachers' organizations, the private sector and all development partners.	2.1.1 **Roles, Responsibilities and Accountabilities at Country Level** The risk that roles, responsibilities and accountabilities of the Secretariat, LEGs, CAs and GAs in country are not clearly defined, understood and consistently applied. 2.1.3 **Implementation Modalities** The risk that a country cannot identify a grant agent. 2.3.3 **Program Implementation Modality** The risk that by not using government systems, GPE will not realize sufficient progress in strengthening systems.
(b) Strengthen the capacity of civil society and teachers' organizations to engage in evidence-based policy dialogue and sector monitoring on equity and learning, leveraging social accountability to enhance the delivery of results.	1.2.4 **Operational Modalities** The risk that GPE processes do not take sufficient account of the level of national capacity and the operating environment, particularly in conflict-affected states. 2.1.1 **Roles, Responsibilities and Accountabilities at Country Level** The risk that roles, responsibilities and accountabilities of the Secretariat, LEGs, CAs and GAs in country are not clearly defined, understood and consistently applied. 2.4.2 **Quality Data (Education Sector Plans)** The risk that the partnership is unable to capture reliable data to monitor and demonstrate performance of education sector plans.
Results by Level	**Associated Risk**
Objective 3. Ensure efficient and effective delivery of GPE support.	

(a) GPE grants are used to improve national monitoring of outcomes, including learning.	2.2.1 **Quality Assurance Process (Grants)** The risk that GPE's quality assurance processes do not always detect poorly designed programs/grants at country level (in terms of both substance and oversight) and ensure they are remedied. 2.4.1 **Quality Data (Grants)** The risk that the partnership is unable to capture reliable data to monitor and demonstrate performance of GPE grants. 2.1.2 **New Funding Model** The risk of disruption in GPE activities due to problems in the implementation of the new funding model.
(b) GPE grants are used to improve teaching and learning in national education systems.	2.2.1 **Quality Assurance Process (Grants)** The risk that GPE's quality assurance processes do not always detect poorly designed programs/grants at country level (in terms of both substance and oversight) and ensure they are remedied. 2.4.1 **Quality Data (Grants)** The risk that the partnership is unable to capture reliable data to monitor and demonstrate performance of GPE grants.
(c) GPE grants are used to improve equity and access in national education systems.	2.2.1 **Quality Assurance Process (Grants)** The risk that GPE's quality assurance processes do not always detect poorly designed programs/grants at country level (in terms of both substance and oversight) and ensure they are remedied. 2.4.1 **Quality Data (Grants)** The risk that the partnership is unable to capture reliable data to monitor and demonstrate performance of GPE grants. 2.4.2 **Quality Data (Education Sector Plans)** The risk that the partnership is unable to capture reliable data to monitor and demonstrate performance of education sector plans. 2.1.1 **Roles, Responsibilities and Accountabilities at Country Level** The risk that roles, responsibilities and accountabilities of the Secretariat, LEGs, CAs and GAs in country are not clearly defined, understood and consistently applied.
(d) The GPE funding model is implemented effectively, leading to the achievement of country-selected targets for equity, efficiency and learning.	2.3.1 **Grant Agent Oversight** The risk that grant agents are not always providing effective oversight. 2.1.2 **New Funding Model** The risk of disruption in GPE activities due to problems in the implementation of the new funding model. 2.3.3 **Program Implementation Modality** The risk that by not using government systems, GPE will not realize sufficient progress in the sector.
(e) GPE grants are assessed based on whether they are on track with implementation.	2.3.2 **Program Implementation Timeline** The risk that grant objectives are not achieved within the expected implementation period. 2.3.4 **Grant Management** The risk to GPE that not all poorly performing grants are detected and remedied in a timely manner. 3.2.1 **Fraud and Misuse** The risk that significant GPE funds are diverted from their intended purpose through fraud or other forms of misuse. 4.1.1 **GPE Decision-Making Process** The risk that GPE decisions are not made in an efficient and timely manner, therefore having a potentially negative impact on GPE operations, especially with regard to grants.

Results by Level	Associated Risk
Objective 4: Mobilize more and better financing.	
(a) Leverage increased, sustainable and better-coordinated international financing for education by diversifying and increasing GPE's international donor base and sources of financing.	3.1.1 **Donor Pledges** The risk that donors fail to deliver on their current funding pledges within the replenishment period. 3.1.3 **Strategic Financing** The risk that GPE fails to demonstrate its added value and attract new and additional funding in the context of the upcoming replenishment. 3.1.4 **Liquidity** The risk that the GPE Fund has insufficient funds and liquidity to meet its current and planned funding obligations.
(b) Advocate for improved alignment and harmonization of funding from GPE and its international partners around nationally owned education sector plans and country systems.	2.2.1 **Quality Assurance Process (Grants)** The risk that GPE's quality assurance processes do not always detect poorly designed programs/grants at country level (in terms of both substance and oversight) and ensure they are remedied. 2.2.2 **Independent Appraisals (Education Sector Plans)** The risk that independent appraisals do not always detect and correct poorly designed education sector plans. 1.2.4 **Operational Modalities** The risk that GPE processes do not take sufficient account of the level of national capacity and the operating environment, particularly in conflict-affected states. 1.2.1 **Support to Education Sector Plans** The risk that the partnership does not address the sustainability of education systems in education sector plans.
(c) Support adequate, efficient and equitable domestic financing for education through cross-national advocacy, mutual accountability and support for transparent monitoring and reporting.	1.2.3 **Domestic Financing** The risk that GPE developing country partners fail to increase their public expenditure or maintain expenditure at 20% or above. 3.1.2 **DCP Pledges** The risk that some DCPs fail to deliver on their current pledges.

Results by Level	Associated risk
Objective 5: Build a stronger partnership.	
(a) Promote consistent country-level roles, responsibilities and accountabilities among governments, development partners, grant agents, civil society, teachers' organizations and the private sector through local education groups and a strengthened operating model.	2.1.4 **Roles, Responsibilities and Accountabilities at Country Level** The risk that roles, responsibilities and accountabilities of the Secretariat, LEGs, CAs and GAs in country are not clearly defined, understood and consistently applied.
(b) Use global and cross-national knowledge and good practice exchange effectively to leverage improved education policies and systems, especially in the areas of equity and learning.	1.1.3 **Knowledge and Good Practice Exchange** The risk that the partnership fails to use the global and cross-national knowledge and good practice exchange to leverage improved education policies and systems.
(c) Expand the partnership's convening and advocacy role, working with partners to strengthen global commitment and financing for education.	1.1.1 **Implementation Plan** The risk that the Board and management have not developed a realistic and achievable implementation plan and clarified partner commitments to support the achievement of strategic plan goals and objectives.
(d) Improve GPE's organizational efficiency and effectiveness, creating stronger systems for quality assurance, risk management, country support and fiduciary oversight.	4.1.1 **GPE Decision-Making Process** The risk that GPE decisions are not made in an efficient and timely manner, therefore having a potentially negative impact on GPE operations, especially with regard to grants. 4.1.2 **Risk Management** The risk that Board and management do not **systematically** take risk into consideration while making decisions. 4.1.3 **Global Governance Responsibilities** The risk that some Board and committee members do not share a common agreement on the mandate of the Board/committee/Secretariat and cannot fulfill their governance responsibilities. 4.2.2 **Secretariat Institutional Arrangement** The risk that the GPE institutional arrangement negatively affects its ability to achieve GPE strategic objectives. 4.2.3 **Secretariat Capacity** The risk that the Secretariat's technical capacity, organizational structure, financial and human resources are not sufficient to deliver on the responsibilities assigned to it by the Board. 3.2.1 **Fraud and Misuse** The risk that significant GPE funds are diverted from their intended purpose through fraud or other forms of misuse. 2.2.1 **Quality Assurance Process (Grants)** The risk that GPE's quality assurance processes do not always detect poorly designed programs/grants at country level (in terms of both substance and oversight) and ensure they are remedied. 2.2.2 **Independent Appraisals (Education Sector Plans)** The risk that independent appraisals do not always detect and correct poorly designed education sector plans.
(e) Invest in monitoring and evaluation to establish evidence of GPE results, strengthen mutual accountability— and improve the work of the partnership.	1.1.3 **Monitoring Mechanisms** The risk that the partnership is unable to monitor and demonstrate progress on strategic plan objectives. 2.4.2 **Quality Data (Education Sector Plans)** The risk that the partnership is unable to capture reliable data to monitor and demonstrate performance of education sector plans.

ANNEX 2 — GPE RISK DASHBOARD, MAY 2016

Inherent risk: The risk that GPE faces prior to any mitigation efforts, before internal or other controls.

Residual risk: The level of risk remaining after reasonable mitigation efforts have been applied.

Target risk (risk appetite and risk tolerance for a specific risk): The amount of risk that management is willing to accept in order to reach objectives, which helps define management's "risk appetite." Target risk helps to ensure that risks are not over- or under-managed, and that financial and human resources are allocated effectively.

Mitigation actions: These should be as **s**pecific, **m**easurable, **a**chievable, **r**ealistic and **t**ime-bound (SMART) as possible. There is a requirement to measure progress with mitigating actions and to highlight for management where mitigating actions are off track. If the mitigating action is an ongoing, recurrent action/control, consideration should be given to whether this needs to be reported in the risk register.

Severity Chart

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

Definitions of Probability	**Definitions of Impact**
Very Likely: The risk is seen as certain to occur within the next three years.	**Severe:** The risk will cause the objective to not be achieved, causing serious damage to GPE's ability to carry out its work and reputation.
Likely: The risk is seen as likely to occur within the next three years	**Major:** The risk will cause major elements of the objective to be delayed or not achieved, causing likely damage to GPE's ability to carry out its work and to its reputation.
Possible: The risk is seen as possibly occurring within next three years	**Moderate:** The risk will cause some elements of the objective to be delayed or not be achieved, causing potential damage to GPE's ability to carry out its work and to its reputation.
Unlikely: The risk is seen as unlikely to occur within the next three years	**Minor:** The risk will not substantively impede the achievement of the objective, causing minimal damage to GPE's ability to carry out its work or to its reputation.

Six-Month Trend/Direction of Travel: Indicates whether the risk rating is likely to change by the time of the next assessment (every six months) based on the implementation of planned mitigation actions and/or other factors that may affect the assessment of risk. Three symbols are provided to indicate the future direction of travel:

- **Improving**, as the risk rating is likely to be lowered (e.g., from High to Medium).
- **Deteriorating**, as the risk rating is likely to be increased (e.g., from High to Critical).
- **Stable** to indicate that no change in rating is expected.

Acronyms

GERF — Governance, Ethics, Risk and Finance Committee

CGPC — Country, Grants and Performance Committee

SPC — Strategy and Policy Committee

ESP — Education Sector Plan

TEP — Transitional Education Sector Plan

ECW — Education Cannot Wait[2]

[2] Education Cannot Wait (or the Education Cannot Wait) is the new official name of the Education in Emergencies and Protracted Crises (EiEPC) platform.

1.0 STRATEGIC RISKS

Risk/Risk Owner(s)	Inherent Risk[3]	Current Mitigation Actions/Controls	Residual Risk[4]	Six-Month Trend	Additional Mitigation Actions Required	Due Date	Target Risk[5]	Strat. Obj.
1.1 Strategy and Policy								
1.1.1 Implementation of the Strategic Plan Board The risk that the Board and management have not developed a realistic and achievable implementation plan and clarified partner commitments to support the achievement of strategic plan goals and objectives.	Major Very Likely	• Board: Review implementation of the strategic plan at each Board meeting, focusing on the ability to leverage continued support and corrective action from partners. • Board: Results framework and results and performance framework adopted in Dec 2015.	Major Unlikely	Stable	• GERF/Board: Adopt mutual accountability language in the charter. • Board: Agree on the next version of results framework (with outstanding baselines, milestones, core indicators and targets). • Board: Agree on non-core indicators.	Jun 2016 Jun 2016 Sep 2016	Major Unlikely	5c
1.1.2 Monitoring of the Strategic Plan Board The risk that the partnership is unable to finalize the results framework and to monitor and demonstrate progress on strategic plan objectives.	Major Very Likely	• Board: Actively involved in the development of the strategic plan • Board: Approved the strategic plan in Dec 2015, which includes a Theory of Change, a results framework with indicators, targets and timelines to allow for improved monitoring and demonstration of progress during implementation.	Major Unlikely	Improving	• SPC/Board: approve and finance monitoring and evaluation strategy. • Board: Agree on a final results framework with (outstanding) baselines, milestones, core indicators and targets. • Board: Agree on non-core indicators. • Secretariat: Develop a results report to provide the basis for making annual adjustments to the strategic plan based on progress.	Jun 2016 Jun 2016 Sep 2016 Dec 2016/ onward	Major Unlikely	5e 2b 3a 5c

[1] Risk before reasonable controls are applied.
[4] Evaluated by Secretariat. For Board approval, June 2016.
[5] Evaluated by Secretariat. For Board approval, June 2016.

					• Secretariat: Invest in improvements to its information systems to support monitoring and reporting on the results framework.	Onward		
1.1.3 Knowledge and Good Practice Exchange Board/SPC The risk that the partnership fails to use the global and cross-national knowledge and good practice exchange to leverage improved education policies and systems.	Major Likely	• Board: Endorsed GPE role as convener and broker of knowledge in Oct 2015 and mandated the Secretariat to work with STC to develop a costed options board paper for Jun 2016. • Board: Exploration of targeted funding for knowledge and good practice exchange approved Dec 2015. • SPC: PowerPoint deck of initial Secretariat thinking on mechanisms to support knowledge work reviewed in Mar 2016. • Secretariat: Monitoring GRA progress.	Major Possible		• SPC: Review draft costed options for knowledge and good practice exchanges ahead of June Board meeting. • Board: Adopt a knowledge and good practice exchange strategy and consider exploration of targeted funding for small-scale knowledge initiatives. • Secretariat: Implement the knowledge and good practice strategy. • Secretariat: Disseminate GRA knowledge product. • Secretariat: Ensure that design of KGPE initiatives explicitly links global and regional activities to country-level work.	Apr 2016 Jun 2016 Aug 2016/ onward Jun 2018	Major Unlikely	1b 5b
1.2 Support to the Education Sector in Developing Countries								
1.2.1 Support to Education Sector Plans CGPC The risk that the Partnership does not leverage its capacities to support the production of quality ESPs.	Major Likely	• Secretariat: Technical assistance services to develop quality education sector plans. • Secretariat/Partners: Guidelines for transitional plan preparation developed. • Secretariat: Guidelines for ESPDGs completed. • Secretariat: ESP financing to include sector analysis.	Major Possible	Stable	• Board: Evaluate independent appraisal of ESPs and propose modalities and timeline for evaluation of pilot. • Secretariat: Roll out improved quality assurance framework • Secretariat: Working with countries planning to apply in 2016/2017.	Jun 2016 Dec 2016 FY2016 – FY2017	Major Unlikely	1b 4b

					• Secretariat: Organize a series of regional workshops bringing DCPs and DPs together to discuss ESP (expansion of the sector monitoring initiative).	FY2017 and beyond		
1.2.2 Support to Education Sector Plans CGPC The risk that the partnership does not support planning, financing and monitoring during ESP implementation.	Major Likely	• Secretariat/Partners: Joint sector reviews efficiency study and guidelines completed. • Secretariat/ Partners: Joint sector participation by Secretariat. • Secretariat: Methodology for monitoring in joint sector reviews. • DCPs: Multi-year action plan for each ESP.	Major Possible	Stable	• Independent appraisal of ESPs and complete preparations for modalities and timeline for evaluation of pilot. • Board: Decision on minimum standards for local education groups. • Secretariat: Organize a series of regional workshops bringing DCPs and DPs together to discuss ESP (expansion of the sector monitoring initiative).	Jun 2016 Jun 2016 FY2017 and beyond	Major Unlikely	1b 4b
1.2.3 Domestic Financing DCPs The risk that GPE Developing country partners which apply for an ESPIG fail to increase their public expenditure or maintain expenditure at 20% or above	Severe Very Likely	• Secretariat/DCP/CGPC: Continuous work on detailing the technical specifications of the funding model requirement on domestic financing that will be the common ground for assessing and monitoring countries commitments in the area. Regularly brief the Board on progress against commitments. • Secretariat/LEG/CSO: Continuous support to civil society coalitions to build their capacities and engage in the LEGs.	Severe Likely	Stable	• Secretariat: Monitor implementation of the CSEF. • Secretariat: Add country-level advocacy mechanisms. • Secretariat: Develop guidelines for LEGs to monitor sector finance. • Secretariat: Financing workshops (if approved).	Ongoing FY2017 Jun 2017 Jun 2017	Severe Possible	4c

1.2.4 Operational Modalities Board The risk that GPE processes do not take sufficient account of the level of national capacity and the operating environment, particularly in conflict-affected states.	Major Likely	• Board: Operational model strengthened (Board decision Oct 2015). • Secretariat/CGPC/Board: 2015 portfolio review includes a section on how the GPE mechanisms have been applied in countries in crisis over the past year, highlighting strengths and weaknesses. Further work is planned in 2015/2016. • CGPC/Secretariat: New selection process for grant agents (CGPC decision Feb 2016). Review grant proposals. • LEG/DCP: Choice of grant agents based on implementation arrangements. • Grant Agents: QAR 2, quality check on the implementation arrangement. • Secretariat: Applies existing policies such as the operational framework, accelerated funding and transitional education sector plans, and focuses on this risk during quality assurance review.	Major Unlikely	Improving	• GERF/Board: Decision on operational risk framework to allow a more differentiated approach to quality assurance and monitoring in different contexts. • Implementation of the monitoring and evaluation strategy. • Analysis of fragile and conflict-affected states.	Jun 2016 Ongoing Ongoing	Major Unlikely	2b 4b

2.0 PROGRAMMATIC RISKS

Risk/Risk Owner(s)	Inherent Risk	Current Mitigation Actions/Controls	Residual Risk	Six-Month Trend	Additional Mitigation Actions Required	Due Date	Target Risk[6]	Strat. Obj.
2.1 Country Advisory								
2.1.1 Roles, Responsibilities And Accountabilities at Country Level Board The risk that roles, responsibilities and accountabilities of the Secretariat, LEGs, CAs and GAs in country are not clearly defined, understood and consistently applied.	Severe Very Likely	• Secretariat: Country-level Process Guide outlines key roles and responsibilities at country level while charter and other governance documents cover the rest of partnership. • Grant Agents and Trustee: Legal relationship outlined in the Financial Procedures Agreement. • GA and DCP: Legal relationship outlined in grant agreements.	Severe Possible	Stable	• GERF/Board: Adopt the mutual accountability language in the charter. • Board: Decision on minimum standard for LEG. • Secretariat/Partners: Successful implementation of the operational model recommendations (Board decision Oct 2015). • Secretariat: Develop communications tool on GPE processes; update guidelines to be consistent/user-friendly. • Secretariat: Implement the monitoring and evaluation strategy. • CGCP/Board: Adopt conflict resolution.	Jun 2016 Jun 2016 2-3 years FY2016 – FY2017 FY2016 – FY2017 Jun 2016	Severe Unlikely	2a, b 3c 4a
2.1.2 GPE Funding Model Secretariat Support to countries: The risk of disruption in country-level processes due to problems in the implementation of the GPE funding model.	Major Very Likely	• Secretariat: Country-level Process Guide updated to reflect new funding model. • Secretariat: Strengthened capacity in place, enabling closer work with countries through fewer countries per person plus additional technical support in place. • CGPC/Board: Decision on application of variable part for grants under USD$5	Major Likely	Stable	• Secretariat/Partners: Roll out operational model recommendations (Board decision Oct 2015). • Secretariat: Strengthen country-level development partners' understanding of the implementation of the funding model and their roles in it. • Secretariat: Further clarify funding model requirements		Major Unlikely	3a, d

[6] Evaluated by Secretariat. For Board approval, June 2016.

		million approved by the CGPC, which is also linked to the operational risk framework.			and incorporate lessons learned in guidance, including financing tool with clear guidelines on the variable part.			
2.1.3 Implementation Modalities Board The risk that a country cannot identify a grant agent suited to the purpose for the country context.	Severe Possible	• Board: Approved eligibility expansion plan for INGOs to act as grant agents. • Secretariat/GERF: Roll out of verification for whether grant agents meet minimum standards.	Severe Possible	Stable	• GERF/Board: Review the circumstances in which GPE could operate without a grant agent. • Secretariat: Conduct a new open call for interested partners to become accredited as grant agents, including bilaterals, multilaterals and, in fragile contexts, INGOs. • Secretariat/CGPC/GERF: Reduce burden on low-risk grants through operational risk framework.	Jun 2016 Jul 2016	Severe Unlikely	2a
2.2 Quality Assurance								
2.2.1 Independent Appraisal (Grants) CGPC The risk that independent appraisals do not always detect poorly designed programs/grants at country level (in terms of both substance and oversight) and ensure they are remedied.	Major Very Likely	• Secretariat/Board: The quality assurance process for programs (QAR 1 and 2) has been revised to comply with the GPE funding model. The process to strengthen the quality assurance process for programs (QAR 1, 2 and 3) is ongoing. • Secretariat/Board Quality assurance framework updated.	Major Possible	Improving	• Secretariat: Finalize quality assurance framework and standard CGPC methodology for assessing grants. • Secretariat: Extend quality assurance to revision of grants. • Secretariat: Monitoring and evaluation strategy and results framework • Secretariat: Ongoing harmonization of development partner quality assurance processes.	Jun 2016 FY2017	Major Unlikely	3a, b, c 4b 5d
2.2.2 Quality Assurance Process (Education Sector Plans) CGPC	Major Likely	• Secretariat: The revision of the methodology to assess the quality of ESPs has been finalized.	Major Possible	Improving	• Secretariat: Roll out independent assessment, roster and training of	Jun 2016	Major Unlikely	1a 4b 5d

The risk that independent appraisal processes do not always detect and correct poorly designed education sector plans.		• Board: Decision on independent appraisal of education sector plans. • Secretariat: New guidelines for ESPDG planning processes.			consultants for independent assessment. • Secretariat: Integrate review of ESPs in quality assurance framework. • Secretariat: Monitoring and evaluation strategy (regarding ESP).			
2.3 GPE Grant Management and Monitoring								
2.3.1 Grant Agent Oversight Grant Agents The risk that grant agents are not always providing effective oversight.	Major Possible	• Secretariat: Internal capacities strengthened to allow better oversight and increased joint monitoring missions. • Board: A process has been adopted for review of grant agent progress reports on grant implementation. • Secretariat: A mechanism is being rolled out for three times a year joint Secretariat/agency management review of grant portfolio by regions for the World Bank, at the global level for UNICEF and on a biannual basis for grant agents managing one to two grants.	Major Possible	Improving	• Standard grant reporting template to be used by all grant agents. • GERF: Review of all grant agents against the minimum standards (Board decision Oct 2015). • Complete design and implement operational risk framework. • Monitor relevant indicator through M&E strategy.	From second half of 2016 May 2016 Jun 2016 From second half of 2016	Major Unlikely	3d
2.3.2 Program Implementation Timeline DCPs The risk that grant objectives are not achieved within the expected implementation period.	Moderate Very Likely	• Strengthened grant monitoring, including systematic review of progress reports. • A mechanism is being rolled out for Secretariat/agency management review three times a year of grant portfolio by regions for the World Bank, at the global	Moderate Likely	Stable	• Secretariat: Strengthen quality assurance so grant objectives are realistically implementable. • Secretariat: Extend quality assurance to revision of grants • Board: Improved accountability through M&E strategy.	FY2016 and beyond 2016 Second half of 2016	Moderate Possible	3e

		level for UNICEF and on a biannual basis for grant agents managing one to two grants. • Secretariat: Rolling out implementation of the new ESPIG policy, which has strict rules on grant start date and ensuring the timely extension/restructuring of grants.			• Secretariat: Progressive rollout of funding model has flexibility for more realistic implementation and evaluation strategy.			
2.3.3 Program Implementation Modality Board The risk that by not using government systems, GPE will not realize sufficient progress in strengthening systems.	Major Very Likely	• DCP: Application form must include information on use of national systems. • Standard process on selection of grant agent includes discussions on using government systems and choice of modalities.	Major Very Likely	Stable	• Secretariat: Improve GPE guidelines and support services to country partners (based on lessons learned about choices of modalities and grant agents). • Secretariat: Work to create guidance for ESP development, which will include focus on aid. effectiveness and modalities. • GERF/Board: Review circumstance in which GPE may operate without a grant agent. • CGPC: Methodology for assessing grant applications. • Board: Approve mutual accountability and LEG minimum standards. • Secretariat: Monitoring and evaluation strategy (results framework).	FY2016 – FY2017 FY2016 – FY2017 Jun 2016 Jun 2016 Jun 2016	Major Possible	1b 2b 3c 5e

2.3.4 Grant Management CGPC The risk to GPE that not all poorly performing grants are detected and remedied in a timely manner.	Major Very Likely	• Board: Approved strengthening of the Operational model to include **minimum standards for LEGs, ESPs and programs** and **conflict resolution mechanism**. • CST and SPP: Monitor performance under the **minimum standards for sector plan and grant program performance**, as defined in the strategic plan results framework and propose corrective actions as needed. • Board: Approved ESPIG policy in May 2015; includes reporting **requirements and sanctions in cases of non-performance** and tightened deadlines for signing and implementation of grants. • Secretariat: Monitoring unit set up; finance team reviewing all progress reports (Apr 2015); increased number of country visits. • Secretariat: Review of **Grant agent progress reports** underway throughout the year on **grant implementation** to provide feedback and propose follow-up actions. • Secretariat/Partners: Thrice-yearly management review meetings with agencies managing multiple grants; biannual meetings with those	Major Likely	Improving	• CGPC: Review/adopt standardized reporting format • Secretariat: Develop stronger QAR mechanism upstream to reduce the risk of poor quality downstream • Secretariat: Develop QAR in restructuring grants. • Adopt and implement operational risk framework.	Ongoing Apr 2016 2016-2017 From second half of 2016	Major Unlikely	3e

		managing two grants or fewer are being established.						

2.4 Measuring Impact								
2.4.1 Quality Data (Grants) DCPs | Grant Agents The risk that the partnership is unable to capture reliable data to monitor and demonstrate performance of GPE grants.	Major Very Likely	• Secretariat: Internal capacities strengthened. Cross-team efforts to secure, strengthen, monitor and define indicators and framework. • Grant Agents: Include results frameworks to capture grant level targets with each proposal. Reports are provided to the Secretariat in accordance with grant agents own reporting procedures. • Secretariat: Grants are monitored and reported to the CGPC and Board through the annual portfolio review. • DCP/LEG: Joint sector reviews capture performance at sector level in each country's and government's sector plan implementation report.	Major Possible	Improving	• Secretariat: GPE results report (including the portfolio review). • Secretariat: Develop a data system to collect data under the results framework. • Secretariat: Develop a set of methodologies for core indicators. • CGPC: Review/adopt standardized reporting format.	Dec 2016/ yearly FY2016 – FY2017 Jun 2016 Apr 2016	Major Unlikely	3a, b, c
2.4.2 Quality Data (Education Sector Plans) DCPs | Grant Agents The risk that the partnership is unable to capture reliable data to monitor and demonstrate performance of education sector plans.	Major Very Likely	• Secretariat: Internal strengthened at the. Cross-team efforts to secure, strengthen, monitor and define indicators and framework. • Secretariat: Quality assurance of education sector plans strengthened. • DCP/LEG: Joint sector reviews capture performance at sector level in each country's and government's	Major Possible	Improving	• Board: Decision on independent appraisal of ESP. • Secretariat/Partners: Leverage partnership to strengthen capacity around data.	Jun 2016 FY2017 and beyond	Major Unlikely	

		sector plan implementation report • Secretariat/DCP: comply with the Funding model data piece.						

3.0 FINANCIAL & FIDUCIARY RISKS

Risk/Risk Owner(s)	Inherent Risk	Current Mitigation Actions/Controls	Residual Risk	Six-Month Trend	Additional Mitigation Actions Required	Due Date	Target Risk	Strat. Obj.
3.1 GPE Strategic Finance								
3.1.1 Donor Pledges Donors The risk that donors fail to deliver on their current funding pledges within the replenishment period.	Major Very Likely	• Secretariat: Monitor monthly conversion of donor pledges to contributions and the related impact on GPE's financial position through the financial forecast; publicize pledge delivery status on website. • Secretariat: Promote timely signature of contribution agreement to maximize pledge conversion (including multi-year contribution agreements). • Secretariat: Continue to work with donors to facilitate their needs.	Major Very Likely	Stable	• Secretariat/Chair: Increased advocacy and engagement with donors to secure outstanding pledges. • Secretariat: Progress on strengthening the operational platform and ability to report on results. • Secretariat: Host a donor reporting event. • Secretariat: Successfully implement strategic plan.	Ongoing Ongoing Nov 2016	Major Unlikely	4a
3.1.2 DCP Pledges DCPs The risk that some DCPs fail to deliver on their current pledges.	Major Likely	• Secretariat: Methodology to track country pledges based on regular dialogue with countries defined. • Secretariat: Methodology of a corporate indicator on domestic financing defined.	Major Possible	Stable	• Secretariat: Track pledges and work with countries to strengthen dialogue with ministries of finance. • Secretariat: Improve strategies for efficiencies through new funding model to strengthen case for domestic financing of education.	Ongoing Ongoing	Major Possible	4c

3.1.3 Strategic Financing Board The risk that GPE fails to demonstrate its added value and attract new and additional funding in the context of the upcoming replenishment.	Severe Likely	• Secretariat: Corporate alliance guidelines developed/approved. • Secretariat: Close monitoring of high external risks (political, global economy) and ongoing engagement with current and potential new donors to reach replenishment targets. • Secretariat: Continue to engage with current and potential new donors to reach replenishment targets and systematic reporting of pledges made in 2014. • Secretariat: Continue to identify options for **new funding modalities**, including alternative source of funding.	Severe Possible	Stable	• GERF/Board: Willingness to explore further on targeted funding. • SPC/GERF: Successful delivery on the mandate of the working group on preparation of the next replenishment. • Secretariat/Chair: Continuous engagement with non-traditional donors as a mid- to long-term strategy. • CEO/Chair: Chair is a member of the Education Commission and CEO is a member of the Financing Panel. • Secretariat: Implementation of Finance Commission conclusions relevant to GPE. • SPC/Board: Decision on private sector and foundations strategy. • Secretariat: Develop a robust case for investing in GPE, focused on measuring and reporting results and value added as part of the next replenishment. • Board: For Education Cannot Wait platform, consider a business case for hosting the platform that outlines GPE's value-add as host and includes an analysis of the implications for GPE's governance, institutional arrangements, core work and required resources.	Jun/Dec 2016 Jun/Dec 2016 Ongoing Fall 2016 FY2017 Jun 2016 2016-2017 Jun 2016	Severe Unlikely	4a

3.1.4 Liquidity Board The risk that the GPE Fund has insufficient funds and liquidity to meet its current and planned funding obligations.	Major Likely	• GERF: Review financial forecast twice a year to ensure prudent levels of allocations and recommend mitigation action to the Board if liquidity risks arise. • Donors: Encouraged to provide flexibility on timing of contributions within a given year. • Secretariat: Working with the European Union to find a way for the EU to directly contribute to GPE Fund. • Secretariat: Works with GAs to ensure commitment and transfer	Major Possible	Stable	• Secretariat: Continue to examine further ways to mitigate foreign currency exposure as part of the next replenishment. • Secretariat: Complete EC contribution agreement as a priority.	Ongoing Ongoing	Major Unlikely	4a

3.2 Fiduciary								
3.2.1 Fraud and Misuse DCPs | Grant Agents The risk that significant GPE funds are diverted from their intended purpose through fraud or other forms of misuse.	Severe Very Likely	• DCP: Implementing partners use their own systems and procedures to prevent/detect fraud/misuse. • Secretariat: Oversees application of Misuse of Funds Policy and liaises with relevant partners on suspected cases. All staff annually trained on World Bank **procurement policies**. Additional finance staff hired. Risk considered during QARs of funding proposals. Links to fraud reporting hotlines on GPE website. Reviews of all progress and audit reports. • LEG: All GPE partners are required to be alert/report suspected cases. • Grant Agents: Apply their own policies and procedures and comply with legal requirements in the Financial Procedures Agreement. M**inimum standards for grant agents** include ability to deal with fraud and misuse, including investigations and protection of whistleblowers. • GERF: Semi-annual reviews and updates. Reviews findings of capacity-level assessments for potential new GAs. • Board: Informed of suspected/actual cases and take corrective action.	Severe Possible	Stable	• GERF: Review Misuse of Funds Policy. • Secretariat: Ensure all new grant proposals have **strong quality assurance and fiduciary control systems** in place, including on anti-corruption and fraud prevention. • Secretariat – roll out the Operational Risk Framework. Identify and Assess Risk for all DCPs, and develop risk management plans for each critical and high country by Nov 2016 with plans for remaining countries by Q1 2017 • Secretariat: Provide clear guidelines on operationalizing the Fraud and Misuse Policy and organize training for country facing staff. • Secretariat/GERF/CGPC/Board: Roll out the new operational risk framework.	Jun 2016 Ongoing November 2016/Q1 2017 FY 2016 – FY2017 Jun 2016	Severe Possible	3e 5d

4.0 GOVERNANCE & SECRETARIAT MANAGEMENT

Risk/Risk Owner(s)	Inherent Risk	Current Mitigation Actions/Controls	Residual Risk	Six-Month Trend	Additional Mitigation Actions Required	Due Date	Target Risk	Strat. Obj.
4.1. GPE Governance								
4.1.1 GPE Decision-Making Process GERF/CGPC The risk that GPE decisions are not made in an efficient and timely manner, therefore having a potentially negative impact on GPE operations, especially with regard to grants.	Major Very Likely	• GERF: Regular review of governance decision-making process. • CGPC: Delegated authority to approve material changes to grants and to approve accelerated funding for emergency and early recovery activities (May 2015). • Secretariat: Support to Board members, committee members and constituencies to ensure greater understanding and engagement in GPE activities (DCP constituency meetings and Board orientation).	Major Possible	Improving	• GERF/Board: Review the governance decision-making process as part of the overall governance review. • CGPC: Strengthen grant review process. • CGPC/Board: Operational risk framework to be used to define the most efficient decision-making process and the appropriate level of delegation of authority. • CSO: First CSO pre-Board constituency meeting.	Jun 2016 FY2016 – FY2017 FY2016 – FY2017 Jun 2016	Major Unlikely	3e 5d
4.1.2 Risk Management Board/Secretariat The risk that Board and Management do not **systematically** take risk into consideration while taking decisions.	Moderate Very Likely	• Secretariat: Systematically monitoring information related to each risk and updating the status of mitigation actions. Information regularly reviewed and analyzed by the Leadership Team. • Committees/GERF/Board: Review **semi-annual reports**. • Board: Risk Management Policy adopted (Dec 2014).	Moderate Possible	Improving	• GERF/Board: Decision on the Operational Risk Framework to be embedded within the GPE's Risk Management Policy to guide how GPE adopts a differentiated risk based approach to quality assurance and monitoring of country programs	Jun 2016	Moderate Unlikely	5d

4.1.3 Global Governance Responsibilities GERF The risk that some Board and committee members do not share a common agreement on the mandate of the Board/committee/ Secretariat and cannot fulfil their governance responsibilities.	Major Likely	• Board: Intensive engagement of Board members in development of the Strategic Plan 2016–2020. • Board: Pre-meetings to consider key strategic issues • Secretariat: Support to Board members, committee members and constituencies to ensure greater understanding and engagement in GPE activities. Strengthened capacities through the merge of the Board Support Team and the Developing Country Team. • Board/Committees/Secretariat: Prioritization of activities through development and monitoring of Board/committee annual work plans.	Major Possible	Stable	• GERF/Board: Decision on mutual accountability framework • GERF/Board: Review options on governance review Part II. • Secretariat/Board: New initiatives/requirements to be reviewed for alignment with the Strategic Plan 2016–2020.	Jun 2016 Jun 2016 Ongoing	Major Unlikely	5d

4.2. Secretariat mandate and management								
4.2.1 Reputational Risk Secretariat The risk that GPE's reputation is damaged.	Major Likely	• Secretariat: Communication team strengthened; protocol for handling media crises developed. • GERF/Board/Chair: Regular engagement on issues that potentially could do damage to GPE's reputation. • GERF/Board: Approved the Transparency Policy (Dec 2015)	Major Possible	Stable	• Secretariat: Trainings of relevant staff on communications crises/media. • Secretariat: Successful implementation of the strategic plan and ability to manage core corporate risks.	2016 Ongoing	Major Unlikely	
4.2.2 Secretariat Institutional Arrangement Secretariat/World Bank The risk that the GPE institutional arrangement has a negative impact on its ability to achieve GPE strategic objectives.	Moderate Likely	• Secretariat: Work closely with the World Bank Vice Presidency of Development Finance. • Secretariat: Ensures full compliance with administrative policies of host. • Secretariat: Effective engagement with the WB on subjects that can impact the hosting arrangement (such as the potential hosting of Education Cannot Wait, Direct	Moderate Possible	Improving	• Secretariat: Ensure that solutions are identified that are compatible with Board decisions and host policies (e.g., Education Cannot Wait, Direct Access).	Ongoing	Moderate Unlikely	5d
4.2.3 Secretariat Capacity Board/Secretariat The risk that the Secretariat's technical capacity, organizational structure, financial and human resources are not sufficient to deliver on the responsibilities	Severe Very Likely	• GERF/Board: Review annual work plan and budgets considering Secretariat capacities to implement strategic plan. • Secretariat: Regular work plan and budget monitoring. Review of costs associated to any additional activities. Conduct and review findings of annual staff survey.	Severe Likely	Improving	• Secretariat: Invest in improving information technologies. • Secretariat/Board: Conduct review of Secretariat capacity and needs to deliver on strategic plan priorities. • Board: Ensure that surge budget and funding for new M&E/KGPE strategies are appropriate. • Secretariat: Strengthen management's attention to	Dec 2016 Jun 2016 Ongoing	Severe Unlikely	5d

assigned to it by the Board.		• Board: Prioritize deliverables for the Secretariat.			career development and talent management.			

ANNEX 3 — OPERATIONAL RISK FRAMEWORK

1. Background and Purpose

1.1 During the October 14-16 Board retreat, the Board approved a number of recommendations to strengthen GPE's operational model (BOD/2015/10 – 02 and BOD/2015/10 Doc 06-Decision). This included a recommendation to develop an operational risk framework (ORF) to support a differentiated risk-based approach to quality assurance and monitoring.

1.2 Per the adoption of the Risk Management Policy, the Board recognized that risk management aims to help GPE achieve its objectives so that its mission can be fully realized. The policy also recognizes that there is a clear need to balance the risk of not delivering its mission against fiduciary risk. Per the policy:

> *"The Global Partnership for Education recognizes that differences in context can affect its risk appetite and the prioritization of competing risks. For example, the Global Partnership for Education has a very low risk appetite for risks related to fraud and misuse of funds, but also has a moderate-to-high risk appetite to work in fragile and conflict-affected states. Although there may be more risks associated with implementation in these more challenging environments, the Global Partnership for Education will balance these competing risks by implementing appropriate risk mitigation measures. The Global Partnership for Education therefore seeks to tailor its approach to risk management taking into account both its risk appetite and the specifics of each situation."*

1.3 Currently, the Risk Matrix supports operational risk management at the portfolio level. However, the development of an operational risk framework to complement the risk matrix will allow the Global Partnership for Education to improve risk management by addressing risk at the country and grant levels in a systematic way.

1.4 The objective of the operational risk framework is to ensure that the Secretariat understands and manages risk on a country-by-country and grant-by-grant basis; in this way, the Secretariat can take the most appropriate approach to supporting the country, conducting quality assurance of applications and monitoring implementation. The operational risk framework is not designed to replicate or duplicate the risk management policies and procedures of GPE grant agents.

1.5 The operational risk framework differentiates risk at the country, sector and grant levels. Risks are further calibrated to reflect the impact on achievement of overall GPE strategic objectives. For example, although a country may be high-risk, if the school-age population and size of GPE grant allocations are very small, then the impact of a risk being realized on overall GPE objectives is likely to be limited compared to a high-risk country with a substantial school-age population and/or GPE grant allocation.

1.6 How the Secretariat deploys its limited resources, and the level of intensity of quality assurance and monitoring implementation, will need to be differentiated to ensure that the mitigation actions and level of effort are commensurate with the risk. A move away from a one-size-fits-all approach to allow resources to be freed up and processes lightened (where possible) in low-risk situations will result in greater resources and strengthened procedures to better manage higher-risk situations.

1.7 The following sections outline how the operational risk framework is designed to work. It is expected that, based on lessons learned from rolling out and applying the framework in its first year, there will be a need to further adapt and improve it.

2. Operational Risk Framework in Practice

2.1 The operational risk framework follows the typical risk management cycle phases:



<u>Identification and Assessment of Risks</u>

"Country Risk" Assessment Process

2.2 Given that factors inherent to country risks are beyond GPE control, and in order to streamline the work among partner organizations and avoid additional costs associated with the development of a specific methodology, GPE proposes to use the same methodology developed by the Global Fund to Fight Aids, Tuberculosis and Malaria for the assessment of country risk. The Country/External Risk Index[7] is a composite index derived from a number of international indices, and can inform GPE on the "contextual risk level" per eligible country. This assessment will be used as background information to inform sector/grant risk assessment. The Global Fund currently ranks countries into four categories of "contextual risks" — very high, high, medium and lower — and reviews this ranking annually.

2.3 This categorization could be used to distribute GPE partner countries as per the Country/External Risk Index, and the analysis could then be taken into consideration when assessing the individual risks at the sector and grant levels.

[7] The Country/External Risk Index is a composite index derived by compiling data from the 10 indices developed by the Fund for Peace's Failed States Index, Transparency International's Corruption Perception Index, the World Bank's Ease of Doing Business Index, five out of six World Bank Governance Indices, the UN's Safety and Security Index, and the Institute for Economics and Peace's Global Peace Index.

Classification of GPE 2016–2018 Eligible Countries and Open Grants as per the Global Fund Country/External Risk Index 2014[8]

Very High Risk	Afghanistan, Burundi, Central African Republic, Congo (Democratic Republic), Guinea-Bissau, Nigeria, Somalia, South Sudan, Sudan, Yemen
High Risk	Chad, Congo, Cote d'Ivoire, Eritrea, Guinea, Haiti, Kenya, Liberia,* Mali, Mauritania, Niger, Pakistan, Sierra Leone,* Tajikistan, Uganda, Uzbekistan, Zimbabwe
Medium Risk	Bangladesh, Benin, Cambodia, Cameroon, Comoros, Dominican Republic, Ethiopia, Gambia, Guyana, Kyrgyzstan, Lao, Madagascar, Malawi, Maldives, Mozambique, Nepal, Nicaragua, Papua New Guinea, Solomon Islands, Tanzania, Togo
Lower Risk	Bhutan, Burkina Faso, Cabo Verde, Ghana, Lesotho, Mongolia, Rwanda, São Tomé and Príncipe, Senegal, Viet Nam, Zambia

* Rating reflects an upward adjustment by one category to reflect current developments.

Sector and Grant Risk Assessment Process

2.4 The Secretariat has identified a number of core risks at the sector and grant levels, along with a number of associated factors that would increase the likelihood of the risk being realized. Understanding the factors that drive a particular risk is key to developing appropriate mitigation actions. As the Secretariat rolls out the framework, it is likely that further risks and factors will be identified and the risk assessments will need to be updated accordingly.

2.5 Each risk will be assessed for impact and probability by examining the specific factors that drive the risk, and through reference to the overall country risk rating and relative impact of the country on overall GPE objectives (e.g., size of grant, school-age population, etc.). Based on the assessment of risk, a score will be calculated for each risk, followed by a composite score for all risks at both the sector and grant levels.

2.6 Each country team (consisting of the country lead, with representatives from monitoring and finance) will prepare the risk assessments, which in turn will be reviewed by an internal risk committee to ensure consistency and to calibrate the assessments as needed.

2.7 The current list of risks and related factors that have been identified at the sector and grant levels are set out in Annex 1.

[8] These data are the last one we currently have. It is noted that this is not comprehensive in terms of GPE eligible countries. If data are not available, the Secretariat will look for an alternative source to inform country risks.

Development and Implementation of the Country Risk Management Plan

2.8 Based on the risk assessments, the Secretariat will develop country risk management plans[9] for each country, which will include targeted actions to mitigate the identified risks. Where the overall assessment of risk is high or critical, the Secretariat's leadership team will review and approve the management plans, which will include specific deliverables and due dates to facilitate monitoring of implementation. The head of the Country Support Team will approve remaining plans.

2.9 The internal risk committee will review the status of the management plans regularly and calibrate progress reviews, monitoring visits and regular headquarters engagement, and then report to the Secretariat management on progress, particularly with respect to countries and grants rated as high or critical with regard to risk.

Re-evaluate Risks

2.10 On an annual basis, the Secretariat will review the effectiveness of the mitigation measures and begin the process again of identifying and assessing risk. The Secretariat will report to the GERF and the Board as part of the semi-annual risk management reviews, with a particular emphasis on identifying broader trends across the portfolio and identifying areas requiring adjustments to policy (e.g., revised application procedures to differentiate process based on risk, etc.) or resources.

2.11 It is proposed that the overall risk rating by country, sector and grant would be publicly available information; however, the individual scores assigned to each risk for a given country would not be made public. The ability of the Secretariat to provide a frank assessment of the risks is vital for the robustness of the operational risk framework. If sensitive information at such a granular level of detail were made public, it could increase staff's reluctance to provide the most realistic assessment in order to avoid offense or embarrassment to GPE partners.

3. Next Steps

3.1 Subject to GERF recommendation and Board approval of the framework in June, the Secretariat will finalize the sector and grant assessment templates, including completion of the risk factors. The Secretariat will then complete the risk identification, assessment and development of risk management plans for each critical- and high-risk country in time for the next meeting of the GERF in 2016, and will report on progress with implementation of the

[9] These will be brief documents, typically 1-3 pages.

framework at that time. Action plans for remaining countries will be completed by the first quarter 2017 at the latest.

3.2 The status of implementation of the management plans and any proposed policy modifications to GPE's application process, quality assurance and monitoring arrangements, along with adjustments to the framework itself, would be presented at the first meeting of the GERF in 2017.

Sector Risks

Risk	Risk Factors (Probability Is Unlikely, Possible, Likely, Very Likely)						Overall Probability (Unlikely, Possible, Likely, Very Likely)	Impact (Minor, Moderate, Major, Severe)	Rating (Critical, High, Medium, Low)
1.2.1 The risk that the partnership does not leverage its capacities to support the production of quality ESPs.	Lack of mutual accountability throughout the ESP policy cycle	Lack of technical and financial resources among DCPs	Limited/non-inclusive LEG membership	Limited government capacity					
1.2.2 The risk that the partnership does not support planning, financing and monitoring during ESP implementation.	Lack of mutual accountability	Lack of technical and financial resources among DCPs	Limited/non-inclusive LEG membership	Limited government capacity					
1.2.3The risk that GPE developing country partners that apply for an ESPIG fail to increase their public expenditure or maintain expenditure at 20% or above.	Lack of mobilization of domestic resources or challenging budget/financial issues	External funding shortfall	Economic crisis/natural disaster	Shift in political priorities away from education	Shift/ changes in nature of education system	Lack of sustainability of activities funded by donors			
2.2.2: The risk that independent appraisal processes do not always detect and correct poorly designed education sector plans.	Weak implementation of the independent assessment process	Lack of consultant training on appraisal methodology	Inadequate use of appraisal guidelines by consultants	Inadequate consideration of LEG appraisal report recommendations					
2.4.1 The risk that the partnership is unable to capture reliable data to monitor and demonstrate performance of education sector plans.	Lack of sector monitoring strategy	Lack of sector monitoring strategy implementation	Weak capacity to organize JSRs	Weak government capacity to capture and analyze data/EMIS					
Overall Sector Risk Rating									**Overall Risk Score**

Grant Risks

Risks	Risk Factors (Probability Is Unlikely, Possible, Likely, Very Likely)								Risk Factors (Probability Is Unlikely, Possible, Likely, Very Likely)	Overall Probability (Unlikely, Possible, Likely, Very Likely)	Impact (Minor, Moderate, Major, Severe)
2.3.1 The risk that grant agents are not always providing effective oversight.	Limited GA presence and capacity in country	Modality of implemen-tation limits oversight	Active or recent misuse of funds cases	Lack of traceability of investment	Lack of clarity of oversight roles and responsi-bilities						
2.3.2 The risk that grant objectives are not achieved within the expected implementation period.	High complexity of grant	Limited GA presence and capacity in country	Lack of Implement ation readiness at time of application	Ineffective modality of implementa tion	Past grant perfor-mance was delayed	Current grant perfor-mance is delayed	Signifi-cant disburse-ment lag and short time to grant closing	Limited govern-ment capacity			
3.2.1 The risk that significant GPE funds are diverted from their intended purpose through fraud or other forms of misuse.	Ineffective modality of implemen-tation	Past corruption cases	GPE funding part of co-mingled funding	Internal audit findings identify issues of concern	External audit findings identify issues of concern	GPE grant contains high % of cash payments or training					
2.2.1 The risk that GPE's quality assurance processes do not always detect poorly designed programs/ grants at country level (in terms of both substance and oversight) and ensure they are remedied.	Wrong calibration of quality assurance effort by Secretariat	Lack of clarity on accounta-bility and roles and responsi-bilities by actors in the grant approval process	Lack of standard metho-dology	Inadequate use of GA/LEG QAR 1 and 2 report recommen-dations							

Not from the matrix: The risk that GPE's funding model variable part does not lead to improvements in equity, efficiency and learning.	Country-inappropriate variable part indicators	Faulty Theory of Change	Lack of buy-in from key stake-holders	Lack of govern-ment capacity						
Overall Grant Risk Rating										**Overall Risk Score**