RISK MANAGEMENT REPORT # 7 - REPORT FROM THE FINANCE AND RISK COMMITTEE

For Decision

Please note: Board papers are deliberative in nature and, in accordance with the GPE Transparency Policy, are not public documents until the Board has considered them at the Board meeting. It is understood that constituencies will circulate Board documents among their members prior to the Board meeting for consultation purposes.

1. STRATEGIC PURPOSE

1.1 The purpose of this paper is for the Board of Directors to (1) be informed on the External Review of Risk Management and (2) to review the overall Global Partnership for Education (GPE) risk portfolio, including the corporate Risk Matrix and the Operational Risk Framework (ORF), based on the recommendations of the Finance and Risk Committee (FRC), the Secretariat's analysis, and input from the Strategy and Impact Committee (SIC), Grants and Performances Committee (GPC), and Governance and Ethics Committee (GEC).

1.2 Information on the review of GPE risk policies and practices is provided in a document entitled: "Risk Framework Review: Gap Analysis and Recommendations" (BOD/2018/06 DOC 13 Attachment 1).

1.3 Information on implementation of the Operational Risk Framework (ORF) is provided in BOD/2018/06 DOC XX Attachment 2.

Summary of FRC, SIC, GPC and GEC Committees Deliberations

- ***On the External Review of Risk Management***

The external review was discussed in depth at the FRC, touched upon at the GPC and made available for all committee members. Committee members welcomed the review. In response to the presentation, FRC committee members had the following feedback:

- The work done for the risk policy review was comprehensive and highlight needed revisions.
- FRC agreed to user friendly risk taxonomy as part of the recommendations in the risk policy review.

- Regarding recommendation related to adoption of centralized or decentralized approach, there might be a blended approach that relates to GPE's uniqueness and that promotes partnership model and inclusive approaches.
- Roles and Responsibilities should be clarified at the first and second levels of the 3-line of defense model. Currently, there are overlaps (i.e. the GPC is in charge of grants approval as part of the first line of defense and oversees this risk as part of the second line of defense).
- Risks are diverse and composite and reside across the entire partnership, but implementation of mitigation actions is mostly focused on the Secretariat while it should involve all the stakeholders (Grant Agents, LEGs, Government, Donors, etc.).
- As part of the discussion around risk policy, it is important that the Board acknowledges the need to establish a risk tolerance/appetite for each risk partnership-wide. Currently, only two risk appetite statements are clear: the strong appetite for working in fragile and conflict-affected contexts as part of the core mission of the GPE, and a low tolerance for misuse of funds. Risk appetite statements must be specific for each risk in a reviewed risk taxonomy.
- The committee asked for a follow up call held in May during which the findings of the review were discussed in more detail.
- The committee recommended that the Secretariat move forward implementing recommendations from the review where possible.

On the corporate Risk Matrix Semi-Annual Review

- **Risk 4.2.2 on Institutional arrangements.** *Residual risk rating increased from "medium" to "critical".*

The Secretariat initially suggested an increase from "medium" to "high". The FRC however recommends an increase from "medium" to "critical" to reflect the current uncertainty and need for greater clarity on the parameters of GPE's hosting relationship or future direction of travel while the World Bank completes its Trust Fund reform. The Secretariat works closely with the World Bank Vice Presidency of Development Finance and other parts of the World Bank that intersect with GPE on the Trust Fund reform process and on subjects that can impact the hosting arrangement and delivering of GPE 2020. The Secretariat, the Committees and the Board will discuss the findings of the ongoing institutional arrangement work in 2018, including review of an option for a separate legal entity for GPE potentially resulting in a significant change to the relationship with respect to hosting of the Secretariat. The GEC draws the attention of the Board that the risks on institutional arrangements can also have a directly negative impact on other risks and might for instance increase the rating of risk 4.1.1 on GPE Decision-Making Process in the medium term.

- **Risk 3.1.2 on DCP pledges.** *Residual risk rating increased from "medium" to "high".*

The FRC believes there is a correlation between risk 3.1.2. on DCP pledges and risk 1.2.3 on domestic financing, currently rated "high". While countries have made substantial pledges at the financing conference, it does not always translate into the countries meeting the target of 20% share of public expenditure on education. Pledges have been published on the GPE website and CSO partners will be actively monitoring them, but there is a need for advanced monitoring of pledges, including tracking the actual amount committed as part of the national budgets.

- **Risk 1.1.7 on the Foundations Strategy**. *Residual risk rating increased from "medium" to "high".*

While the Foundations Strategy has been approved by the Board in December 2017, the SIC believes that the current challenges around the implementation of the Foundations Strategy, and in particular the problem of capacity within the Secretariat are severe enough for the risk rating to be increased.

- **Risk 3.1.3 on Strategic Financing and Resource mobilization.** *Residual risk rating remains medium.*

The Secretariat initially proposed to decrease the risk rating to reflect the substantial pledges made at the financing conference and the ongoing work with the replenishment co-hosts to continue advocating to donors for additional contributions and with an expectation of further donor increases and/or announcement of new contributions. However, the FRC looks at this risk as well as the risk to DCP Pledges (risk 3.1.2) from a results perspective, hence the Partnership should demonstrate further tangible results before the risk rating is decreased.

- **Risk 2.2.2 on Quality Assurance Process (Education Sector Plans).** *Residual risk rating decreased from "high" to "medium".*

The GPC endorsed the change in risk rating proposed by the Secretariat to reflect the progress achieved over the past two years as reflected in the results report around quality of ESPs. The partnership has implemented several new measures to strengthen the quality and comprehensiveness/completeness of ESPs through: (i) preparing clearer guidelines for the independent appraisal of ESPs (co-published with IIEP), (i) training of independent appraisers in the use of the Appraisal Guidelines (in collaboration with IIEP). The Secretariat also reviews and provide comments on ESPs at various stages of ESP development as part of the quality assurance processes.

- **Risk 3.1.4 on Liquidity.** *Residual risk rating decreased from "medium" to "low".*

The FRC endorsed the change in risk rating proposed by the Secretariat to reflect that prioritization criteria had been established in December 2017, and following a successful replenishment, the expectation that the average cash balance in the GPE Fund was expected to rise and would reduce liquidity challenges.

- **R**isk **2.1.4 on Co-Financing.** *Addition of a new risk with "medium" residual risk.*

The FRC pointed out the absence of a risk related to "co-financing" and felt given the importance of this issue as previously passed in Board decisions and with the potential expansion of the multiplier it was important to include the following new risk *"The risk that GPE funding doesn't sufficiently crowd in financing from external partners through co-financed programs."* Residual risk rating for this new risk is "medium" while target risk rating is low.

- **Risk 4.2.1 Reputational Risk.** *Residual risk rating remains medium.*

The GEC draws the attention of the Board on the risk that GPE's reputation is damaged, and insists on the need to pay more attention to the mitigation actions undertaken in light of the recent scandals that affected several NGOs in the past months. The residual risk rating of reputational risk is currently medium, to reflect that the Secretariat has procedures in place to respond to media crises, and is currently reinforcing the measures to better mitigate risks around sexual exploitation and abuse (e.g. GA minimum standards to be reviewed, engaging with Grant Agents on policies, safeguards, codes of conduct and procedures they have in place to cover issues such as sexual harassment, exploitation, protection of minors etc.

- **Risk 1.1.6 on Complementarity/ alignment with IFFEd.** *Residual risk rating remains critical.*

This risk is owned by the Board. The Secretariat had proposed to reduce the risk from critical to high as further technical details were becoming clearer and the Secretariat was being consulted and provided inputs and were pleased to see consistency on the importance of domestic finance commitments and education sector plans. The committee noted that it was challenging for the Secretariat to calibrate its approach to IFFEd given the Board had not taken a formal position unlike ECW where a decision was passed. FRC members noted that it was premature for the Board to take a formal position as IFFEd as it had not launched yet and it was also premature to reduce the risk rating.

- **Risk 2.3.3 Program Implementation Modality.** *Residual risk ratings remain critical.*

It was noted that this risk is critical since the risk matrix was developed. There are a number of ongoing actions with the involvement of GPC to make progress in this area.

2. EXECUTIVE SUMMARY

2.1 Following the recommendation of the Board (BOD/2017/12 DOC 06), the GPE Secretariat hired an external consultant to review its risk policies and practices, with a view to identifying gaps and areas for improvement. A team of consultants from Oliver Wyman Ltd conducted the review in February-March 2018. The risk review report is provided in a separate document (Attachment 1: Risk Framework Review: Gap Analysis and Recommendations, BOD/2018/06 DOC 13). The findings of this report must be read and analyzed considering other ongoing reviews such as the effective/efficient partnership review, the ongoing work on institutional arrangements, the latest results report, all of which may impact GPE's future needs and direction and thus consequently help to inform the types of recommendations on risk management the Board may wish to adopt and the level of investment required.

2.2 While the external review was ongoing, the Secretariat proceeded to meet its deadline to complete the semi-annual review of the Risk Matrix and the annual review of operational risk across the portfolio of ESPIGs. Therefore, the current report follows the process of previous updates and does not yet take into account recommendations arising from the external review. The Risk Matrix presented in Annex 1 covers key risks at the corporate or portfolio level, while the Operational Risk Framework (ORF) presented in a separate document examines risk on a country-by-country, and grant-by-grant basis. This executive summary outlines the main findings of both the corporate Risk Matrix update and the ORF update.

External Review of Risk Management

2.3 To conduct the risk review, Oliver Wyman Ld. developed a review framework that was agreed upon with the Secretariat, to define the scope and the dimension of the assessment and ensure alignment with GPE risk management goals and objectives within the broader GPE Strategy. The consultant reviewed GPE policies and reporting documents and interviewed key Secretariat staff. Panel interviews were offered to the members of the Finance and Risk Committee (FRC), the Grants and Performance Committee (GPC), the Strategy and Impact Committee (SIC) and the Governance and Ethics Committee (GEC). Representatives of the World Bank and UNICEF as key grant agents were also consulted. As part of the review, the consultant benchmarked current GPE risk policies and practices against policies and practices of three comparable organizations (GAVI- the vaccine alliance, the Global Fund to Fight AIDS, Tuberculosis, and Malaria, and the Green Climate Fund), with a view to synthetizing market practices, highlighting standard best practices and specific practices

of interest for GPE. The analysis and detailed findings have been structured along the dimensions of a typical Enterprise Risk Management (ERM) framework[1].

2.4 The assessment of the GPE's overall risk management framework was reviewed in the context of its unique institutional set up and governance as a partnership which creates a complex environment for risk management compared to traditional organizations. The complexity of the partnership with actors playing various roles in either directly managing risk, and often in oversight roles creates challenges that extend to operational issues, governance, and overall risk management.

2.5 The risk review report provides detailed recommendations, based on the identification of key gaps between GPE current practices, and GPE desired practices/targeted state and market best practices. The review surfaced six key findings (please refer to the actual report for further context and details):

1. **Risk appetite statement:** There is no systematic risk appetite statement in place (i.e. by risk category or risk-by-risk) nor a structured and documented process for periodical review of risk appetite involving the Board.
2. **Risk governance:** There is confusion and overlap around the appropriate allocation of risk management accountability within the three Lines of Defense framework.
3. **Incorporating risk into business decisions and strategic planning**: The link between the risk management framework and business decisions (e.g. strategic planning, grant allocation) could be strengthened.

4. **Risk taxonomy**: The corporate risk taxonomy is currently too granular and could be simplified to improve efficiency of other risk processes. There is currently no clear process over adding to or removing risk from the corporate risk matrix. The operational risk framework assesses 6 risks (as a subset of the Risk Matrix). The ORF template is not user-friendly as it is difficult to fill out and often results in similar outputs each year.
5. **Monitoring and reporting**: There is currently no systematic identification and monitoring of Key Risk Indicators[2] (KRIs) and Key Control Indicators[3] (KCIs) that are compiled into reporting. Monitoring and reporting lack both customization for different audience and use of risk metrics.

[1] According to the definition of the Institute of Risk Management.
[2] A Key Risk Indicator is a measurable metric indicating whether the risk event happened and how material the risk event is in terms of likelihood and/or impact.
[3] A Key Control Indicator is a measurable metric indicating how effective a certain risk control is, in terms of reducing the likelihood, or detecting the risk event, or mitigating the impact.

6. **Framework and policy documents**: The documents could benefit from greater clarity and simplicity, clear separation between reporting and framework/policy documents. Currently, policy documents are mixed into Board and Committee reports while a clear differentiation would ensure ease of use.

2.6 While there is certainly room for improvement, the GPE Secretariat's current approach to risk management is not significantly out of line with the three comparators, and the gaps, challenges faced are very similar across such organizations. The identification of gaps and subsequent recommendations in this report are therefore intended to provide a path forward should GPE decide it wishes to significantly improve risk management.

2.7 As part of the recommendations, the report proposes and evaluates solutions for addressing the gaps, based on cost-implementation difficulty and downside risk, as well as a roadmap for implementation over the next 18 months. A key decision the Board will need to make is whether Enterprise Risk Management should be more centralized or decentralized. While the decentralized approach (e.g. currently implemented at GAVI according to the benchmark) offers less control over risk management and relies more on third parties/audit for independent verification, the centralized approach (e.g. currently implemented at the Global Fund and the Green Climate Fund according to the benchmark) offers the opposite, which is more hands-on control over risk management with less reliance on third parties. The GPE Secretariat is somewhere in the middle, with aspects of both approaches being implemented. The consultants recommend moving to a more centralized approach. However, this will require greater investment and should be considered by the Committees and the Board in the context of GPE's future direction and ambition. How and how effectively the six key findings highlighted above can be addressed will depend on GPE's future institutional structure and governance, and the degree to which GPE wants to invest in the risk management function.

Secretariat Management Team Assessment

2.8 The GPE Secretariat Management Team welcomed the findings of the external report and were pleased to note that current practices and challenges are not significantly different from comparators. It is clear that there is a number of low-hanging fruit that can the Secretariat can begin to address. However it is also clear that some of the concerns around where responsibility lies for managing risk (e.g. roles of DCPs, LEGs, CAs, and Grant Agents in risk management) and the level of effort it would take to significantly strengthen risk management from a GPE perspective are linked to key strategic issues on the future direction of GPE such as how as a partnership, we respond to the findings of the results report, the changes that may be required as part of the effective and efficient partnership review, and the ongoing work on institutional arrangements.

2.9 In light of this, the Secretariat proposes that the report be used as an initial basis for discussion by the FRC and Board in June, along with providing a mandate for the Secretariat to start to address the low hanging fruit recommendations in the report. The decisions on the type of investments and overall enterprise risk management framework that GPE develop we would recommend to defer until the November Board retreat, and December Board meeting so that they can be made taking into account the broader strategic direction of the partnership.

Update on the corporate Risk Matrix Semi-Annual Review

2.10 In March 2018 the Secretariat completed the seventh assessment of corporate risk across as part of its biannual risk update. The Secretariat proposes limited adjustments to the Risk Matrix at this stage to (a) update risk wording, (b) update mitigation actions and (b) adjust accordingly residual risk assessments. Detailed information on the Risk Matrix and overall analysis is provided in Annex 1 of this paper (Annex 1: Update on corporate risk). The below paragraphs present a summary of the findings.

2.11 The Secretariat's assessment of risk is that the current list of risks outlined in the risk matrix are correct, and that one risk needs to be added with regards to 2.1.4 Co-Financing or the risk that GPE funding does not sufficiently crowd in financing from external partners through co-financed programs. Of the 36 Risks proposed in the matrix, 27 have lower risk scores than their inherent risk rating (i.e. the risk rating if mitigation actions were not applied) which is positive and shows that the mitigation actions applied are having an impact. However, only 6 risks meet the current target risk ratings (i.e. the level of risk that should be acceptable for each risk). Of the 35 Risks, 3 are rated as "Critical", and 14 are still "High" after mitigation actions are applied.

2.12 The pace of change on risk ratings remains relatively slow with only 6% of risks having a lower risk rating compared to the previous update and 8% of risks having a higher risk rating than in the previous exercise, hence a 2% rate of net change.

2.13 2 risks have lower residual risk ratings, as follow: (1) risk 2.2.2 on Quality Assurance Process (Education Sector Plans) and (2) risk 3.1.4 on Liquidity. This indicates that mitigation actions are having a positive impact or that the situation itself has evolved resulting in a lower assessment of risk.

2.14 However, the residual risk ratings of 3 risks have increased, as follow: (1) the risk rating of risk 4.2.2 on institutional arrangements is increased from medium to critical, to reflect the current uncertainty and need for greater clarity on the parameters of GPE's hosting relationship or future direction of travel, (2) the risk rating of risk 1.1.7 on the Foundations Strategy is increased from medium to high, to reflect the current challenges arising from the implementation of the strategy, including lack of capacity within the Secretariat

(3) the risk rating of risk 3.1.2 on DCP pledges is increased from medium to high, to reflect the correlation with risk 1.2.3 on domestic financing: while countries have made substantial pledges at the refinancing conference, it does not always translate into the countries meeting the 20% share of public expenditure on education target.

2.15 A number of other risks linked to the outcome of the financing conference have revised wording to reflect that the financing conference has now been completed.

Update on the Operational Risk Framework

2.16 In March 2018 the Secretariat completed the third assessment of operational risk across the portfolio of ESPIGs as part of its annual risk update. As before, data from the Portfolio Review and Results Framework country analytics were used in conjunction with the Operational Risk Framework to determine risk levels. Overall, 65 countries/federal states were assessed for sector risk and 45 ESPIGs were assessed for grant risk. Information on implementation of the Operational Risk Framework (ORF) is provided in a separate document (Attachment 2: Operational Risk Framework report, FRC/2018/4 DOC XX). The below paragraphs present a summary of the findings.

2.17 Of the 65 countries/federal states assessed for sector risk, roughly a quarter are assessed as high or critical sector risk and three-quarters are assessed as low or medium. Looking at the change in sector risk in the contexts that were assessed in both 2017 and 2018, overall sector risk has decreased across the group. Sector risk has decreased in 12 countries (Bangladesh, Benin, Burundi, CAR, Gambia, Kyrgyz Republic, Mozambique, Niger, Nigeria, Rwanda, Uganda, and Yemen) and increased in 6 countries (Guinea, Mauritania, and the four OECS countries – Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines).

2.18 Given the Operational Risk Framework is forward-looking, 31 ongoing ESPIGs that are active as of June 1, 2018 have been assessed for grant risk. Additionally, 14 new grants are included: grants[4] that were approved by the Board of Directors between September 2017 and February 2018 as well as grants[5] that are currently in their Final Readiness Review -phase (February 2018 application round). Of the 45 grants assessed, 87% are rated as low or medium in their overall grant risk. Just five grants are identified as having high overall grant risk (Afghanistan, DRC, Guinea-Bissau, Malawi, and Nigeria), and one grant as having critical overall grant risk (Yemen). Of the six grants with high or critical overall grant risk, all but one is in a Fragile and Conflict Affected country.

[4] Liberia, Burkina Faso, Tanzania – Zanzibar, Cambodia, Cote D'Ivoire, Gambia, Guinea-Bissau, and Madagascar.
[5] Afghanistan, Cabo Verde, Chad, Comoros, Sierra Leone, and Somaliland.

2.19 In 2018, seven contexts are identified as key focus contexts for GPE Secretariat support, because of either high grant risk or critical sector risk in the key areas of GPE's work. They are the following: Afghanistan, DRC, Eritrea, Guinea-Bissau, Malawi, Nigeria, and Yemen. The number of key focus contexts has decreased from 9 in 2017 to 7 in 2018. In two out of these nine contexts, grants have closed or are closing by June 1, 2018 (Somalia Federal and South Sudan). In three contexts, grant or sector risk levels have decreased so they are not considered key focus contexts anymore (Bangladesh, Guinea, Uganda). Conversely, three grants are included due to high grant risk (Afghanistan, Guinea-Bissau, Malawi). Out of the seven contexts considered as key focus contexts, six are Fragile and Conflict Affected (all but Malawi).

2.20 GPE's risk mitigation measures are focused on the six sub-risks identified for the operational risk framework. GPE does not seek to impact context risk, since factors contributing to this are largely exogenous. GPE's risk mitigation measures for sector and grant risks include a variety of upstream and downstream measures. For sector risk, the measures include investing in the Local Education Group (LEG) and in relationships with the Coordinating Agency (CA) and Grant Agent (GA), sharing appropriate guidance and examples of best practice, and providing timely technical feedback on Education Sector Analyses (ESA) and Education Sector Plans (ESP). For grant risk, measures include guiding partners on meeting the requirements for the fixed part of the ESPIG and quality assuring the ESPIG application and supporting materials.

2.21 Two factors played a major role in lowering overall sector risk: First, in nine cases the country is in the process of developing, assessing, and endorsing an ESP, TEP, or the implementation plan of an ESP. Second, the cohesion and improved workings of the LEG played an important role in in two contexts. In two contexts, commitment to increasing domestic financing has increased, in one case thanks to improved data availability. In the six contexts where overall sector risk has increased, the reasons relate to domestic financing being at risk because of the security situation, challenges around the ESP's or implementation plan's quality, or difficulties around sector dialogue and coordination. For countries with high sector risk, detail on the risk assessment and mitigation measures are included in Annex 4.3 (ii) of the Operational Risk Framework report.

2.22 In the five contexts where overall grant risk has decreased, one of these grants is closing soon and is on track to meet objectives (Bangladesh) and two were restructured to address implementation challenges and allow sufficient time to attain grant objectives (Guinea, Sudan). In one case (Lesotho), external factors that were previously judged to potentially affect implementation did not have any negative impact on the program. Finally, in one case (Nigeria), the decrease is due to good progress in implementation in the past year and the fact that the Grant Agent has increased its technical support. Conversely, in the group of five ESPIGs where grant risk has increased, four grants have increased from low to medium. Factors driving increased risk relate to implementation challenges (Burundi, Lao PDR, OECS) which will likely require

restructuring, and discussions related to a potential extension in a fourth (Zambia). In one case (Malawi), risks need to be addressed through stronger oversight of grant implementation.

3. RECOMMENDED DECISION

3.1 The Finance and Risk Committee recommends to the Board to approve the following decision:

BOD/2018/06-XX—Risk Management Report: The Board of Directors:

1. Endorses the changes to the Risk Matrix, including update on current mitigations actions and addition of future mitigation actions, revisions to the overall score of some risks, and update on risk wording, as presented in BOD/2018/06 DOC 13.

2. Requests the Secretariat to commence implementation of the recommendations arising from the external review of risk management based on existing resources and capacity and to report to the FRC on progress at its next meeting.

4. NEXT STEPS

4.1 The Secretariat will commence implementation of those recommendations in the external review that are deemed as achievable and necessary. During an FRC conference call held in May 2018, the Risk and Compliance team presented its workplan for the year ahead as well as the methodology that will be followed to (1) review the risk taxonomy, (2) propose risk appetite statements to the Board and (3) redefine the three lines of defense model. Those three elements will be for Board approval from the December 2018 Board meeting onward.

4.2 The Secretariat will also continue to implement key mitigation actions outlined in the risk matrix.

5. CONTACT

Please contact Padraig Power (ppower@globalpartnership.org), Matthew Smith (mdsmith@globalpartnership.org),l Anna-Maria Tammi (atammi@globalpartnership.org) and Anne Joncheray (ajoncheray@globalpartnership.org) for further information.

6. ANNEX AND ADDITIONAL INFORMATION

Annex 1: Update on corporate risks
Annex 2: Summary of changes in risk ratings
Annex 3: Risk Matrix
Annex 4: Acronyms

Attachment 1: Review: Gap Analysis and Recommendations by Oliver Wyman Ld.

Attachment 2. Operational Risk Framework report by the GPE Secretariat

References:

1. Risk Management Report #6 (BOD/2017/12 DOC 06)
2. Risk Management Policy (BOD/2014/12 DOC 04)

ANNEX 1: UPDATE ON CORPORATE RISKS

1. BACKGROUND

1.1 In December 2014 (BOD/2014/12-03), the Board adopted the Risk 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 Finance and Risk Committee and any material changes will be reported to the Board".

1.2 Per the Policy on Risk Management and related Risk Matrix, the Finance and Risk Committee is responsible for overseeing risk management within the Global Partnership for Education ("Global Partnership" or GPE") and ensuring that progress is being made on implementing risk mitigation measures. It is also responsible to contribute to the mitigation of all financial, fiduciary risks related to its mandate.

1.4 During its last meeting in December 2018, the Board endorsed the changes proposed to the Risk Matrix (BOD/2016/12 DOC 06), including the addition of one new risk, revisions to the residual risk ratings of six risks (i.e. residual risk ratings had decreased for five risks and increased for one risk), update on current mitigation actions and addition of future mitigation actions.

1.5 The GPE Secretariat engaged Oliver Wyman Ld. to review its risk policies and practices, with a view to identifying gaps and areas for improvement. The team of consultants led the review in February-March 2018.

1.6 In the meantime, the GPE Risk Management Team conducted the semi-annual review of the corporate risk matrix to ensure that the Committees and the Board can carry out their risk mandates as follow: 1) overseeing the development and implementation of risk management and mitigation measures across the GPE Risk Portfolio, and 2) overseeing and managing some specific risks. Thus, for this review of the Risk Matrix (Annex 1), the Secretariat proposes limited adjustments to the risk Matrix at this stage to (a) updated risk wording, (b) updated mitigation actions and (c) adjusted residual risk assessments.

2. METHODOLOGY

2.1 The Risk Matrix (Annex 1) contains a "Severity Chart" that outlines the relationship between probability of a risk occurring and the impact of that risk if it occurred to determine a risk rating. (i.e. where probability is unlikely and impact is low would produce an overall "Low" risk rating). The Matrix outlines each risk along with current, and additional mitigation actions required. In reviewing each risk and the mitigation measures being implemented, the Secretariat considers the impact, probability and overall score of each risk and the Target Risk. The Target Risk describes the level of risk that should be acceptable for each risk. 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 Matrix also includes the future direction of travel foreseen for the upcoming months. The future direction of travel indicates whether the risk rating is likely to change by the time of the next assessment based on the implementation of planned mitigation actions and/or other factors that may impact the assessment of risk. Thus, the direction of travel can be: i) improving as the risk rating is likely to be lowered (i.e. from High to Medium), ii) deteriorating as the risk rating is likely to be increased (i.e. from High to Critical), or iii) stable to indicate no change in rating expected. Finally, the Matrix includes an analysis of Inherent Risk, which is the level of risk before mitigation actions and controls are applied.

2.3 The inclusion of Inherent, Residual, and Target risk is intended to allow the reviewer to understand the risk prior to mitigation and controls, after existing mitigation actions are applied, and the target level of where risk would be acceptable and the associated additional mitigation actions required to move the risk towards the target level.

3. OVERALL ANALYSIS

3.1 The Secretariat proposes limited adjustments to the risk Matrix at this stage to (a) updated risk wording, (b) updated mitigation actions and (b) adjusted residual risk assessments.

3.2 The Secretariat's assessment of risk is that the current list of risks outlined in the risk matrix are correct, and that one risk needs to be added with regards to 2.1.4 Co-Financing. Of the 36 Risks proposed in the matrix, 27 have lower risk scores than their inherent risk rating (i.e. the risk rating if mitigation actions were not applied) which is positive and shows that the mitigation actions applied are having an impact. Only 6 risks meet the current target risk ratings (i.e. the level of risk that should be acceptable for each risk), compared to 6 risks in the previous assessment. Progress is relatively slow, and significant additional work is required. Of the 36 Risks, 3 are rated as "Critical", and 14 are still "High" after mitigation actions are applied.

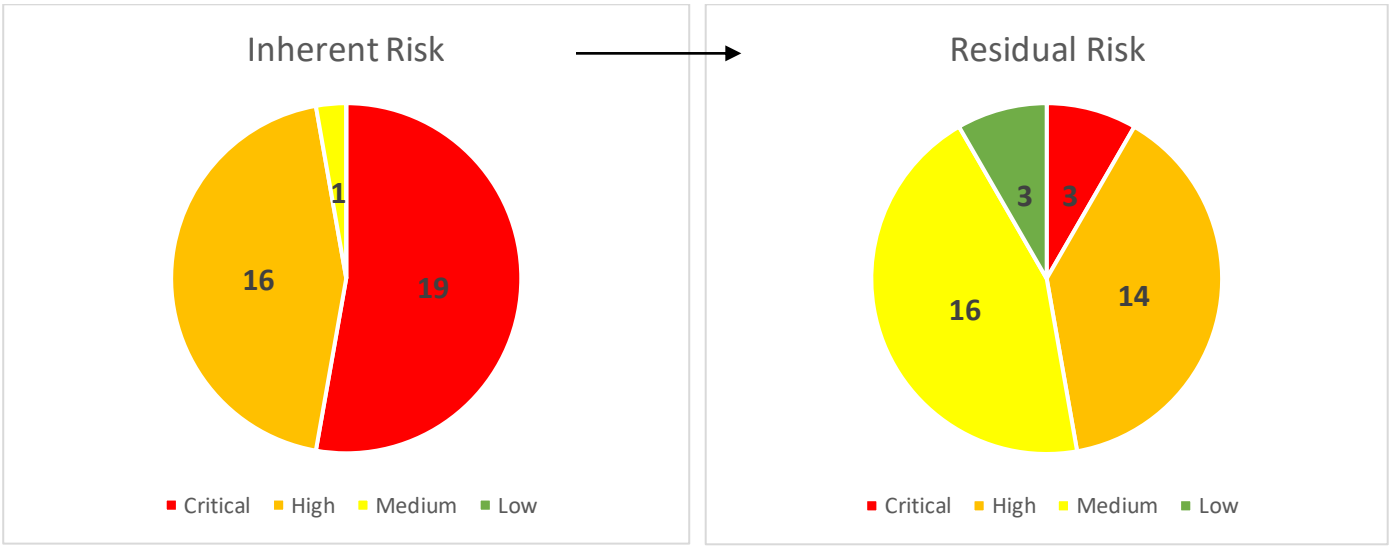
3.3 Residual risk ratings have decreased for 2 risks, indicating that mitigation actions are having a positive impact or that the situation itself has evolved resulting in a lower assessment of risk. Among those 2 risks, the residual risk rating is reduced from "high" to "medium" for 1 risks, and from "medium" to "low" for 1 risk.

3.4 A new risk was added with regards to co-financing, to mitigate the possible negative consequence arising from co-financed programs, including the multiplier, as follow: 2.1.4 Co-financing. The risk that GPE funding doesn't sufficiently crowd in financing from external partners through co-financed programs. Residual risk rating for this new risk is "medium" while target risk rating is low.

3.5 Residual risk ratings have increased for 3 risks, indicating that mitigation actions are having little to no impact or that the situation itself has deteriorated resulting in a higher assessment of risk. Among those 3 risks, the residual risk rating is increased from "medium" to "high" for 2 risks, and from "medium" to "critical" for 1 risk.

3.6 The wording of 4 risks had been updated. With regards to risk 1.1.5 on Complementarity/ alignment with ECW, and risk 1.1.6 on Complementarity/ alignment with IFFEd, the wording of both risks has been updated so the risks do not refer to the replenishment anymore. Similarly, with regards to risk 3.1.1 on Donor Pledges and risk 3.1.3 on Strategic Financing and Resource mobilization, the wording of both risks has been updated so the risks reflect the current post-replenishment period.

Residual Risk Assessment



3.4. Of the 36 Risks, 3 are rated as "Critical" and 14 are "High" after mitigation actions are applied (residual risks). Out of the 3 critical risks, 2 risks had a critical residual risk rating in the previous assessment: (1) Complementarity/alignment with IFFEd (1.1.6), and (2) Program Implementation Modality (2.3.3).

- 1.1.6 Complementarity/alignment with IFFEd. The risk that GPE and the Education Commission's International Financing Facility for Education are not complementary and aligned and therefore negatively impact the replenishment and potentially the effectiveness on global education financing. While there is still a need for better clarity in communication on the issue of complementarity and added-value between the Global Partnership for Education, ECW and IFFEd, the Secretariat contributes to the work of the Education Commission (i.e. staff from the Secretariat participated in technical discussions with the Education Commission in September 2017 and as part of a Technical Working Group in March 2018).

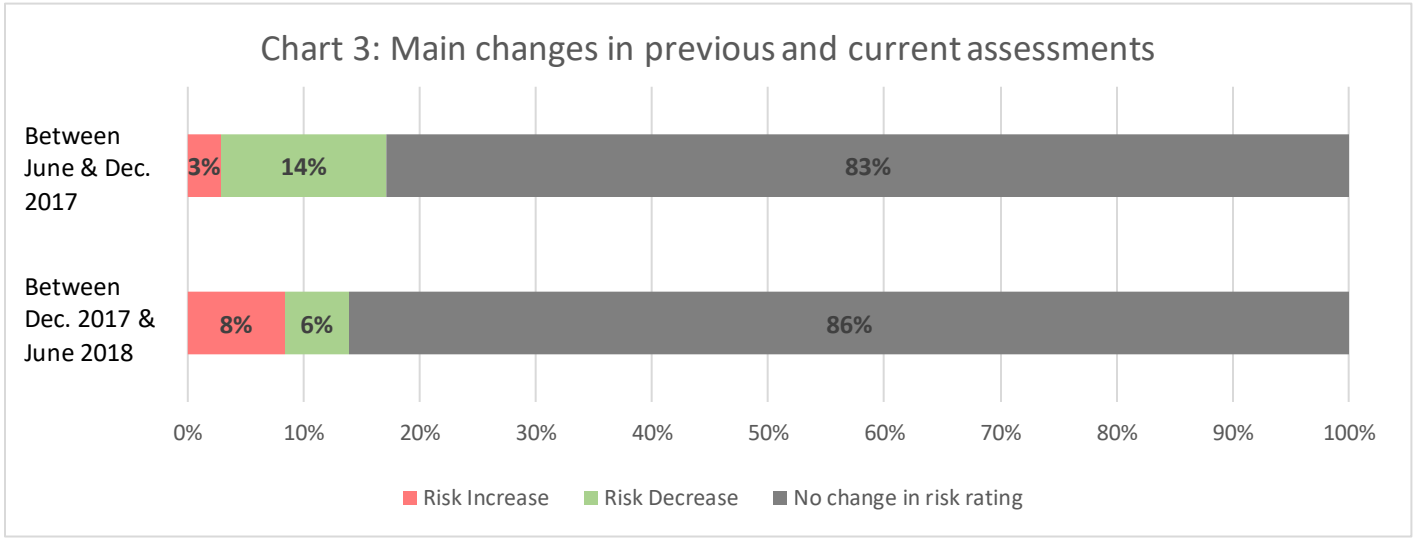
• 2.3.3 Program Implementation Modality. The risk that by not using government systems where suitable, GPE will not realize sufficient progress in strengthening systems. As per indicator 29 on alignment, the proportion of GPE grants aligned to national systems declined from 31% in 2016 to 28% in 2017. An alignment task force has been set up within the Secretariat to work on improving support services on alignment, with a focus on high opportunity countries. A user guide on the GPE alignment criteria (#29) was developed as well as a tool for better engagement. An Alignment roadmap to support greater aid alignment in GPE Partner countries was developed and shared. The Secretariat is currently implementing the roadmap approved by GPC in October 2017 for advancing alignment on country systems to: i) clarify and gradually institutionalize GPE's conceptual approach to aid alignment (to be completed in FY2018/FY2019); ii) strengthen country support operations (to be completed in FY2018/FY2019); iii) capitalize and promote good practices across countries (to be completed in FY2018); and iv) engage with Grant agents on aid alignment (to be completed in FY2018).

Out of the 3 critical risks, 1 risk is critical as a result of an increase in residual risk rating:

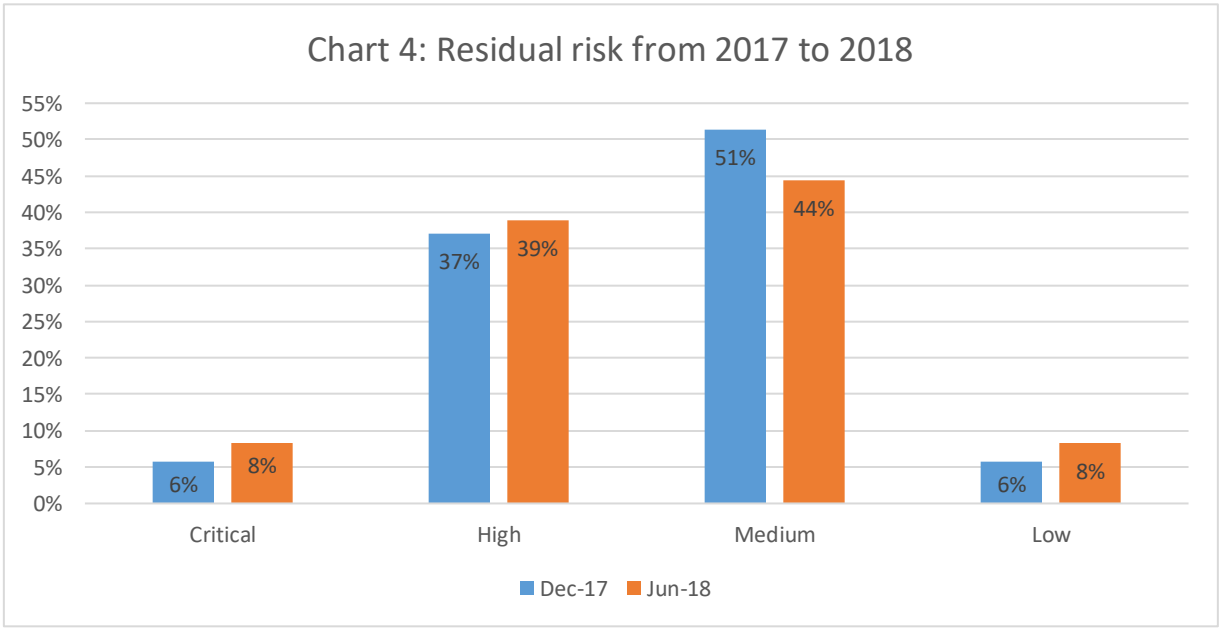
• 4.2.2 Secretariat Institutional Arrangement. The risk that the GPE institutional arrangement has a negative impact on its ability to achieve GPE strategic objectives. The residual risk rating is increased from "medium" to "critical" to reflect the current uncertainty and need for greater clarity on the parameters of GPE's hosting relationship or future direction of travel while the World Bank completes its Trust Fund reform. The Secretariat works closely with the World Bank Vice Presidency of Development Finance and other parts of the World Bank that intersect with GPE on the Trust Fund reform process and on subjects that can impact the hosting arrangement and delivering of GPE 2020. The Secretariat, the Committees and the Board will discuss the findings of the ongoing institutional arrangement work in 2018, including review of an option for a separate legal entity for GPE, thereby resulting in the separation from the host institution.

3.5 The 14 high risks include: 1.1.7 Foundations Strategy / 1.1.8 Private Sector Strategy / 1.2.3 Domestic Financing / 2.1.1 Roles, Responsibilities and Accountabilities at Country Level / 2.1.2 GPE Funding Model / 2.1.3 Choice of Grant Agents / 2.3.2 Program Implementation Timeline / 2.3.4 Grant Management / 2.4.2 Quality Data (Education Sector Plans) / 3.1.2 DCP Pledges / 3.1.5 Foreign Exchange movements / 3.2.1 Fraud and Misuse / 4.2.2 Secretariat Institutional Arrangement and 4.2.3 Secretariat Capacity.

3.6 When comparing residual risk (Chart 2) against inherent risk rating (Chart 1) (i.e. the risk rating if mitigation actions were not applied): of the 36 risks proposed in the matrix, 27 have lower residual risk scores than their inherent risk rating. It is positive and shows that the mitigation actions applied are proven efficient and are having an impact. However, only 6 risks (around 17%) meet their target risk rating (i.e. the level of risk that should be acceptable for each risk) in 2018, the same number as in the previous assessment, indicating that significant additional work is required.



3.7 Chart 3 shows the main changes in risk rating in previous and current assessments since June 2017, reinforcing the idea that progress is rather slow, and that additional work is required. Looking at the changes in risk rating from June 2017 to December 2017, 3% of risk ratings have increased and 14% have decreased while 83% (8 out of 10 risks) have not changed. Looking at the changes in risk rating from December 2017 to June 2018, 8% of risk ratings have increased and 6% have decreased while 86% (almost 9 out of 10 risks) have not changed. While significant mitigation actions have taken place and are continuing, this alone has not been sufficient to reduce the probability and/or impact of a risk occurring, since almost 9 risk ratings out 10 have not change in 2018 while only 17% meet their target risk rating.



3.8 Residual risk ratings have decreased for 2 risks, indicating that mitigation actions are having a positive impact or that the situation itself has evolved resulting in a lower assessment of risk. Among those 2 risks, the residual risk rating is reduced from "high" to "medium" for 1 risk:

- Risk 2.2.2 on Quality Assurance Process (Education Sector Plans). The risk that independent appraisal processes do not always detect and correct poorly designed education sector plans. Over the past two years, the Secretariat has implemented several new measures to strengthen the quality and comprehensiveness/completeness of ESPs through: (i) preparing clearer guidelines for the independent appraisal of ESPs (co-published with IIEP), (i) training of independent appraisers in the use of the Appraisal Guidelines (in collaboration with IIEP). The Secretariat also reviews and provide comments on ESPs at various stages of ESP development as part of the quality assurance processes. Evidence from the latest Results Report support the change in risk rating: the quality of ESPs/TEPs has improved significantly. 58% of ESPs/TEPs endorsed in 2014 and 2015 met the GPE quality standards. In comparison, 96% of ESPs/TEPs endorsed in 2016 and 2017 met quality standards.

Among those 2 risks, the residual risk rating is reduced from "medium" to "low" for 1 risk:

- Risk 3.1.4 on Liquidity. The risk that the GPE Fund has insufficient funds and liquidity to meet its current and planned funding obligations. The risk rating has decreased to reflect that the prioritization criteria have been adopted by the Board in December 2017 and now guide allocation levels. The Secretariat and the FRC also discussed the currency hedging proposal the World Bank submitted in April 2018.

3.9 Residual risk ratings have increased for 3 risks, indicating that mitigation actions are having little to no impact or that the situation itself has deteriorated resulting in a higher assessment of risk. Among those 3 risks, the residual risk rating is increased from "medium" to "critical" for 1 risk:

- Risk 4.2.2 on Secretariat Institutional Arrangement. The risk that the GPE institutional arrangement has a negative impact on its ability to achieve GPE strategic objectives. As explained above in the critical risks section, the residual risk rating is increased from "medium" to "critical" to reflect the current uncertainty and need for greater clarity on the parameters of GPE's hosting relationship or future direction of travel while the World Bank completes its Trust Fund reform.

Among those 3 risks, the residual risk rating is increased from "medium" to "high" for 2 risks:

- Risk 1.1.7 on the Foundations Strategy. The risk that the Foundations strategy is not successfully implemented. The residual risk rating is increased from "medium" to "high" to reflect the current challenges around the development of Foundations Strategy, and in particular the problem of capacity within the Secretariat to develop the Strategy since approved by the Board in December 2017.

- Risk 3.1.2 on DCP pledges. The risk that some DCPs fail to deliver on their current pledges. The residual risk rating is increased from "medium" to "high", to reflect the correlation between risk 3.1.2. on DCP pledges and risk 1.2.3 on domestic financing, currently rated "high". While countries have made substantial pledges at the refinancing conference, it does not always translate into the countries meeting the target of 20% share of public expenditure on education. Pledges have been published on the GPE website to help CSO play their role making countries accountable, but there is a need for advanced monitoring of pledges, including tracking the actual amount committed as part of the national budgets.

3.10 The direction of travel, which indicates whether the risk rating is likely to change by the time of the next assessment based on the implementation of mitigation, has changed for the following risks:

- Risk 1.1.3 Knowledge and Innovation Exchange (KIX). The risk that the partnership fails to leverage the global and cross-national knowledge and innovation exchange for improved education policies and systems and a stronger aligned partnership at the national level. The direction of travel is stable and not improving, to reflect the challenges to implement KIX that will keep being monitored.
- Risk 1.1.4 on Advocacy and Social Accountability. The direction of travel is improving and not stable. The risk that uncertainty undermines the continuity of civil society and teaching profession engagement while designing new mechanisms is improving since the establishment and design of an advocacy and social accountability mechanism have been approved by the Board in December 2017. The design and launch of ASA fund is to be coordinated with GCE using a joint calendar to ensure alignment in planning for roll out, from March 2018. In the meantime, no-cost extension for CSEF III should be granted if possible, to allow activities to continue through March 2019, allowing time for successor program to become operational.
- Risk 1.1.8 on the Private Sector Strategy. The risk that the absence of the Private Sector strategy could result in misalignment with current partnership processes, engagement and prevent current work (i.e. FFF) from progressing. The direction of travel is improving and not stable. Indeed, it is premature to decrease the risk rating, however the discussion during the SIC meeting confirms that the direction of travel is improving. There is, however, still no private sector strategy at this stage, hence it is too early to change the wording to refer to the strategy (i.e. wording currently refers to the absence of a strategy).
- Risk 2.3.2 on Program Implementation Timeline. The risk that grant objectives are not achieved within the expected implementation period is stable. The direction of travel is table instead of improving. The Secretariat as implemented measures to strengthen grant monitoring, including systematic review of progress reports, more flexibility in the grant application system, warning letter sent six months prior to grant completion, and a continued focus on feasibility of implementation period as part of QAR.

However, implementation deadlines can still be an issue in certain cases hence the Secretariat plans to extend quality assurance to revision of grants and improve accountability through its M&E strategy.

ANNEX 2: SUMMARY OF CHANGES IN RISK RATINGS

Risk	Risk Owner	Inherent Risk	SEPT 2017 Residual Risk Assessment	MARCH 2018 Residual Risk Assessment	Direction of travel	Target Risk	MAIN CHANGES 2017 vs. 2018 assessment
1.1.1 Implementation of the Strategic 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.	**SIC**	Critical	Low	Low	Stable	Low	
1.1.2 Monitoring of the Strategic Plan. The risk that the partnership is unable to monitor and demonstrate progress on strategic plan objectives.	**SIC**	Critical	Medium	Medium	Improving	Low	
1.1.3 Knowledge and Innovation Exchange (KIX). The risk that the partnership fails to leverage the global and cross-national knowledge and innovation exchange for improved education policies and systems and a stronger aligned partnership at the national level.	**SIC**	High	Medium	Medium	Stable	Low	Direction of travel stable and not improving.
1.1.4 Advocacy and Social Accountability. The risk that uncertainty undermines the continuity of civil society and teaching profession engagement while designing new mechanisms	**SIC**	High	Medium	Medium	Improving	Low	Direction of travel improving and not stable.
1.1.5 Complementarity/ alignment with ECW. The risk that GPE and Education Cannot Wait are not complementary and aligned and therefore negatively impact the effectiveness of global education financing.	**Board**	Critical	Medium	Medium	Stable	Low	Risk wording reviewed (reference to replenishment removed)
1.1.6 Complementarity/ alignment with IFFEd. The risk that GPE and the Education Commission's International Financing Facility for Education are not complementary and aligned and therefore negatively impact the effectiveness of global education financing.	**Board**	Critical	Critical	Critical	Sable	Low	Risk wording reviewed (reference to replenishment removed)
1.1.7 - Foundations Strategy. The risk that the Foundations strategy is not successfully implemented.	**SIC**	High	Medium	High	Stable	Low	Risk wording reviewed (reference to absence of a strategy removed)
1.1.8 - Private Sector Strategy. The risk that the absence of the Private Sector strategy could result in misalignment with current partnership processes, engagement and prevent current work (i.e. FFF) from progressing.	**SIC**	High	High	High	Improving	Low	Direction of travel improving
1.2.1 Support to Education Sector Plans. The risk that the Partnership does not leverage its capacities to support the production of quality ESPs.	**GPC**	High	Medium	Medium	Stable	Low	
1.2.2 Support to Education Sector Plans. The risk that the partnership does not support planning, financing and monitoring during ESP implementation.	**GPC**	High	Medium	Medium	Stable	Low	

1.2.3 Domestic Financing. 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.	**GPC**	Critical	High	High	Improving	High	
1.2.4 National/regional capacity and operating environment. The risk that GPE processes do not take sufficient account of the level of national/regional capacity and the operating environment, particularly in conflict-affected states.	**GPC**	High	Low	Low	Improving	Low	
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.	**GPC**	Critical	High	High	Stable	Medium	
2.1.2 GPE Funding Model. The risk of disruption in country-level processes due to problems in the implementation of the GPE funding model.	**GPC**	Critical	High	High	Stable	Low	
2.1.3 Choice of Grant Agents. The risk that a country cannot identify a grant agent suited to the purpose for the country context.	**GPC**	Critical	High	High	Stable	Medium	
2.1.4 Co-Financing The risk that GPE funding doesn't sufficiently crowd in financing from external partners through co-financed programs.	**GPC**	Critical	n/a	Medium	Stable	Low	New Risk.
2.2.1 Quality Assurance (Grants). The risk that 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.	**GPC**	Critical	Medium	Medium	Improving	Low/ Medium	
2.2.2 Quality Assurance Process (Education Sector Plans). The risk that independent appraisal processes do not always detect and correct poorly designed education sector plans.	**GPC**	Critical	High	Medium	Improving	Medium	Risk rating decreased from high to medium
2.3.1 Grant Agent Oversight. The risk that grant agents are not providing effective oversight.	**GPC**	Medium	Medium	Medium	Improving	Low	
2.3.2 Program Implementation Timeline. The risk that grant objectives are not achieved within the expected implementation period.	**GPC**	High	High	High	Stable	Medium	Direction of travel stable instead of improving
2.3.3 Program Implementation Modality. The risk that by not using government systems where suitable, GPE will not realize sufficient progress in strengthening systems.	**GPC**	Critical	Critical	Critical	Stable	Medium	
2.3.4 Grant Management. The risk to GPE that not all poorly performing grants are detected and remedied in a timely manner.	**GPC**	Critical	High	High	Stable	Low/ Medium	
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.	**GPC**	Critical	Medium	Medium	Improving	Low	
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.	**GPC**	Critical	High	High	Improving	Low	

3.1.1 Donor Pledges. The risk that donors fail to deliver on their pledges to the GPE Fund.	**FRC**	Critical	Medium	Medium	Stable	Medium	Risk wording reviewed to reflect current post-replenishment period
3.1.2 DCP Pledges. The risk that some DCPs fail to deliver on their current pledges.	**FRC**	High	Medium	High	Stable	Medium	Risk rating increased from medium to high.
3.1.3 Strategic Financing and Resource mobilization. The risk that GPE fails to demonstrate its added value and can't attract new and additional funding beyond pledges made at the financing conference.	**FRC**	Critical	High	High	Improving	Medium	Risk wording reviewed to reflect post-replenishment period.
3.1.4 Liquidity. The risk that the GPE Fund has insufficient funds and liquidity to meet its current and planned funding obligations.	**FRC**	High	Medium	Low	Stable	Low	Risk rating decreased from medium to low
3.1.5 Foreign Exchange movements. The risk that GPE is adversely affected by Foreign Exchange movements.	**FRC**	High	High	High	Stable	Low	
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 as defined in the Misuse of Funds Policy.	**FRC**	Critical	High	High	Stable	Medium	
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 regarding grants.	**GEC and GPC**	Critical	Medium	Medium	Improving	Low	
4.1.2 Risk Management. The risk that Board and Management do not systematically take risk into consideration while taking decisions.	**FRC**	High	Medium	Medium	Improving	Low	
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 fulfil their governance responsibilities.	**GEC**	High	Medium	Medium	Stable	Low	
4.2.1 Reputational Risk. The risk that GPE's reputation is damaged.	**GEC**	High	Medium	Medium	Stable	Low	
4.2.2 Secretariat Institutional Arrangement. The risk that the GPE institutional arrangement has a negative impact on its ability to achieve GPE strategic objectives.	**Board**	High	Medium	Critical	Stable	Low	Risk rating increased from medium to critical.
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.	**Board**	Critical	High	High	Improving	Low	

ANNEX 3: CORPORATE RISK MATRIX, JUNE 2018

SEVERITY CHART

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

IMPACT

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.
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.
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.
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.

PROBABILITY

Very Likely: The risk is certain to occur within the next three years.
Likely: The risk is likely to occur within the next three years
Possible: The risk is possibly occurring within next three years
Unlikely: The risk is unlikely to occur within the next three years

DEFINITIONS

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 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.

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.

1. Strategic Risks

Risk	Risk Owner	Inherent Risk Rating	Current Mitigation Actions/Controls	Residual Risk	Direction of travel	Additional Mitigation Actions Required and Date	Target Risk	SO
1.1 Strategy and Policy								
1.1.1 Implementation of the Strategic 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.	SIC	Critical	• **Board**: Multiyear strategic plan implementation is updated and agreed by the Board annually. • **Board**: Results framework, including targets, adopted by the Board in Dec 2015. • Mutual Accountability included in Charter. • Contribution and Safeguard Policy adopted in March 2017. • **GPE/Board**: Approve a budget and a work plan for the Secretariat that provides necessary resources and focus for implementation of the strategic plan. • **Secretariat/Board:** Increase focus on branding and visibility at global and country level to be able to demonstrate results; integrate results in communication material.	Low		• **Board:** Consider effectiveness and efficiency of partnership review and the institutional arrangement in 2018 as these issues might impact the feasibility of the strategic plan. Board also considers Secretariat HR implications. (FY 2018) • **SIC/Secretariat**: Identify and address potential tensions with GPE core principles in the design of the private sector strategy. (FY 2018)	Low	5c

1.1.2 Monitoring of the Strategic Plan The risk that the partnership is unable to monitor and demonstrate progress on strategic plan objectives.	SIC	Critical	• M&E Strategy under implementation. • **Committee (SIC):** Make recommendations to the Board on adjustments to results framework and to the monitoring and evaluation strategy**.** • **Secretariat**: Prepare annual results report to provide the basis for making annual adjustments to the strategic plan based on progress and to enhance mutual accountability. The Results Report is on track to be completed and shared publicly by the end of June 2018. • **Secretariat:** Prepare management response to the Results Report detailing actions to be taken to stay on track to achieve agreed targets. • **Secretariat:** Online results framework data storage and retrieval system is on track to meet the June 2018 timeline.	Medium	Improving	• Dissemination of results to all partners (including at the country level) to improve mutual accountability. (Commencing with May DCP Meeting) In addition, country-level data (paper-based) will be shared with individual countries as part of data transparency and mutual accountability in May 2018. • **Committee (SIC):** Review paper on Data Challenge. (May 2018)	Low	5e 2b 3a 5c
1.1.3 Knowledge & Innovation Exchange (KIX) The risk the partnership fails to leverage the global and cross-national knowledge and innovation exchange for improved education policies and systems and a stronger aligned partnership at the national level.	SIC	High	• Funding proposals completed and approved for A4L, BELDS and CIFF under implementation. • USD 60 million considered as part of the Financing and Funding Framework. • Private Foundation and Private Sector strategies shape partnerships and financing for KIX. • **Committee (SIC):** Oversight of KIX thematic prioritization and design. • **Secretariat**: Monitoring GRA progress and evaluation by 2018. • **Secretariat/SIC/Board:** Design the Knowledge and Innovation Exchange mechanism, after KIX mechanism and strategy was approved by Board in December 2017. • **Secretariat:** Ensure that design of KIX initiatives explicitly links global and regional activities to country-level work and with advocacy and DCP south - south learning work.	Low	Stable	• **Secretariat:** Ensure that consultations are held with all GPE constituencies, especially DCPs, as KIX design unfolds. (Ongoing) • **Secretariat:** Ensure all GPE Secretariat teams input to the design process of KIX - especially the Education, Policy and Learning Technical Leads. (Ongoing) • **Secretariat:** Ensure that external vendor supports the design completion for KIX. (Ongoing) • **Committee (SIC):** Review and approve design of KIX, optimal business management process for KIX funding, and selection of external providers or management agencies for KIX components - Learning Exchange and Knowledge and Innovation Funds. (July 2018) • Annual report on GRA activities. (June 2018)	Low	1b 5b

1.1.4 Advocacy and Social Accountability The risk that uncertainty undermines the continuity of civil society and teaching profession engagement while designing new mechanisms	SIC	High	• **Board:** Approved the establishment and design of an advocacy and social accountability mechanism in December 2017. • Implementation of Board-approved transparency policy. • Ongoing monitoring and support of CSEF program. • **Secretariat/SIC/Board:** Design of the advocacy and social accountability mechanism.	Medium	Improving	• **Secretariat/GCE**: Design new program mechanism for successor to CSEF informed by CSEF mid-term evaluation. (Ongoing) • **LEG:** Promote linkages between the different country level activities funded by GPE to avoid fragmentation at country level. (Sept-Dec 2018) • **Secretariat:** Ensure sufficient capacity and coordination between secretariat and team. • **Secretariat/GCE:** Design and launch of ASA fund should be coordinated with GCE using a joint calendar to ensure alignment in planning for roll out (March 2018) • **Secretariat:** No-cost extension for CSEF III should be granted if possible, to allow activities to continue through March 2019, allowing time for successor program to become operational.	Low	
1.1.5 Complementarity/ alignment with ECW The risk that GPE and Education Cannot Wait are not complementary and aligned and therefore negatively impact the effectiveness of global education financing.	Board	Critical	• **Secretariat:** Ongoing coordination with Education Cannot Wait, including at country level, and regular report to the Board. • **GPE Board Chair:** Participation in HLSG. • **Secretariat:** Participation in Executive Committee of ECW by Secretariat, participation in joint missions, and in all ECW task teams (representatives assigned). • **Secretariat:** Engagement with external consultants for ECW hosting review process for High Level Steering Group decision.	Medium	Stable	• **GPE/ECW/Ed. Commission:** Need for better clarity in communications on the issue of complementarity and added value between GPE/ECW/IFFEd. (Timing to coincide with communication on G20)	Low	

1.1.6 Complementarity / alignment with IFFEd. The risk that GPE and the Education Commission's International Financing Facility for Education are not complementary and aligned and therefore negatively impact the effectiveness of global education financing.	Board	Critical	• **Chair/Secretariat:** Contribute to the Education Commission Work. Secretariat participated in ongoing technical discussion with Education Commission in September 2017. • **GPE Donors**: Actively coordinate and share information related to IFFEd using the donor group, to ensure all GPE donors have the same level of understanding.	Critical	Stable	• **GPE/ECW/Ed. Commission:** Need for better clarity in communications on the issue of complementarity and added value between GPE/ECW/IFFEd. (Timing to coincide with communication on G20) • **GPE Board:** Update on IFFEd to be shared at the June 2018 Board. Provide clarification on which mechanisms IFFEd plan to develop/use (June 2018).	Low	
1.1.7 Foundations Strategy The risk that the Foundations strategy is not successfully implemented.	SIC	High	• **Committee (SIC):** Reviewed draft strategy at the end of October 2017. • **Secretariat/PF Constituency:** Consultation on draft strategy held between GPE Secretariat and members of the PF Constituency in October 2017. • **Secretariat**: Ensured Foundations strategy incorporates feedback from SIC, Private Foundations constituency and is aligned with various related work streams that target collaboration with foundations. • **Board:** Approved Private Foundations Strategy in December 2017.	High	Stable	• **Secretariat (and PF Constituency):** Ensure sufficient capacity to implement the PF strategy the Board approved in December 2017. (Ongoing) • **Secretariat:** Ensure clear forward plan for coordination of PF work within secretariat (April 2018). • **Secretariat:** Develop fundraising and engagement strategy for Foundation engagement in KIX and ASA. (April 2018). • **Secretariat:** Ensure alignment with PS strategy. (Ongoing)	Low	

1.1.8 - Private Sector Strategy The risk that the absence of the Private Sector strategy could result in misalignment with current partnership processes, engagement and prevent current work (i.e. FFF) from progressing.	SIC	High	• **Secretariat:** Update on Private Sector Strategy presented to the Board in December 2017, part of broader Private Sector Strategy 2020. • In the absence of a risk management plan specific to the Private Sector Strategy, the existing Corporate Engagement Principles and the Policy on Conflicts of Interest mitigate this risk. • A Private Sector Board representative has been appointed. GBC-Education has joined the GPE Board. • **Secretariat / Committee (SIC)**: Secretariat developed and SIC endorsed a 2018 Roadmap for the Strategy's development and inception report, that includes a consultation plan. • **Secretariat:** A consultant has been appointed and has commenced work on the strategy.	High	Improving	• **Secretariat:** Work with GBC Ed to rebuild and support the private sector constituency. (Ongoing) • Secretariat to ensure that the strategy will be developed on time, with broad consultation. • **Board:** Approve the Private Sector Strategy in Dec. 2018. • **Secretariat/GEC:** Consider Changes to PS/PF constituency as part of constituency update process. (June 2018)	Low	
1.2 Support to the Education Sector in Developing Countries								

1.2.1 Support to Education Sector Plans The risk that the Partnership does not leverage its capacities to support the production of quality ESPs.	GPC	High	• **Secretariat/Partners:** Guidelines for transitional plan preparation being utilized. • **Secretariat:** Guidelines for ESPDGs completed.• Secretariat: Working with Countries planning to apply in 2017/2019. • **Secretariat:** Implementation of the Operational Risk Framework bears out that 1 countries/federal states have critical risk in this aspect, 11 have high risk, 13 medium and 39 have low risk (out of a total of 64 countries/federal states assessed). • **Secretariat**: Roll out improved quality assurance framework linked to the Operational Risk Framework and increase Secretariat capacity in this area. • Leveraging DCP meetings to promote peer to peer exchange and capacity development on sector planning. Support DCP capacity building through coordinated support with grant agents. • **Secretariat**: Technical assistance services to develop quality education sector plans based on analytics. • **Secretariat:** report on the issues and actions for ensuring Grant Agents, coordinating agencies, and Local Education Groups are operating efficiently and effectively as well as learning from experience to deliver GPE 2020.	Medium	Stable	• **Secretariat:** Ensure adequate provisions in the design of KIX Learning Exchange to facilitate further peer learning and capacity development for elaborating quality ESPs/TEPs (Dec 2018). • **Secretariat/GPC:** Timely sign-off of agreed inception report for Effective Partnership study with feasible scope and approach for delivering first analysis (March-June 2018). • **Board/GPC/Secretariat:** Follow-up to the findings and recommendations of the Effective Partnership study for improving the operational model, including the direction of travel relating to support to quality ESPs/TEPs (Oct 2018).	Low	1b 4b

1.2.2 Support to Education Sector Plans The risk that the partnership does not support planning, financing and monitoring during ESP implementation	GPC	High	• **Secretariat/Partners:** Joint sector participation by Secretariat using new methodology. • **DCPs:** Multi-year action plan for each ESP. • **Secretariat:** Implementation of the Operational Risk Framework bears out that 4 countries/federal states have critical risk in this aspect, 18 have high risk, 24 have medium risk, and 18 have low risk (out of a total of 64 countries/federal states). • Leveraging DCP meetings to promote peer to peer exchange and capacity development on sector planning (education financing, sector monitoring). • New guidelines on joint sector review effectiveness, domestic financing, monitoring finalized.	Medium	Stable	• **Board**: Decision on research based guidance for local education groups. (Ongoing) • **Secretariat:** Design Education Sector Investment Case and select pilot countries to test it. (December 2018) • **Secretariat:** Ensure adequate provisions in the design of KIX Learning Exchange to facilitate further peer learning and capacity development in aspects of planning, financing and monitoring of ESPs/TEPs (Dec 2018). • **Secretariat/SIC/Board:** Approval of effectiveness principles for LEGs as an avenue for consensus building and the basis for practical guidance and tools. This needs to be informed by findings of effective partnership study. (October/Dec 2018) • **Secretariat:** Development/implementation of dissemination strategy for the effective uptake of the joint sector reviews guidelines. (June 2018/Dec 2018) • **Secretariat:** Development/ implementation of dissemination strategy for the effective uptake of the new guidelines on domestic financing. (June 2018/Dec 2018) • **Secretariat:** Prioritize Secretariat support based on Results Report analysis and pipeline. (Ongoing)	Low	1b 4b

1.2.3 Domestic Financing 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.	GPC	Critical	• **Secretariat/LEG/CSO:** Continuous support to civil society coalitions to build their capacities and engage in the LEGs, including budget tracking as part of CACF. • Increased focus as part of FFF including strengthened requirements on data for domestic finance. Increased focus as part of QAR on data requirement. • **Secretariat:** Implementation of the Operational Risk Framework bears out that 9 countries/federal states have critical risk in this aspect, 10 have high risk, 21 have medium risk, and 24 have low risk (out of a total of 64 countries/federal states assessed). • Active engagement from DCP champions to influence peers on domestic finance. • **Secretariat**: Leveraging DCP meetings to discuss guidelines on domestic financing, level of expenditure on education, monitored yearly through results framework indicator 10. • Promote domestic finance needs as part of the replenishment strategy. DCPs committed 110 billion USD of domestic financing as part of the domestic financing conference (pledges).	High	Improving	• **Secretariat/GPC/Board:** Approach to take appropriate action where domestic finance commitments are not met presented to the Board in December 2017. The policy change was agreed by the Board and corresponding revisions to the funding model framework are to be reviewed by the GPC for final Board approval (June 2018). • **SIC:** Explore future forms of support for civil society advocacy on domestic financing in the context of ASA design. (June 2018) • **Secretariat**: Add country-level advocacy mechanisms including with HoS/Ministers of Finance as required (make use of Spring and Annual WB/IMF meetings and global events as well as country visits). Ongoing. • **Secretariat/Board:** Prioritize high-risk countries based on Results Report and pipeline. • **CEO:** Engagement with relevant political authorities (Ministry of Finance, Ministry of Budget, Parliament, etc.) (Ongoing) • **DCPs:** Develop Education Sector Investment Case to translate education sector plans and policy into investment opportunities. • **Secretariat:** Publish on GPE website all DCP pledges once information has been cleared by relevant DCPs (Ongoing). • **SIC**: Explore future forms of support for civil society advocacy on domestic financing in the context of ASA design. (June 2018) • **Secretariat:** Development/ implementation of dissemination strategy for the effective uptake of the new guidelines on domestic financing including considerations within the design of the KIX Learning Exchange (June 2018/Dec 2018).	High	4c

1.2.4 National/ regional capacity and operating environment The risk that GPE processes do not take sufficient account of the level of national/region al capacity and the operating environment, particularly in conflict-affected states.	GPC	High	• **Secretariat/GPC/Board:** 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. • **LEG/DCP:** Choice of grant agents based on implementation arrangements. • **Grant Agents:** QAR 2, quality check on the implementation arrangement. • **Secretariat**: Apply existing policies such as the operational framework, accelerated funding and transitional education sector plans, and focus on this risk during quality assurance review. • **FRC/CGP/Board:** Continue implementing country risk management plans. • Implementation of the revised quality assurance framework and the monitoring and evaluation strategy. • **Secretariat**: Enhance collaboration between UNHCR and INEE partners to ensure stronger operational modalities at country level. • Increase collaboration and coordination with ECW secretariat in countries where funding is provided by both organizations.	Low	Improving	• **Secretariat/Board:** Clarify responsibility and optimizing approaches for capacity building and technical assistance including in fragile and conflict affected states. (Ongoing) • **Secretariat/FRC/SIC:** Strengthen the focus on resilience and preparedness especially for Fragile and Conflict Affected Countries within ESPIG and ESPDG guidelines and the assessment of credible plans. Incorporate this topic within KIX design work. • **Committee (FRC):** Agree on disaster risk finance strategy. • **Secretariat/GPC:** A set of basic framework principles for regional funding approaches in small islands and land locked states was approved by GPC in Oct 2017. Guidelines based on these approved principles and further lessons learned will be developed by the end of 2018. • **Secretariat**: Operationalize the country management approach for tailoring support to countries (FY 2019). • **Secretariat:** Review of grant Agent Selection Process. The first process of bringing together countries' experiences with the new guidelines for GA selection process was done in October 2017. Some minor adjustments can be made to the regular GA selection process and practice. The contradictions between regular and multiplier ESPIG will need to be further addressed.	Low	2b 4b

2. Programmatic Risks

Risk	Risk Owner	Inherent Risk Rating	Current Mitigation Actions/Controls	Residual Risk	Direction of Travel	Additional Mitigation Actions Required and Date	Target Risk	SO
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.	GPC	Critical	• **Secretariat:** Country-level Process Guide outlines key roles and responsibilities at country level while charter and other governance documents cover the rest of partnership. • **Secretariat:** Implement the monitoring and evaluation strategy. • **Grant Agents and Trustee:** Legal relationship outlined in the Financial Procedures Agreement. • **GA and DCP:** Legal relationship outlined in grant agreements. • **Board:** Mutual accountability included in Charter. • **Board:** Conflict Resolution Mechanism adopted. • Identify improvements to country support based on findings of Indicator 32 results (clarity of roles and responsibilities). 65% of DCPs and 63% of other respondents (country-level partners other than MoE) noticed improvements in clarity in the past year based on survey.	High	Stable	• **Secretariat:** report on the issues and options for ensuring Grant Agents, Coordinating Agencies, and Local Education Groups are operating efficiently and effectively as well as learning from past experiences to deliver GPE 2020. (June 2018) • **Secretariat/Board:** Clarify responsibility and optimizing approaches for capacity building and technical assistance including in fragile and conflict affected states. (Ongoing) • **Secretariat:** Develop technical guidance for strengthening effectiveness of LEG. (FY 2018) • **Secretariat GPC:** Timely sign-off of agreed inception report for effective partnership study with feasible scope and approach for delivering first analysis (June 2018). • **Board/GPC/Secretariat:** Follow-up to the findings and recommendations of the Effective Partnership study for improving the operational model through clear roles, responsibilities and accountabilities of the Secretariat, LEGs, Cas, GAs (October 2018). • **Secretariat/GPC/SIC:** Clear intersections between the EEP and other workstreams addressing aspects of the operational model for effective follow-up of recommendations; and harmonization of timelines especially with the LEG work stream, overseen by SIC. • **Secretariat:** Revised and updated country level process guide is made available to partners.	Medium	2a b 3c 4a

2.1.2 GPE Funding Model Support to countries: The risk of disruption in country-level processes due to problems in the implementation of the GPE funding model.	GPC	Critical	• **Secretariat:** Guidelines on program implementation grants updated. • **Secretariat:** make timely decision on grants.	High	Stable	• **Secretariat:** Continue strengthening country-level development partners' including Ministry of Finance understanding of the implementation of the funding model and their roles in it. (Ongoing) • **Secretariat:** Strengthen country advisory and operational support (as part of HR plan). (Dec 2018) • **Secretariat:** Further clarify funding model requirements and incorporate lessons learned in guidance, including financing tool with clear guidelines on operationalizing the variable tranche. (Dec 2018) • Streamline approval process by increasing delegation of authority to the GPC and Secretariat. (for consideration in April 2018 and to be decided at the Board in June 2018)	Low	3a d
2.1.3 Choice of Grant Agents The risk that a country cannot identify a grant agent suited to the purpose for the country context.	GPC	Critical	• Continued effort to diversify Grants Agents. • **Secretariat/FRC:** Accreditation of Grant Agents. • Ensure LEGs are fully aware of range of Grant Agents options.	High	Stable	• Consider direct access of GPE Grants to Governments if identified as a recommendation as part of Effective and efficient partnership. (Review June 2018) • **Secretariat/SIC:** Clear criteria for grant agents for KIX and ASA mechanisms developed as part of the design process.	Medium	2a

2.1.4 Co-Financing The risk that GPE funding doesn't sufficiently crowd in financing from external partners through co-financed programs.	GPC	Critical	• **Secretariat/DCPs/GPC/Board:** Timely roll-out of GPE Multiplier • **FRC/Board:** Timely and advance notification to all ESPIG eligible countries of their MCAs so DCPs can begin advance planning on application timing and modality including exploring opportunities for co-financing. •**Secretariat/Grant Agents:** Ongoing dialogue between GPE Country Support Team and Grant Agents on opportunities for co-financing with GPE programs • **LEGS:** Consider potential co-financing opportunities in selection of Grant Agents • **Board:** Public recognition for the importance of co-financing and mandate for Secretariat to remove constraints to co-financing.	Medium	Stable	• **Board:** Expansion of GPE Multiplier to US$300m creating incentive for additional funding through co-financed implementation modalities (June 2018) Secretariat: Monitor and report on status of co-financed commitments used to secure Multiplier allocations (2018 and ongoing) • **GPC/Board**: Consider greater delegation of authority to GPE Secretariat for small ESPIG approvals to facilitate faster and more frequent grant approvals thus improving prospects to align with Grant Agents own internal approval processes for co-financed funds. (June 2018) • **Secretariat:** Continue to work with Grant Agents and GPC to identify opportunities to align QA processes and place assurance on them where relevant to reduce burden on Grant Agents and remove an obstacle to co-financing. (Ongoing) • **Grant Agents:** identify opportunities to co-finance their own programs with potential GPE funds.	Low	
2.2 Quality Assurance								
2.2.1 Quality Assurance (Grants) The risk that 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.	GPC	Critical	• **Secretariat/Board:** Enhanced quality assurance review process where peer review groups are formed based on risks and management clearance of the QAR reports. • **Secretariat/Board:** Quality assurance framework updated. • GPC Methodology for Grant Reviews Approved. • Include QAR II/ QAR III countries in Operational Risk Assessment.	Medium	Improving	• **Secretariat and GPC:** Continue to examine ways to improve quality insurance processes, such as streamlining based on risk, align to Grant Agents QA systems. • Commence implementation of first phase of value for money strategy. (December 2018)	Low (for non FCAS) Medium (for FCAS)	3a b c 4b 5d

2.2.2 Quality Assurance Process (Education Sector Plans) The risk that independent appraisal processes do not always detect and correct poorly designed education sector plans.	GPC	Critical	• **Secretariat:** Revised methodology to assess the quality of ESPs under implementation. • **Secretariat:** Technical feedback provided at the ESPDG application stage to support the development of sound ESPs from beginning to end. • **Secretariat:** Independent assessment, roster and training of consultants for independent assessment. • **Secretariat:** Integrate review of ESPs in quality assurance framework. • **Secretariat:** The quality of ESPs/TEPs has improved significantly; 58% of ESPs/TEPs endorsed in 2014 and 2015 met GPE quality standards. In comparison, 96% of ESPs/TEPs endorsed in 2016 and 2017 met quality standards.	Medium	Stable	• **Secretariat:** Enhance advisory support for Sector Planning as part of country advisory functions. (On hold pending Board consideration of HR needs). • **Secretariat:** ESPDG evaluation (inception report due in June 2018), and review of lessons learned on Education Sector Planning. (FY 2018)	Medium	1a 4b 5d
2.3.1 Grant Agent Oversight The risk that grant agents are not providing effective oversight.	GPC	Medium	• **Secretariat:** Continue to annually implement and update operational risk framework. More frequent reviews of high risk grants. • **Secretariat**: Regular engagement with GA to review their 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). • **Secretariat:** According to the implementation of the Operational Risk Framework, 1 country has Critical risk in this aspect, 2 have High risk, 11 have Medium risk, and 30 have Low risk (out of a total 44 countries/federal states). • Standardized grant reporting template. • Monitor relevant indicator through M&E strategy – Indicator 25 "proportion of GPE program grants assessed as on track". As per indicator 35, 100% of grant audit reports are received and followed up upon. • Ongoing monitoring of audit and implementation reports.	Medium	Improving	• **Secretariat:** increased number of joint missions (country support team and finance team). Ongoing • Continue to emphasize importance of oversight during regular meetings with Grant Agents at all level. • Consider any relevant recommendation from Effective and Efficient partnership review for both GA and Secretariat. • Complete restructuring and launch or risk and compliance team.	Low	3d

2.3 GPE Grant Management and Monitoring								
2.3.2 Program Implementation Timeline The risk that grant objectives are not achieved within the expected implementation period.	GPC	High	• **Secretariat/GPC:** Strengthened grant monitoring, including systematic review of progress reports. • **Board/GPC/Secretariat**: Ensure a more flexible Grant Application Cycle to reduce risk that time pressures lead to poorly designed applications. • **Secretariat/Grant Agents:** Regular engagement with GA to review their 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). • **Secretariat:** Send early warning letters six months prior to grant completion and monitor closely grant start and closing dates as per ESPIG policy. • **Secretariat:** According to implementation of the Operational Risk Framework, 2 countries have Critical risk in this aspect, 10 have High risk, 13 have Medium risk, and 19 have Low risk (out of a total 44 countries/federal states). • **Secretariat:** Continued focus on feasibility of implementation period as part of QAR.	Medium	Stable	• **Secretariat:** Extend quality assurance to revision of grants. On hold pending Secretariat resource and Board consideration of HR plan) • **Board:** Improved accountability through M&E strategy. (Ongoing) • Consider funding of country level evaluation (first two rounds completed and third round by June 2018)	Medium	3e

2.3.3 Program Implementation Modality The risk that by not using government systems where suitable, GPE will not realize sufficient progress in strengthening systems, increasing absorption capacity and providing more and better financing at scale.	GPC	Critical	• **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. • Mutual accountability reflected in Charter, including harmonizing procedures and utilizing country systems as much as possible. • Analytical Paper on Alignment developed. • Ability to conduct PFM as part of ESPDGs. • As per indicator 29 on alignment, the proportion of GPE grants aligned to national systems declined from 31% in 2016 to 28% in 2017. • **Secretariat:** An alignment task force has been set up to work on improving Secretariat support services on alignment, with a focus on high opportunity countries. A user guide on the GPE alignment criteria (#29 of RF) was developed as a tool for better engagement. An Alignment roadmap to support greater aid alignment in GPE Partner countries was developed and shared.	Critical	Stable	• **Secretariat:** Consider issue on alignment as part of findings on country level evaluation. (FY2019) • **Secretariat:** Implementation of the roadmap approved by GPC in October 2017 for advancing alignment on country systems to: i) clarify and gradually institutionalize GPE's conceptual approach to aid alignment (FY2018/FY2019); ii) strengthen country support operations (FY2018/FY2019); iii) capitalize and promote good practices across countries (FY2018); iv) engage with Grant agents on aid alignment (FY2018).	Low	1b 2b 3c 5e
2.3.4 Grant Management The risk to GPE that not all poorly performing grants are detected and remedied in a timely manner.	GPC	Critical	• **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. • **Secretariat/Partners:** Thrice-yearly management review meetings with agencies managing multiple grants; biannual meetings with those managing two grants or fewer are being established. • Standard grant reporting tools developed and in use.	Medium	Stable	• **Secretariat:** Strengthen QAR in restructuring grants (as part of HR plan). (2018) • Grant Agents selection process lessons learned report to be developed. The ongoing review of the GA selection process will feed into these lessons learned report. (2018)	Low	3e

			• Grant Agent selection process developed. • **Secretariat:** Develop and implement stronger QAR mechanism upstream to reduce the risk of poor quality downstream. • **Secretariat/GPC:** continue annually implementing the operational risk framework and regularly inform GPC about changes. • Ensure Monitoring Function is adequately resourced and strengthen advisory support for greater engagement upstream in design phase.				Medium	

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.	GPC	Critical	• Board: Approved modified funding model requirements so that for countries applying from 2018 that require a plan to address data gaps (including gaps in learning outcome data), and for which financing to implement that plan within the agreed timeline is not identified by the time of the application, the ESPIG grant must finance the unfinanced portion of the data plan. • 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 provided to the Secretariat in accordance with grant agents own reporting procedures. • Secretariat: Grants are monitored/ reported to the GPC & Board through annual portfolio review. • DCP/LEG: Joint sector reviews capture performance at sector level in each country's and government's sector plan implementation report. • Secretariat: Results Framework developed and approved. • Secretariat: GPE Results Report and the Portfolio Review include additional data on the key activities funded by grants. • GPC: Improve compliance with standardized reporting format and adjust based on lessons learned. • Secretariat: Strengthen the Monitoring unit.	Medium	Improving	• **Secretariat**: Update Funding model (ESPIG grant must finance the unfinanced portion of the data plan) and notify countries applying in 2018 onward. Ongoing • **Secretariat:** Data system to collect data under the results framework developed, and additional country analytics module currently being developed to complement the system. (September 2018) • **Secretariat/SIC/GPC:** ASA to elaborate on the potential for stronger data collection by civil society and integration into GCE grant processes. (Ongoing) • **Secretariat:** The ASA fund should include explicit approaches to provide capacity building for civil society and governments to integrate data from social accountability initiatives into GPE grant monitoring. • **Secretariat:** Country planning processes for CST should include consideration of civil society as source of data for monitoring GPE grants.	Low	3a b c

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.	GPC	Critical	• **Secretariat:** 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 sector plan implementation report. • **Secretariat/DCP:** Revised Funding model with obligation that ESPIG grant finance the unfinanced portion of the data plan. • **Board/GPC/Secretariat**: Implement strengthened data requirements as part of FFF. • Independent appraisal process approved. • **Secretariat:** Roll out independent appraisal of ESP.	High	Improving	• **Secretariat/CGP:** Require financed ESPIG data plan. (2018 onwards) • **Secretariat:** Add additional ESA technical support to ensure stronger advisory functions. **(on hold pending Board deliberations)** • **Secretariat:** Roll out A4L initiative and support stronger data on learning outcomes. (FY 2018 and beyond) • **Secretariat/SIC/GPC:** ASA to provide framework for capacity building by learning partners in data collection for social accountability. (Ongoing) • **Secretariat:** Capacity development for improved data systems by conducting knowledge exchange across DCPs and technical partners at EMIS conference (April 2018) • **Secretariat**: Ensure support for projects to improve data collection, analysis and dissemination to inform planning, policy implementation and evaluation through the KIX data window (Nov. 2018) • **Secretariat:** Contribute to efforts of Global Alliance to Monitor Learning (GAML) to develop SDG 4 indicators, methodological tools and standards related to learning. (Ongoing) • **Secretariat:** The ASA fund should include explicit approaches to provide capacity building for civil society and governments to integrate data from social accountability initiatives into sector planning preparation and implementation monitoring, supported by learning partners with expertise in these areas and KIX (October 2018).	Low	

3. Financial & Fiduciary Risks

Risk	Risk Owner	Inherent Risk Rating	Current Mitigation Actions/Controls	Residual Risk	Direction of Travel	Additional Mitigation Actions Required and Date	Target Risk	SO
3.1 GPE Strategic Finance								
3.1.1 Donor Pledges The risk that donors fail to deliver on their pledges to the GPE Fund.	FRC	Critical	• **Secretariat:** Monitor monthly conversion of donor pledges to contributions and the related impact on GPE's financial position through the financial forecast. • **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 reporting needs, including results. • **Secretariat:** Develop a mid-term pledge report with status updates for all donor pledges. • GPE financing conference a success with $2.3 billion raised. Further resource mobilization efforts ongoing to reach 2018-2020 fundraising target.	Medium	Stable	• **Secretariat: S**uccessfully implement strategic plan and demonstrate added value of GPE, adjusting in response to results. (Ongoing) • Ensure sufficient capacity for advocacy and resource mobilization. (On hold pending Board consideration of HR needs) • **Secretariat:** Increase in-country STC capacity for further resource mobilization in selected priority donor countries. Identify alternatives for managing increased resource mobilization workload at Secretariat, given of delay in roll-out of HR plan for resource mobilization.	Medium	4a

3.1.2 DCP Pledges The risk that some DCPs fail to deliver on their current pledges.	FRC	High	• **Secretariat:** Methodology to monitor country pledges developed and used to support regular dialogue within and across developing country partners. • **Secretariat**: Methodology of a corporate indicator on domestic financing defined. • **Board/Secretariat/Partners:** Amplify importance of increased domestic financing through replenishment campaign advocacy. • **Secretariat**: Track pledges and work with countries to strengthen dialogue with MoF.	High	Stable	• **Secretariat**: Support development of ESIC to achieve greater additionality, coordinated financing, co-financing, and leveraging to crowd in resources to finance credible education sector plan. (FY 2019) • **Secretariat:** Publish on GPE website all DCP pledges once information has been cleared by relevant DCPs. (Ongoing)	Medium	4c

3.1.3 Strategic Financing and Resource mobilization The risk that GPE fails to demonstrate its added value and cannot attract new and additional funding beyond pledges made at the financing conference.	FRC	Critical	• **Board:** approved an ambitious FFF and Contributions and Safeguards Policy, including the creation of GPE Multiplier to improve prospects for co-financing and leveraging additional resources. • **Secretariat/CEO/Board:** Design of KIX will help to attract further financing from Private Sector and Foundations strategies. • CSP Approved and under Implementation. • **Secretariat:** On track to deliver new Results Report in June 2018.	High	Improving	• **Secretariat/Committees/Board:** Complete the design and roll out of KIX and ASA mechanisms. (Ongoing) • **Secretariat**: Complete fundraising strategy for KIX and ASA for foundations and private sector. (April 2018) • Demonstrate successful implementation of the GPE Multiplier. (Ongoing) • **Secretariat:** Successful implementation of the Strategic Plan. (2018/2019) • Leverage the WDR 2018 to promote GPE's focus on learning and equity through building national education systems. • **Secretariat:** Work with replenishment co-hosts to continue advocating to donors for additional contributions for the full 2018-2020 replenishment period, including from potential new donors. • **Secretariat:** Work with donor countries who make annual contributions to increase/announce new contributions. • **Secretariat/SIC/Board:** Develop full Private Sector Strategy. • **Secretariat:** Engage with development of IFFEd, and coordinate with IFFEd and ECW resource mobilization efforts. • **Secretariat/Board:** Complete lessons learned from replenishment campaign, and consider GPE future level of ambition and investment required to achieve ambition (June/November)	Medium	4a

3.1.4 Liquidity The risk that the GPE Fund has insufficient funds and liquidity to meet its current and planned funding obligations.	FRC	High	• **FRC:** 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:** Works with GAs to ensure commitment and transfer requests are reasonable. • **Secretariat/FRC/Board:** Prioritization criteria adopted by the Board in December 2017 guides allocation levels	Low	Stable	• Secretariat/FRC: Consider currency hedging proposal from World Bank (April 2018)	Low	4a
3.1.5 Foreign Exchange movements The risk that GPE is adversely affected by Foreign Exchange movements.	FRC	High	• **Board/FRC/Secretariat:** Semi-annual forecast. • **Secretariat:** Encourage prompt contributions from donors. • **Secretariat:** Encourage USD based contributions.	High	Stable	• Secretariat/FRC: Consider currency hedging proposal from World Bank (April 2018)	Low	4a
3.2 Fiduciary								

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 as defined in the Misuse of Funds Policy.	FRC	Critical	• **DCP:** Implementing partners use their own systems and procedures to prevent/detect fraud/misuse. • **Secretariat/FRC/GEC:** Oversees application of Misuse of Funds Policy and liaises with relevant partners on suspected cases. 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. Minimum standards for grant agents include ability to deal with fraud and misuse, including investigations and protection of whistleblowers. • **GPC:** Semi-annual reviews and updates. Reviews findings of capacity-level assessments for potential new GAs. • **Board/FRC**: Informed of suspected/actual cases and take corrective action. • **Secretariat:** All Audit Reports reviewed and significant issues arising followed up and monitored for resolution. • **Secretariat:** According to implementation of the Operational Risk Framework, 2 countries have Critical risk in this aspect, 5 have High risk, 17 have Medium risk, and 20 have Low risk (out of a total 44 countries/federal states). • **Secretariat:** Ensure all new grant proposals have strong quality assurance and fiduciary control systems in place, including on anti-corruption and fraud prevention. • **Secretariat:** Develop and implement risk management plans as outlined in the Operational Risk Framework. • **Secretariat:** Strengthen Quality Assurance and Monitoring Function particularly on Fiduciary Oversight.	High		• **FRC:** Review Misuse of Funds Policy. Dec 2018 • **Secretariat:** Provide clear guidelines on operationalizing the Fraud and Misuse Policy and organize training for country facing staff. (Ongoing) • **Secretariat:** Repeat training of secretariat staff on communication protocol in the event of a crisis (2018) • **Secretariat:** Complete development of Risk and Compliance Team. (2018) •**Secretariat:** Reduce Impact of this Risk occurring by successfully implementing Strategic Plan and clearly demonstrating GPE's added value. (Ongoing) • **Secretariat:** Reduce Impact of this Risk occurring by ensuring prompt, credible, and transparent action is taken in the event the risk materializes to recover funds and address the cause of the misuse. (Ongoing)	Medium	3e 5d

4. Governance & Secretariat Management

Risk	Risk Owner	Inherent Risk Rating	Current Mitigation Actions/Controls	Residual Risk	Direction of Travel	Additional Mitigation Actions Required and Date	Target Risk	SO
4.1. GPE Governance								
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 regarding grants.	GEC/GPC	Critical	• **Secretariat:** Support to Board members, committee members and constituencies to ensure greater understanding and engagement in GPE activities (DCP constituency meetings and Board orientation). • **GEC/Board:** Review Decision Framework proposal including more delegated decision making to the Secretariat and Committees to allow for a more strategic and responsive Board, and affirmative vote procedure for ESPIGs.	Medium	Improving	• **GPC/Board**: Consider further proposals on delegated authority for grant decisions (Apr 2018)	Low	3e 5d

4.1.2 Risk Management The risk that Board and Management do not systematically take risk into consideration while taking decisions.	FRC	High	• **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/FRC/Board:** Review reports. • **Secretariat:** Implement operational risk framework.	Medium	Improving	• **Secretariat/Committees/Board:** Consider findings and recommendations from External Review -Oliver Wyman Report (April 2018/June 2018) • **Secretariat:** Implement recommendations of the Risk Framework Review report (providing report is approved by the Board), including formulating clear appetite statements, clarifying different lines of defense, reviewing risk taxonomy, starting incorporate risk into decision-making, reviewing monitoring and reporting methodologies and tools, and reviewing frameworks and policy documents as per the changes above. (2018/2019) • **Secretariat:** Finalize the development of Risk Management Functions within the Risk and Compliance Team. (2018/2019) • **Partnership/Secretariat:** Create a culture of risk within the Secretariat and within the Partnership, with a view to incorporate risk into business decisions, strategic planning and generally processes (opportunity management). • **Secretariat:** Prepare specific guidance for Committees and Board on risk management and their respective roles as first, second and third lines of defense within the GPE Risk Management Framework (2018/2019). • **Secretariat:** Continue updating GPE Operating Procedures to help HR change and ensure continuity of work when staff changes.	Low	5d

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.	GEC	High	• **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. • **Secretariat:** Induction Process improved for new Board and Committee members. • **Secretariat/Committee Chair:** Ensure full participation of Committee/Board members and facilitate pre-meeting consultation within constituencies Implement governance review recommendations. • Develop decision making framework to increase delegated authority to the committees. • Conduct annual Board and Committee self - assessment. • Secretariat/DCPs: Implementation of recommendations out of DCP constituencies evaluations.	Medium	Stable	• **Secretariat/GEC:** Review findings of Committee self-assessment (Apr 2018) • Board: Appoint a vice Chair (2018) • Secretariat/GEC/Board: Conduct a review of GPE Constituencies. June 2018 • **Secretariat/Board/Committee Members:** Increase efforts around constituencies' consultation and coordination.	Low	5d
4.2. Secretariat mandate and management								

4.2.1 Reputational Risk The risk that GPE's reputation is damaged.	GEC	High	• **Secretariat:** Communication team strengthened; protocol for handling media crises developed. • **GEC/Board/Chair:** Regular engagement on issues that potentially could do damage to GPE's reputation. • **GEC/Board:** Monitor implementation of the Transparency Policy. • **GEC:** Delegated authority on Ethics. Secretariat: Verify adequacy of security of GPE presence on social media/website. • **Secretariat**: Repeat trainings of relevant staff on communications crises/media. Reminder on communication crisis protocol sent to staff before replenishment.	Medium	Stable	• **Secretariat:** Demonstrate GPE's added value through successful implementation of the strategic plan and report results. FY 2017 • **Secretariat:** Finalize the development of Risk Management Functions to improve GPE's ability to manage core corporate risks. (2018/2019)• Ensure sufficient attention to clarity of process, roles and responsibilities with partners. • Ensure sufficient attention to appropriate change management with staff and partners when rolling out new initiatives (as part of HR Plan). • **Secretariat:** Take necessary steps for GA minimum standards to be reviewed, developing an assessment tool and inquiring of prospective Grant Agents on policies, safeguards, codes of conduct and procedures they have in place to cover issues such as sexual harassment, exploitation, protection of minors etc. (2018)	Low	
4.2.2 Secretariat Institutional Arrangement The risk that the GPE institutional arrangement has a negative impact on its ability to achieve GPE strategic objectives.	Board	High	• **Secretariat**: Work closely with the World Bank Vice Presidency of Development Finance and other parts of the World Bank that intersect with GPE. • **Secretariat:** Ensures full compliance with administrative policies of host. • **Secretariat:** Effective engagement with the WB on subjects that can impact the hosting arrangement and delivering GPE 2020 (such as the potential hosting of ECW, Direct Access, Leverage Fund).	Critical	Stable	• **Secretariat/FRC/GEC/World Bank/Board:** World Bank to complete Trust Fund Reform Process and Board to consider impact on GPE (2018) • **Secretariat/FRC/Board:** Consider findings of institutional arrangements work including review of separate legal entity for GPE. (2018)	Low	5d

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.	Board	Critical	• **FRC/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. • **Secretariat:** Recruitment of increased headcount approved by Board. • **Board**: Prioritize deliverables for the Secretariat. • Secretariat: Ongoing focus on internal efficiencies. • **Board**: maintain associated Secretariat operating expenses within a range of 5-7%. • **Secretariat:** Invest in standardizing business processes and improving information systems to achieve efficiency. • Completion of HR plan (Dec 2017) • **Secretariat:** while staff ceiling in effect, reprioritize posts. Secretariat: Implement HR plan recommendations not subject to additional staffing	High	Improving	• **Secretariat/Board:** Consider impact of lessons learned from replenishment, effective/efficient partnership review, and institutional arrangements reports on future needs and direction of GPE Secretariat. (June/Nov/Dec 2018)	Medium	5d

ANNEX 4: ACRONYMS

ASA	Advocacy and Social Accountability
CSEF	Civil Society Education Fund
DCP	Developing Country Partner
DLI	Disbursement Linked Indicators
ECW	Education Cannot Wait
EMIS	Education Management Information Systems
ERM	Enterprise Risk Management
ESPDG	Education Sector Plan Development Grant
ESPIG	Education Sector Program Implementation Grant
FFF	Financing and Funding Framework
FRC	Finance and Risk Committee
GA	Grant Agent
GEC	Governance and Ethics Committee
GPC	Grants and Performance Committee
IFFEd	International Financing Facility for Education
JSR	Join Sector Review
KIX	Knowledge and Innovation Exchange
KCI	Key Control Indicator
KRI	Key Risk Indicator
LEG	Local Education Groups
LoD	Line of Defense
MCA	Maximum Country Allocation
MDB	Multilateral Development Bank
PS/F	Private Sector and Foundations Strategies
QAR	Quality Assurance Review
RBF	Results Based Financing
RCSA	Risk and Control Self-Assessment
SIC	Strategy and Impact Committee
FCAC	Fragile and Conflict Affected States