

## **RISK MANAGEMENT REPORT # 2**

### **For Recommendation**

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#### **1. STRATEGIC PURPOSE**

1.1 The purpose of this paper is for the Governance, Ethics, Risk and Finance Committee (“GERF”) to review the risks for which it has been assigned ownership, identify additional mitigation measures as needed and suggest inclusion/deletion of risks and make recommendation to the Board on the overall GPE risk portfolio.

#### **2. BACKGROUND**

2.1 Per the Policy on Risk Management and related Risk Matrix, the GERF 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 for working with the Secretariat to identify new risks as they arise along with associated risk mitigation measures.

2.2 In addition, the GERF was assigned ownership of a financial risk (3.1.4), two governance risks (4.1.1, 4.1.4) and also asked to contribute to the mitigation of some other risk which are related to its mandate (as described in Annex 1):

#### **Risks owned by the GERF:**

**Risk 3.1.4** | The risk that the GPE Fund has insufficient funds and liquidity to meet its current and planned funding obligations.

**Risk 4.1.1** | The risk that decision-making is not made in an efficient and timely manner, therefore having a potentially negative impact on GPE operations.

**Risk 4.1.4** | The risk that some Board members do not understand their governance responsibilities.

### 3. METHODOLOGY

3.1 The Secretariat has developed a Risk Dashboard to monitor information related to each risk and update the status of mitigation actions. The information from the Risk Dashboard is included as Annex 1. In reviewing each risk and the mitigation measures being implemented, the Secretariat has formulated recommendations related to the impact, probability and overall score of each risk. The Dashboard also includes comments provided by the Strategy and Policy Committee (“SPC”) on its owned risks. Those comments are in the “Comment” section at the end of each risk. As the Country Grants and Performance Committee (“CGPC”) will review its risks after the finalization of this Paper, the Secretariat will provide additional information during the meeting.

### 4 UPDATE ON IMPLEMENTATION OF GERF RECOMMENDATIONS

4.1 During its last meeting in April, the GERF made three recommendations to the Secretariat:

a. a request that the Secretariat includes in future reports an **analysis of the trends** for each risk with regard to whether the risk rating was likely to change or not. The Secretariat has slightly changed the risk framework to add an “overall trend” arrow (with 3 levels: stable, increasing or decreasing) to describe the expected trend in the upcoming 6 months. To inform the “overall trend” direction, both the “impact trend” and “probability trend” have been considered.

b. a request to **integrate the Assurance Map with the Risk Management Matrix** (“RMM”). The Secretariat has included details on “Existing assurance arrangements” from the Assurance Map in the “General Comments” section at the end of each risk. This only concerns a subset of 8 key risks from the RMM, which are either critical or high.

c. a request to inform the CGPC on the **gaps in information on country level risk** and to discuss further how to best share this information with the Board going forward. During the October 14-16 Board retreat, the Board approved a number of recommendations to strengthen GPE’s Operational Model. This included a recommendation to develop an Operational Risk Framework (ORF) to support a differentiated risk based approach to quality assurance and monitoring. The Secretariat will seek the input of the CGPC and present a proposal to the GERF at its first meeting in 2016 in order to make a recommendation to integrate the ORF into GPE’s Risk Management Policy.

## 5. OVERALL ANALYSIS

5.1 Over the past 6 months, the Global Partnership has made progress to mitigate current risks and to take into account risks within the discussion of the 2016-2020 Strategic Plan. Detailed updates on the status of each individual risk are presented in Annex 1.

5.2 In reviewing each risk and the mitigation measures being implemented, the Secretariat's assessment is that **one risk has increased**:

- [3.1.1 | Donor pledges](#): from medium to critical

“the risk that donors fail to deliver on their current funding pledges”. The increasing trend is due to the fact that with the ongoing refugee crisis in Europe, one donor has recently communicated it will not be in a position to fulfill its original pledge and there is a risk that other donors may also seek to delay or backload their contributions. An additional factor in revising the rating is the ongoing lengthy negotiations in finalizing a contribution agreement between the European Commission and the World Bank.

5.3 The Secretariat considers that **6 risks have decreased or are likely to decrease** over the period.

Given the extensive work on the strategic plan, consultations, outreach and feedback, the Secretariat considers that a strong foundation has been built to address the following **strategic risks**, subject to the adoption of the Strategic Plan and Results Framework:

- [1.1.3 | Monitoring Mechanisms](#): from critical to medium
- [1.1.4 | Mandate of GPE Secretariat/Board](#): from critical to high
- [1.2.4 | Operational modalities](#): it remains critical but the probability decreased

Given the Board's adoption of decisions to strengthen GPE's Operational Model which will clarify roles, responsibilities and accountabilities at country level and given the focus on monitoring and evaluation, and the development of matrices on requirements of the New Funding Model, including on data, the Secretariat considers that the following **programmatic risks** has decreased:

- [2.1.4 | Roles, responsibilities and accountabilities at country level](#): from critical to high

- [2.2.1 | Quality data](#): from critical to medium

Following the implementation of Alison Evans’ organizational review recommendations and given that the new positions approved by the Board have been substantially filled, the Secretariat capacity to deliver on tasks assigned by the Board has improved. However depending on the outcomes of the Strategic Plan, this risk will need to be closely monitored in 2016.

- [4.2.3 | Secretariat capacity](#) : from critical to high

5.4 The Secretariat also specifically notes improvement underway in the **mitigation of program implementation/oversight and support of Education Sector Plans** (“ESP”), especially thanks to implementation of the following actions: clearer guidance on ESP credibility in ESP Grant Guidelines, strengthened Secretariat support to ESP Development, increased coordination between Secretariat and SE/ME<sup>1</sup>, mandatory Joint Sector Review (“JSR”) for New Funding Model Grants and Methodology to Assess JSR (working on a methodology for JSR, looking at participation, monitoring the implementation of ESP, discuss progress etc...), Fiduciary/Risk Management focus in Quality Assurance Review process for Round 1 2016 applications (2 positions of financial officer have been recruited, clear process for review reports and issues are identified and followed up) , internal procedures in place and being implemented for review of Progress Reports and Audit Reports (clear process for review reports and issues are identified and followed up).

5.5 Depending on the success of implementation of the measures to strengthen GPE’s Operational Model, we could expect to see further reductions in risk to related risks.

5.6 During its October 2nd meeting, the SPC recommended to transfer the ownership of two **strategic risks to the Board**:

- [1.1.2 | Partner Commitments](#) | “the risk that GPE Partners fail to deliver on commitments made in achieving GPE strategic plan objectives”. The SPC noted that if this risk is part of the new risk registry applicable to the new strategic plan,

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<sup>1</sup> At its October 2015 meeting, the Board agreed to replace the terminology of Supervising and Managing Entity with that of Grant Agent.

the Board would be best situated to own the risk and be accountable for it as it is fundamental to the Partnership.

- [1.2.3 | GPE role in emergency/humanitarian crises](#) | “the risk that the partnership is unable to define its mandate in emergency/humanitarian crisis in both GPE and non GPE member countries”. The Chair of the SPC noted that an external process led by an external group is now responsible for delivering on the issue, and the SPC couldn’t be held accountable at this time.

5.7 The Secretariat has also reviewed **risks identified in the draft Theory of Change and results framework**. They are aligned with those identified in the GPE Risk Policy at this time, but further work will be needed after the adoption of the 2016-2020 Strategic Plan, focusing on risks associated to any potential additional areas of work of the Partnership or to better reflect mutual engagement such as “the risk that Partners fail to work collaboratively to support the government sector plan”. This could be added either as a separate risk or be included to the existing risk [1.2.1 | Support to Education Sector Plans](#) | “the risk that the partnership does not address the sustainability of education systems in ESP”, which might be updated to emphasize the “robustness of education systems” instead of the “sustainability”.

## 6. INPUT REQUESTED

6.1 The Secretariat requests the GERF first to review its assigned risks, then the overall portfolio of risks as presented in Annex 1 and finally to address its recommendations to the Board. A suggested approach might include:

- Review of update on mitigation actions
- Comments on changes proposed by the Secretariat (overall, impact and probability trends),
- Comfort level with the current level of risk outlined in the risk matrix and consideration of whether further mitigation activities would be needed, especially for high and critical risks
- Suggestion to include/delete risks
- Review/ suggest transfer of the ownership of some risks

- Identify key issues/risks that the Board may want to focus its attention on at the December Board meeting.

## **7. NEXT STEPS**

- 7.1 Any recommendation from the GERF will be discussed by the Board in December 2015.
- 7.2 The GERF will reassess the risks after the adoption of the new Strategic Plan.

**8. PLEASE CONTACT:** Padraig Power ([ppower@globalpartnership.org](mailto:ppower@globalpartnership.org)) or Christine Guetin ([cguetin@globalpartnership.org](mailto:cguetin@globalpartnership.org)) for further information.

## **9. ATTACHMENT**

Attachment 1 – Risk Dashboard

## **10. REFERENCES**

Risk Policy (BOD/2014/12 DOC 04)

Risk Management Report #1 (BOD/2015/05 DOC 17)

## Risk Dashboard Progression Report

1.0 Strategic	Mar-15	Oct-15	Trend	2.0 Programmatic	Mar-15	Oct-15	Trend
<b>Implementation of GPE strategic plan</b>				<b>Program implementation and oversight</b>			
Implementation Plan	■	■	→ Stable	Quality assurance process	■	■	→ Stable
Partner Commitments	■	■	→ Stable	SE/ME oversight	■	■	→ Stable
Monitoring mechanisms	■	■	↘ Decreasing	Program Implementation Timeline	■	■	→ Stable
Mantadate of GPE Secretariat/Board	■	■	↘ Decreasing	Roles, responsibilities and accountabilities at country level	■	■	↘ Decreasing
<b>Support to the education sector in developing countries</b>				New Funding Model - support to countries			
Support to Education Sector Plans	■	■	→ Stable	Identification of SE/ME- March 2015 Implementation Modalities--Oct. 2015	■	■	→ Stable
Engagement strategy	■	■	→ Stable	<b>Data and results</b>			
GPE role in emergency/humanitarian crises	■	■	→ Stable	Quality data	■	■	↘ Decreasing
Operational modalities	■	■	↘ Decreasing	Program Implementation Modality	■	■	→ Stable
				Grant Management	■	■	→ Stable

### 3.0 Financial & Fiduciary

Mar-15    Oct-15    Trend

#### Available resources

Donor pledges			Increasing
DCPs pledges			Stable
Alternative funding			Stable
Liquidity			Stable

#### Fiduciary

Fraud and misuse			Stable
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### 4.0 Governance & Management

Mar-15    Oct-15    Trend

#### Decision making process

GPE decision making process			Stable
Grant decision making process			Stable
Risk Management			Stable
Board governance responsibilities			Stable

#### Functioning and mandate of Secretariat

Media exposure			Stable
World Bank - Secretariat hosting arrangement			Stable
Secretariat capacity			Decreasing