

OPERATIONAL RISK FRAMEWORK

For Information

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. 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 to be informed of progress on the implementation of the Operational Risk Framework, based on the Secretariat's analysis, and inputs and recommendations from the Grants and Performance Committee (GPC) and the Finance and Risk Committee (FRC).

Summary of Committee Deliberations

The FRC had no questions on the operational risk framework following the Secretariat's presentation to the Committee.

The GPC noted that the Operational risk framework paper captured issues at an appropriate level of detail for the Committee. The Committee thought it was important to appreciate the finding that having Grant Agent technical lead presence at the country level is a factor in lower grant risk. The Committee supported the idea of reducing the number of countries per Country Lead, and per Education Specialist, which would allow the Secretariat to strengthen its support for reducing risks. The Secretariat clarified that a proposal to do so is part of the HR plan.

The Committee enquired about the reasons for the increase of grant risk in the three cases outlined in the paper. The Secretariat outlined the reasons, and also clarified that the ORF report includes detail only on the high-risk grants as an annex. Public information on medium/low-risk grants could be shared with any Committee member upon request.

Following the meeting and in response to a question, the Secretariat circulated information on the risk related to the Civil Society Education Fund as set out in Annex 3 to DOC 13.

2. EXECUTIVE SUMMARY

2.1. In June 2016 (BOD/2016/06-10), the Board endorsed the Operational Risk Framework (ORF), as presented in BOD/2016/06 DOC 13 Annex 3. The Secretariat's Operational Risk Framework is primarily a management tool to ensure that Secretariat resources are aligned to mitigate key risks, and therefore it does not duplicate Grant Agents' own risk assessments or risk mitigation activities.

2.2. The Secretariat completed the first risk assessment of GPE's grant portfolio for the Board's meeting in December 2016 and developed risk management plans for all contexts with an ongoing Education Sector Program Implementation Grant (ESPIG) by June 2017. The Secretariat also reviewed the risk management plans for all critical and high risk contexts with an ongoing Education Sector Program Implementation Grant in mid-2017.

2.3. In the first half of 2017, the Secretariat adopted a risk-based approach to Quality Assurance of incoming ESPIG applications and draft Education Sector Plans. Using the context risk ratings, the Secretariat is staffing review teams based on the risk level identified.

2.4. Since June 2017, the Secretariat has implemented risk management plans for all contexts with ongoing ESPIGs, completed a reassessment of the entire grant portfolio, and updated risk management plans for all contexts with ongoing ESPIGs. The Secretariat also explored how to better link data from country analytics with the ORF and selected five relevant indicators from the Results Framework to look at during risk assessment.

2.5. The Secretariat completed the second risk assessment for all ongoing Program Implementation Grants in September 2017. Overall, 47 ongoing ESPIGs were assessed for grant risk and the 47 countries/federal states where the grants are being implemented were assessed for sector risk. The findings are the following:

- A third of countries/federal states are assessed as high or critical in their overall sector risk,¹ the same share as in 2016. Overall sector risk has slightly increased across the group of 47 countries/federal states, but nearly 70% of countries continue to have medium or low sector risk.
- Overall grant risk² for ongoing ESPIGs has decreased. Grant risk has decreased in 11 ESPIGs out of 47, bringing the share of ESPIGs with medium or low risk from 72% in 2016 up to 87% in 2017. Out of these 11 ESPIGs with reduced grant risk, all but one grant has been restructured to address implementation challenges and allow sufficient time to attain grant objectives.
- In terms of context risk (Global Fund rating), the assessed portfolio³ is roughly split between countries that have low or medium risk (55%) and ones with high or very high risk (45%). In 2016, the portfolio was similarly split. This is an external rating which has not changed from 2016.

¹ Overall sector risk is an average of the scores for three selected sub-risks that relate to key areas of GPE's work.

² Overall grant risk is an average of the scores for three selected sub-risks.

³ 46 countries were assessed (i.e. all countries with an ongoing ESPIG). Federal states are not counted separately.

2.6. In 2017, 9 contexts are assessed as a key focus 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 (in alphabetical order): Bangladesh, Democratic Republic of Congo (DRC), Eritrea, Guinea, Nigeria, Somalia Federal, South Soudan, Uganda, and Yemen. The countries with the highest combined grant and sector risk in GPE's current ESPIG portfolio remain Nigeria and Yemen – sector and grant risks are at a critical level in both.

2.7. The number of key focus contexts has decreased from 19 in 2016 to 9 in 2017. In 5 out of these 19 contexts, grants have closed or are closing by October 1, 2017 (Afghanistan, Chad, Cote d'Ivoire, Guinea Bissau and Liberia). In a further 6 contexts, grant risk levels have decreased for them not to be considered key focus ones anymore (Central African Republic, Djibouti, Niger, Sierra Leone, Sudan and Uzbekistan). On the contrary, due to increased sector risk, one context has been included in the key focus group (Bangladesh). It is likely that the five contexts where ESPIGs closed will reappear on the list of key focus contexts once new grants are approved.

2.8. 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, this includes guiding partners on meeting the requirements for the fixed part of GPE's grant and quality assuring the ESPIG application and supporting materials.

2.9. Sector risks are broadly more difficult for the Secretariat to mitigate as risks related to ESP quality and implementation as well as domestic financing are complex and owned at country level, and the Secretariat can only have an influencing or leveraging role. However, even this is a worthwhile endeavor. In contexts with heightened sector risks, the Secretariat has stepped up support through bringing together country level partners and facilitating in-depth dialogue on sector planning and harmonization. The Secretariat aims to concentrate staff resources where sector risks are heightened to better leverage the country-level Partnership and is cognizant that this support could be strengthened with a lower ratio of countries per Country Lead (CL), and per Education Specialist. This is being considered as part of the Human Resource (HR) review process.

2.10. Mitigating grant risks during the implementation phase is a significant focus of the GPE Secretariat's work. Since the first risk assessment in 2016, the overall grant risk level has decreased in 11 out of 47 grants that were assessed in 2017. Six of these grants were classified as key focus contexts in 2016. Grant risk mitigation measures during implementation include maintaining regular contact with the Grant Agent, reviewing progress and audit reports, participating in joint monitoring and mid-term review missions, but can also include various additional measures depending on the context, such as discussions at headquarters level between the Secretariat, Grant Agent, and Coordinating Agency to review oversight mechanisms, recommending an audit, as well as facilitating restructuring of programs to address implementation challenges and allow adequate time for the

attainment of grant objectives. Given that roughly half of on-going ESPIGs are in Fragile and Conflict Affected countries (FCAC), adapting to the context does require responsiveness from the GPE Secretariat in this sense.

2.11. As next steps, the Secretariat will continue implementing the risk management plans for all contexts with an on-going ESPIG and assess risks for new grants during the quality assurance process. On an annual basis, the Secretariat will reassess operational risk across the portfolio of ESPIGs. The timing of the reassessment will be sequenced with annual results reporting to ensure strong linkages between the exercises. The Secretariat will continue to strengthen ways to link data from grant portfolio reviews and results-framework country analytics with the Operational Risk Framework. Revisions to the operational risk assessment methodology will be finalized and presented to the Board once risk management specialists have completed a review of current practices and benchmarked comparator organizations.

3. CONTACT

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4. ANNEX AND ADDITIONAL INFORMATION

Annexes:

- Annex 1: Operational risk framework update
- Annex 2: Risk Assessment per country
- Annex 3: Key focus contexts – risk assessments and mitigation plans
- Annex 4: Risk assessment of CSEF grant
- Annex 5: List of Acronyms

ANNEX 1: OPERATIONAL RISK FRAMEWORK UPDATE

Background

In June 2016 (BOD/2016/06-10), the Board endorsed the Operational Risk Framework (as presented in BOD/2016/06 DOC 13 Annex 3). The Secretariat's Operational Risk Framework is primarily a management tool to ensure that Secretariat resources are aligned to mitigate key risks, and therefore it does not duplicate Grant Agents' own risk assessments or risk mitigation activities. In this first version of the Operational Risk Framework, the sector risks are not related to overall achievement of outcomes and impact with regard to learning outcomes, equity, and systems building, but rather key GPE-agendas such as the quality of the sector plan and domestic financing.

As proposed by the Secretariat and agreed by the Board in June 2016 (BOD/2016/06 DOC 13 Annex 3), the overall risk rating by country, sector and grant are publicly available information; however, the individual scores assigned to each risk for a given country are not made public. The ability of the Secretariat to provide a frank assessment of the risks is vital for the robustness of the operational risk framework.

The Secretariat completed the first risk assessment of GPE's grant portfolio and developed risk management plans for each critical and high risk country for the Board's meeting in December 2016. It developed risk management plans for all remaining contexts with an ongoing Education Sector Program Implementation Grant for the Board's meeting in June 2017. The Secretariat also reviewed the risk management plans for all critical and high risk contexts with an ongoing Education Sector Program Implementation Grant in mid-2017.

In the first half of 2017, the Secretariat adopted a risk-based approach to Quality Assurance of incoming ESPIG applications and draft Education Sector Plans. Using the context risk ratings, the Secretariat is staffing review teams per the risk level identified.

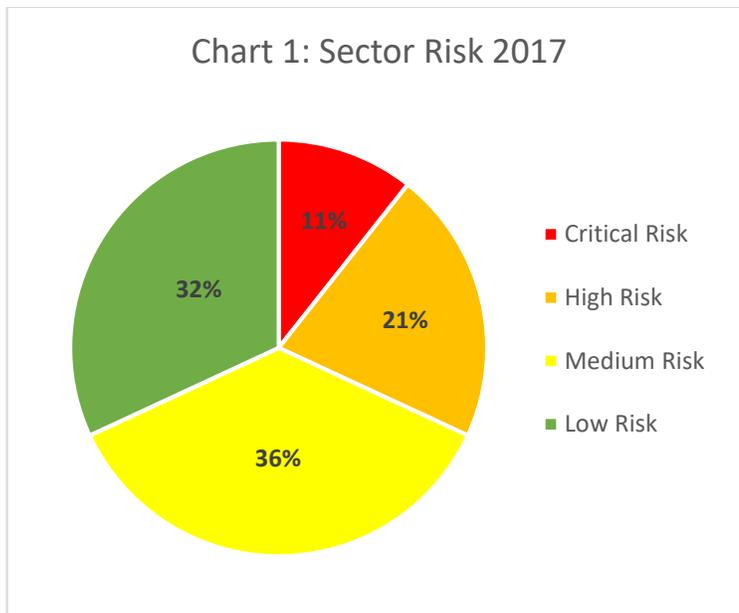
In September 2017, the Secretariat reassessed operational risks across the portfolio of ESPIGs as part of its annual risk update. Data from grant portfolio reviews and results-framework country analytics was used in conjunction with the Operational Risk Framework to determine risk levels. For example, GPE Results and Indicator Framework indicators 10 (proportion of DCPs that have increased their public expenditure on education or maintained sector spending at 20 percent or above), 16a (proportion of endorsed ESPs or Transitional Education Plans (TEPs) meeting quality standards), 17 (proportion of Developing Country Partners (DCPs) with a data strategy that meets quality standards), and 18 (proportion of JSRs meeting quality standards) were used to inform sector risk assessments. Indicator 25 (proportion of GPE program grants assessed as on-track with implementation) helped to determine the risk level for a sub-risk under grant risk.

Sector and Grant Risk Assessment

The overall sector and grant risks are calculated by considering six sub-risks, three for sector and three for grant. This section shows the overview of sector and grant risk levels across the GPE portfolio. Annex 2 shows the full list of countries with their respective assessments for sector and grant risk in both 2017 and 2016.

Sector risk

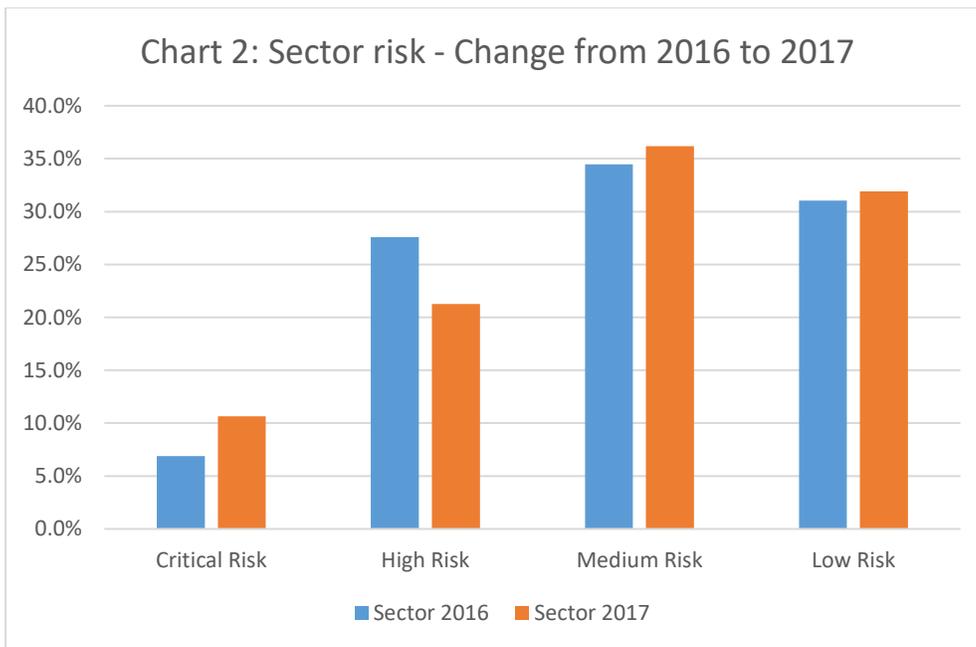
In September 2016, 58 countries/federal states were assessed for sector risk. Out of these 58, 11 have grants that have closed or are closing by October 1, 2017. Thus 47 countries/federal states were assessed for sector risk in three key areas of GPE's work in September 2017. Chart 1 shows the distribution of overall sector risk levels across the countries/federal states with active ESPIGs. Of the 47 countries/federal states assessed, a third are rated as high or critical in their overall sector risk. 11% of countries/federal states have critical risk, 21% have high risk, 36% have medium risk, and 32% have low risk. Of the countries/federal states with high or critical sector risk, 73% are Fragile and Conflict Affected (FCAC) countries (11 out of 15 countries).



Sector sub-risks that make up the overall assessment

- The risk that the Partnership does not leverage its capacities to support the production of quality ESPs (Corporate Risk 1.2.1)
- The risk that the Partnership does not support planning, financing, and monitoring (including ability to capture reliable data) during ESP implementation (Corporate Risks 1.2.2 and 2.4.1)
- The risk that GPE Developing country partners which apply for an ESPIG fail to increase their public expenditure on education or maintain expenditure at 20% or above (Corporate Risk 1.2.3)

Looking at the change in sector risk in the group of 47 countries/federal states, overall sector risk has slightly increased across the group. For example, there are now five countries with critical sector risk, instead of three in 2016. There has, however, been movement in both directions within the group. Sector risk has increased in 10 countries (Bangladesh, Cameroon, Eritrea, Gambia, Kenya, Mozambique, Nepal, Uganda, Yemen, and Zambia) and decreased in 7 countries (Benin, Burkina Faso, Burundi, Djibouti, South Sudan, Togo, and Uzbekistan). Overall, nearly 70% of countries continue to have medium or low sector risk. The change across the group of 47 countries is demonstrated in Chart 2.



In the seven contexts where overall sector risk has improved, all seven had lower probability that the Partnership does not leverage its capacities to support the production of quality ESPs, five had lower probability that the Partnership does not support planning, financing, and monitoring during ESP implementation, and three had lower probability that the public expenditure on education is not maintained at 20% or above. Two factors played a major role in lowering these probabilities. First, four contexts mentioned the country is in the process of or has just completed the process of developing, assessing, and endorsing an ESP or the implementation plan of an ESP. With the endorsement of an ESP, education financing above 20% became more certain in several contexts. Second, the cohesion and improved workings of the LEG played an important role in decreasing the probabilities of the sub-risks. One country developed and validated a Term of Reference (TOR) for its LEG, while another country established a LEG and Developing Partners Group (DPG) for the first time. An improved political situation also helped to lower the sub-risk of not producing a quality ESP. Joint Sector Reviews (JSRs), whether conducted annually or are in the planning, have helped two contexts to decrease its sector risk of not properly monitoring its ESP implementation.

As in 2016, sector risks tend to be lower (medium or low) when there is collaboration between stakeholders in an active and engaged LEG, when capacity and institutions for regular sector monitoring are in place and where funding for monitoring is available, when a government sees education as a vehicle for economic growth, and when the economy is strong. Sector risks tend to be higher (high or critical) when there is fragmentation between stakeholders and a poorly functioning LEG, when capacity and institutions and financing are inadequate for annual sector monitoring, or when financial resources are limited due to economic crisis or the need to divert funds to deal with an emergency.

The full range of Secretariat mitigation measures for each of the three sector sub-risks were described in the Secretariat's paper to the Board in December 2016. Broad measures and procedures in place for mitigating sector risks include:

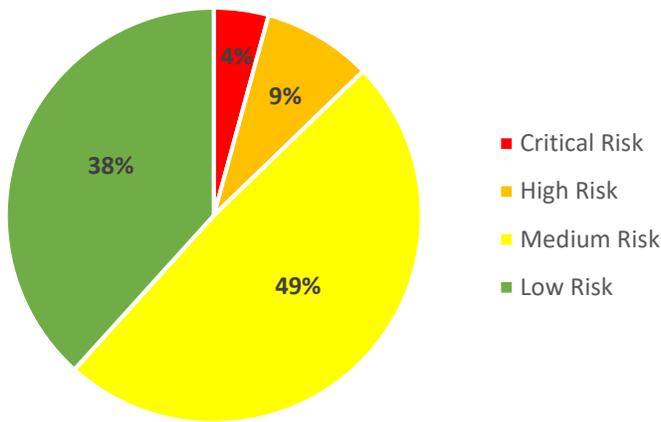
- Sharing GPE normative guidelines and international good practices in country level Partnership dialogue and at the global level;
- An emphasis on partnership and collaboration through an active and inclusive LEG and the organization of annual JSR;
- Supporting sound ESA and ESP/TEP development and appraisal processes;
- For countries with a Maximum Country Allocation (MCA), the funding requirements countries must meet to be eligible for an ESPIG include: 1) a credible and endorsed ESP; 2) commitment to sector financing; 3) availability of sector data, or a plan to make this available.

Grant Risks

Chart 3 shows the distribution of overall grant risk levels across GPE's portfolio of active ESPIGs. Of the 47 assessed grants, 87% are rated as low or medium in their overall grant risk. Just four grants are identified to have high overall grant risk (DRC, Guinea, Somalia Federal, and South Sudan), and two grants, those being implemented in Yemen and Nigeria, are critical in overall grant risk. Of the six grants with high or critical overall grant risk, all but one is in a Fragile and Conflict Affected country.

Grant risks tend to be lower (medium to low) when the Grant Agent has designated technical representatives in the country, providing close oversight and maintains strong lines of communication with country partners as well as with the Secretariat, when implementation begins promptly and can be carried out in a secure environment, and when implementing agencies have high capacity in financial management. Grant risks tend to be higher (high or critical) when there is a lack of consistent Grant Agent technical representative presence and oversight in country, when disbursement and implementation is delayed early in the implementation cycle, and when capacity for implementation, monitoring, or financial management is limited in the implementing agencies.

Chart 3: Grant Risk 2017

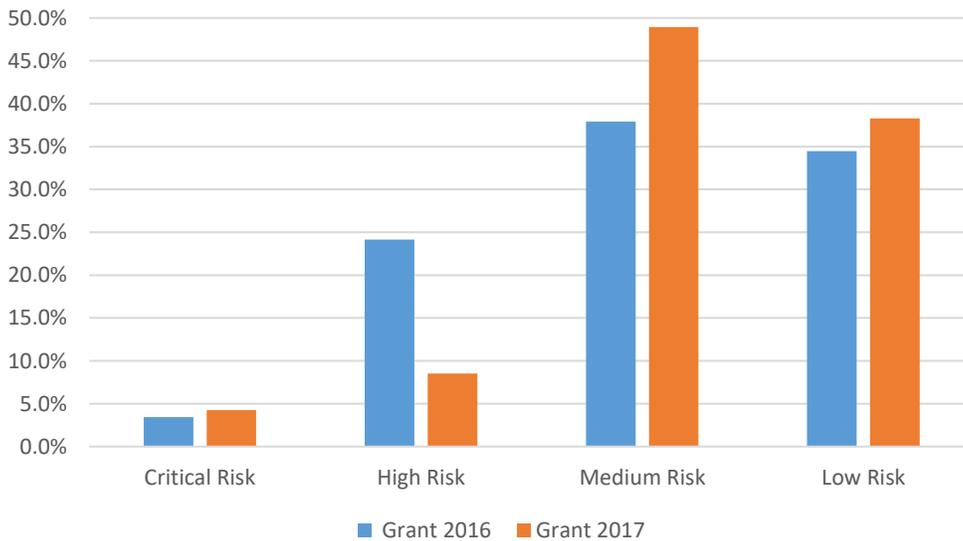


Grant sub-risks that make up the overall assessment

- The risk that Grant Agents are not always providing effective oversight. (Corporate Risk 2.3.1)
- The risk that grant objectives are not achieved within the expected implementation period. (Corporate Risk 2.3.2)
- The risk that significant GPE funds are diverted from their intended purpose through fraud or other forms of misuse. (Corporate Risk 3.2.1)

In September 2016, 58 ESPIGs were assessed for grant risk in three key areas of GPE’s work. Out of these 58, 11 have closed or are closing by October 1, 2017. Looking at the change in grant risk in the remaining group of 47 ESPIGs, overall grant risk has decreased substantially. Whereas in 2016 the share of ESPIGs with medium or low risk was 72%, in 2017 that has increased to 87%. The main direction of movement in grant risk has been down – grant risk has decreased in 11 ESPIGs out of the 46 (Cameroon, Central African Republic (CAR), Djibouti, Ethiopia, Haiti, Mozambique, Niger, Sierra Leone, Sudan, Uganda, and Uzbekistan), while it has increased in only 3 (Bangladesh, Senegal, and Zambia). The change across the ESPIG portfolio is demonstrated in Chart 4.

Chart 4: Grant risk - Change from 2016 to 2017



Looking at the group of 11 ESPIGs where grant risk has decreased, all but one grant has been restructured to address implementation challenges and allow sufficient time to attain grant objectives. In some cases, the

restructuring has followed a Mid-term review, while in others the grant has been closer to reaching its end date when an extension has been requested by the government and partners.

In the group of 3 ESPIGs where grant risk has increased, factors driving increased risk include: slow progress towards meeting program targets; staff changes within the ministry and/or Grant Agent; and findings from recent field visits (not all factors are relevant for all cases). In one case, there is an increased risk of misuse of funds, which the Secretariat has already been discussing with the Grant Agent and the ministry. In another, the Secretariat has recommended an audit given findings from the field visit, even though there is currently no evidence of misuse of funds.

In terms of grant risk mitigation going forward, the full range of Secretariat mitigation measures for each of the three grant sub-risks were described in the Secretariat's paper to the Board in December 2016. Grant Risk mitigation begins during the ESPIG grant application phase and includes: sharing and explaining GPE ESPIG guidelines and methodologies as well as a three-part Quality Assurance Review. This is in addition to the Grant Agents' own risk assessment and mitigation measures, which are assessed as part of the Secretariat's quality assurance process. Upon approval of an ESPIG grant, Grant Agents assume the role of program management, program monitoring, and fiduciary oversight for all active ESPIG grants. Risk mitigation at the Secretariat becomes broadly focused on:

- Regular communication with the Grant Agent, including the review of monitoring materials such as monitoring reports, annual progress reports and annual audit reports, with follow up where necessary;
- Supporting the Grant Agent with specific items for enhanced monitoring upon Grant Agent request e.g. providing technical assistance on a specific component of the grant or aspect of project management;
- In cases where a grant requires restructuring or extension, explaining and sharing GPE's guidance on the process, and supporting the submission of materials to the appropriate committee;
- In the case of misuse of funds, engaging with the Grant Agent to ensure that all funds are returned.

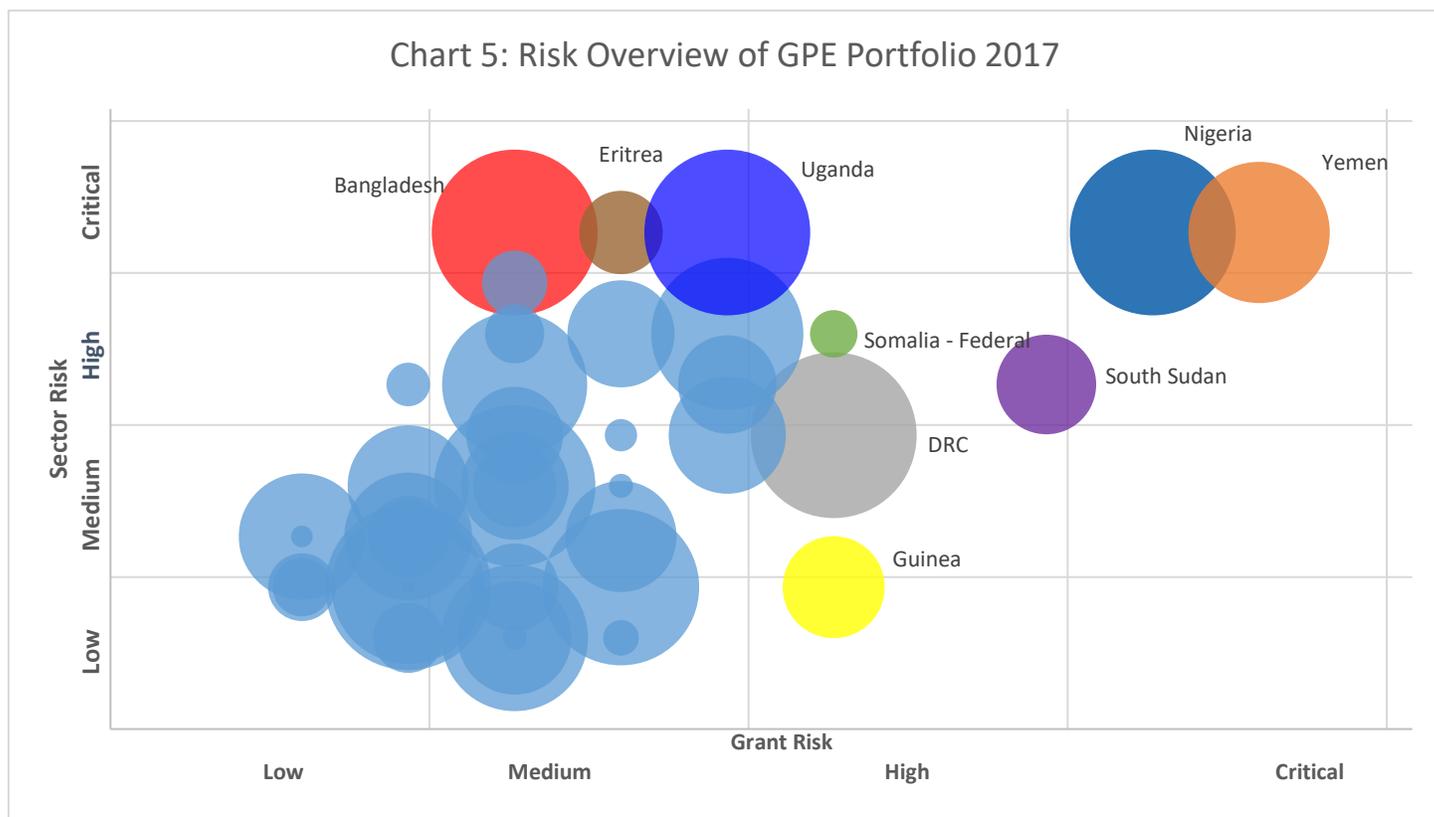
Key focus contexts for GPE Secretariat support

Chart 5 visualizes the combined sector and grant risk of all 47 assessed countries/federal states. The size of the bubble denotes the amount of the current ESPIG in that country. Overall, 9 contexts are assessed as a key focus 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 (in alphabetical order): Bangladesh, DRC, Eritrea, Guinea, Nigeria, Somalia Federal, South Soudan, Uganda, and Yemen.

The number of key focus contexts has decreased from 19 in 2016 to 9 in 2017. In 5 out of these 19 contexts, grants have closed or are closing by October 1, 2017 (Afghanistan, Chad, Cote d'Ivoire, Guinea Bissau and Liberia). In a further 6 contexts, grant risk levels have decreased for them not to be considered key focus ones anymore (Central African Republic, Djibouti, Niger, Sierra Leone, Sudan and Uzbekistan). On the contrary, due to increased sector risk level, one context has been included in the key focus group (Bangladesh). It is likely that

the five contexts where ESPIGs closed will reappear on the list of key focus contexts once new grants are approved.

Out of the 9 contexts considered as key focus, seven are Fragile and Conflict Affected. DRC, Nigeria, and Uganda have the highest grant amounts (US\$ 100 million each), followed by Yemen (US\$ 72.6 million). The countries with the highest combined grant and sector risk in GPE’s current ESPIG portfolio remain Nigeria and Yemen – sector and grant risks are at a critical level in both.



In terms of sector risk, this has increased in four out of nine key focus contexts (Bangladesh, Eritrea, Uganda, and Yemen). The increases are, depending on the context, due to delayed planning processes related to the ESA or ESP/TEP development; the quality of the ESP being at stake; or deteriorating harmonization in the sector. Overall, sector risks are more difficult for the Secretariat to mitigate as risks related to ESP quality and implementation as well as domestic financing are complex, context related, and owned at country level, and the Secretariat can only have an influencing or leveraging role. However, even this is a worthwhile endeavor: in the above cases, the Secretariat has stepped up support through bringing together country level partners and facilitating in-depth dialogue on sector planning and harmonization. For instance, in the case of Yemen, the Secretariat’s support has led to the organization of Local Education Group meetings outside Yemen to keep partners engaged in sector planning and joint monitoring of the country situation.

6.5 The Secretariat aims to concentrate staff resources where sector risks are heightened to better leverage the country-level Partnership and is cognizant that this support could be strengthened with a lower ratio of countries per Country Lead. This is being considered as part of the HR review process. Finally, the Secretariat

continues sector risk mitigation even in contexts with no active ESPIGs, such as the five contexts that are likely to reappear on the list of key focus countries once new ESPIGs are approved.

In terms of grant risks, the Secretariat is having more visible impact through its mitigation actions. From the group of 19 contexts in 2016, grant risk decreased in a total of seven ESPIGs (CAR, Djibouti, Niger, Sierra Leone, Sudan, Uganda, and Uzbekistan). Six of these are no longer part of the key focus group as a result. The exception is Uganda, where at the same time sector risk has increased to critical – thus keeping it in the key focus group. Mitigating grant risks in these six ESPIGs has included discussions with Grant Agents to strengthen monitoring of certain high-risk components of the program, or even approving additional supervision fees to ensure closer financial monitoring in one case. Measures have also included audit reviews and ensuring that findings are followed up upon. In all but one grant, the risk level has also been reduced following a restructuring, during which implementation challenges have been addressed. Additionally, in one case the technical lead presence of the Grant Agent was reinforced at the country level to strengthen oversight of program activities.

In terms of the two highest risk contexts, Nigeria and Yemen, a full picture of Secretariat risk assessment, actions taken, and risk mitigation measures is provided below for Nigeria as an example:

Nigeria	Risk rating	Summary of risk (2017)	Action taken in the past 12 months	Mitigation measures (next 6 months)
Sector	Critical	Nigeria does not have a national education data system and many states do not report their data to the federal government. The country needs to develop a comprehensive EMIS with reliable data at the national level which would include data from the states. A comprehensive plan for education investment, supported by reliable data, is also missing at this moment. Coordination within the Partnership at country level is a challenge.	The Secretariat has been involved in all supervision missions and has engaged additional staff to provide support in the much-needed areas of M&E, results management, and EMIS. A monthly discussion between the Secretariat and the Coordinating Agency has been on-going with regard to the updates on the operating environment and implementation progress. Regarding capacity building of the states, workshops and training have been held in the areas of school leadership, school grant utilization, fund management, procurement, and data management with participants from all states.	The Secretariat will continue discussions on coordination with the government, Grant Agent, and the Local Education Group. It will also continue dialogues with the government and development partners for putting in place a comprehensive EMIS and a system to collect financing data, and then carry forward a dialogue to strategize for more investment in education.
Grant	Critical	Much needs to be done to improve coordination among various actors to ensure proper use of education grants. Division of responsibilities among development partners needs to be reviewed carefully. Currently, the Grant Agent provides technical support in grant management and fiduciary issues, leaving the other technical support to other development partners active in the states. However, the Grant Agent's engagement in technical issues is needed by the states. Capacity enhancement both at federal and state level would be important.	Meanwhile, at headquarters level the Secretariat has held discussions with Grant Agent and Coordinating Agency management to resolve challenges. This has led to an early Mid Term Review with the possibility of a restructuring of the project with the aim of ensuring better support to the states.	An early Mid Term Review has been planned, which will take place in October 2017. The Secretariat will participate with a two-person mission that includes M&E expertise. The experience of the past year will be taken into account to see whether problems faced can be addressed during the review, and if necessary, through restructuring. The Secretariat will continue reviewing implementation reports from the states and is considering additional ways to provide technical support to the states.

Next Steps

As next steps, the Secretariat will continue implementing the risk management plans for all contexts with an on-going ESPIG and assess risks for new grants during the quality assurance process. An internal risk committee will review the status of the risk management plans regularly and calibrate progress reviews, monitoring visits and regular Secretariat engagement, and then report to the Secretariat management on progress, particularly with respect to countries and grants rated as critical risk or high risk.

On an annual basis, the Secretariat will reassess operational risk across the portfolio of ESPIGs. The timing of the reassessment will be sequenced with annual results reporting to ensure strong linkages between the exercises. The Secretariat will continue to strengthen ways to link data from grant portfolio reviews and results-framework country analytics with the Operational Risk Framework. Revisions to the operational risk assessment methodology will be finalized and presented to the Board once risk management specialists have completed a review of current practices and benchmarked comparator organizations.

ANNEX 2: RISK ASSESSMENT PER COUNTRY

Country	Context		Sector risk			Grant risk		
	Context risk	FCAC FY17	2016	2017	Change	2016	2017	Change
Bangladesh	Medium		Medium	Critical	Increase	Low	Medium	Increase
Benin	Medium		High	Medium	Decrease	Medium	Medium	No change
Burkina Faso	Lower		Medium	Low	Decrease	Medium	Medium	No change
Burundi	Very High	Yes	High	Medium	Decrease	Low	Low	No change
Cameroon	Medium		Low	Medium	Increase	Medium	Low	Decrease
CAR	Very High	Yes	High	High	No change	High	Medium	Decrease
Comoros	Medium	Yes	Low	Low	No change	Medium	Medium	No change
Djibouti	Medium	Yes	Critical	Medium	Decrease	High	Medium	Decrease
Dominica	Lower		Low	Low	No change	Low	Low	No change
DRC	Very High	Yes	High	High	No change	High	High	No change
Eritrea	High	Yes	High	Critical	Increase	Medium	Medium	No change
Ethiopia	Medium	Yes	Low	Low	No change	Medium	Low	Decrease
Gambia	Medium	Yes	Medium	High	Increase	Low	Low	No change
Grenada	Lower		Low	Low	No change	Low	Low	No change
Guinea	High		Low	Low	No change	High	High	No change
Guyana	Medium		Medium	Medium	No change	Low	Low	No change
Haiti	High	Yes	Medium	Medium	No change	Medium	Low	Decrease
Kenya	High		Low	Medium	Increase	Medium	Medium	No change
Kyrgyz Republic	Medium		High	High	No change	Medium	Medium	No change
Lao PDR	Medium		Medium	Medium	No change	Low	Low	No change
Lesotho	Lower		Low	Low	No change	Medium	Medium	No change
Madagascar	Medium	Yes	Low	Low	No change	Low	Low	No change
Malawi	Medium		Medium	Medium	No change	Medium	Medium	No change
Mali	High	Yes	High	High	No change	Medium	Medium	No change
Mauritania	High		Low	Low	No change	Low	Low	No change
Mozambique	Medium		Low	Medium	Increase	Medium	Low	Decrease
Nepal	Medium	Yes	Low	Medium	Increase	Low	Low	No change
Nicaragua	Medium		Low	Low	No change	Low	Low	No change
Niger	High		High	High	No change	High	Medium	Decrease
Nigeria	Very High	Yes	Critical	Critical	No change	Critical	Critical	No change
Pakistan - Balochistan	High	Yes	Medium	Medium	No change	Medium	Medium	No change
Rwanda	Lower	Yes	Medium	Medium	No change	Medium	Medium	No change
Senegal	Lower		Low	Low	No change	Low	Medium	Increase
Sierra Leone	High	Yes	Low	Low	No change	High	Low	Decrease
Somalia - Federal	Very High	Yes	High	High	No change	High	High	No change
Somalia - Puntland	Very High		Medium	Medium	No change	Medium	Medium	No change

	Context		Sector risk			Grant risk		
South Sudan	Very High	Yes	Critical	High	Decrease	High	High	No change
St. Lucia	Lower		Low	Low	No change	Low	Low	No change
St. Vincent and the Grenadines	Lower		Low	Low	No change	Low	Low	No change
Sudan	Very High	Yes	High	High	No change	High	Medium	Decrease
Tanzania - Mainland	Medium		Medium	Medium	No change	Medium	Medium	No change
Togo	Medium	Yes	Medium	Low	Decrease	Medium	Medium	No change
Uganda	High	Yes	Medium	Critical	Increase	High	Medium	Decrease
Uzbekistan	High		High	Medium	Decrease	High	Medium	Decrease
Yemen	Very High	Yes	High	Critical	Increase	Critical	Critical	No change
Zambia	Lower		Medium	High	Increase	Low	Medium	Increase
Zimbabwe	High	Yes	Medium	Medium	No change	Low	Low	No change

Risk Rating	Change in risk rating
Low	Decrease
Medium	Increase
High	No change
Critical	

ANNEX 3--- KEY FOCUS CONTEXTS – RISK ASSESSMENTS AND MITIGATION PLANS

Country	Sector risk (2017)	Summary of sector risks	Mitigation measures (next 6 months)	Grant risk (2017)	Summary of grant risks	Mitigation measures (next 6 months)
Bangladesh	Critical	At this moment, it is not expected that Bangladesh will develop a robust sector plan with the participation of all stakeholders. While a number of interventions/activities are planned to strengthen government capacity on planning, financing and monitoring, there is a question about whether these will strengthen government ownership of key processes. It is not expected that the government increases the share of the education budget.	The Secretariat needs to engage with Bangladesh and its partners (particularly the Local Education Group and the ministries of education) to determinate how to best add value for the development of an inclusive and participatory ESP and its monitoring through a JSR.	Medium	It is a possibility that some disbursement-linked indicators will not be met. In that case, part of the grant would need to be returned. The Grant Agent is monitoring the grant closely and the risk of diversion or misuse of funds is considered low.	The Secretariat will continue regular communication with the Grant Agent on the grant's progress, including through future missions and reviewing ISRs and other reports.
DRC	High	The new ESP for 2016-2025 is credible. Under the leadership of the new Ministers, the three ministries in charge of the education sector organized a Joint Sector Review in February 2017. A comprehensive report presenting the education sector situation, the progress achieved, and remaining challenges had been produced to support the discussions around key sector strategies. The elections will continue to jeopardize the implementation of the new sector plan, but development partners are monitoring key reforms closely which were boosted by the variable part of the GPE's new funding model.	The Secretariat will continue to closely monitor the political situation and will organize regular meetings with the Coordinating Agency and the Local Education Group to mitigate risks, in particular to help the country to continue data collection. Engagement with partners both at headquarters and country level is required in order to support sector processes in an aligned way. The Secretariat will also closely monitor the education budget, in particular the payment of teacher salaries in the poorest regions, as well as engage at high level in DRC to continue the dialogue around	High	After three extensions of the effectiveness date, the grant was declared effective on August 9, 2017. The resignation of the Prime Minister in December 2016 has delayed the signature and ratification of the agreement between the Grant Agent and the government. The program timeline was revised to account for the delay. Although the program will rely on capacities developed under the previous program and the Grant Agent has reinforced its presence in the country, the increasing insecurity and political instability will continue to jeopardize program implementation. On the positive side, the variable part has	The Secretariat will work closely with the Grant Agent and participate in joint monitoring missions. It will also provide technical support to the Local Education Group to ensure coordination of key activities related to the variable part, as well as engage with the Grant Agent and other partners in country (especially the Ministry of Education) to encourage good coordination of key reforms that affect the variable part. The Secretariat will continue to work closely with the Grant Agent in their efforts to ensure adequate technical support and monitoring to the ministry to implement activities, in particular innovative

Country	Sector risk (2017)	Summary of sector risks	Mitigation measures (next 6 months)	Grant risk (2017)	Summary of grant risks	Mitigation measures (next 6 months)
			the importance of education sector financing.		galvanized stronger coordination of technical partners.	ones such as performance based financing on school grants.
Eritrea	Critical	The education sector in Eritrea does not enjoy a robust presence of development partners. As a result, sector dialogue and oversight is weak. Public spending on education is not adequate, which is reflected in the conditions of schools. The Education Sector Analysis has not been commissioned yet, even while an Education Sector Plan Development Grant was approved in November 2016.	GPE Secretariat missions have facilitated in-depth dialogue among local stakeholders and the ministry regarding education sector issues. Further missions are planned to follow up on actions agreed by the local stakeholders and the Grant Agent on key issues such as the Education Sector Plan and domestic financing. The Secretariat will follow up its dialogue with two partners regarding potential co-financing of the next GPE project.	Medium	The program will take longer than planned to achieve full results due to delayed start-up of one component. The ministry intends to apply for a three-month extension. There have not been any indications of misuse of funds in the project and the Grant Agent maintains adequate oversight to the program.	The Secretariat will continue monthly update meetings and resolve any implementation issues at the time of the grant extension request.
Guinea	Low	Sector risks are lower than in some comparable countries given the relative political stability and the strong sector planning and monitoring tradition in Guinea. A high level of persistent poverty, exacerbated by the Ebola crisis, is a vector of risk. There is room in the budget for education to get more adequate funding.	The Secretariat will engage the Local Education Group at critical moments in the ESA and ESP development processes, identifying potential risks as well as potential mitigation measures. The Secretariat will support the JSR preparation, participate in the JSR itself, and support JSR follow-up.	High	The pooled fund arrangement of the grant enhances efficiency and efficacy of monitoring, particularly when the Grant Agent's focal point is not based in-country. It is very likely that the Grant Agent will request a six-month extension through to the end of 2018, given the late startup due to the Ebola crisis.	The Secretariat will facilitate the extension request and continue regular communication with the Grant Agent on the grant's progress, including through future missions and reviewing ISRs and other reports.

Country	Sector risk (2017)	Summary of sector risks	Mitigation measures (next 6 months)	Grant risk (2017)	Summary of grant risks	Mitigation measures (next 6 months)
Nigeria	Critical	Nigeria does not have a national education data system and many states do not report their data to the federal government. The country needs to develop a comprehensive EMIS with reliable data at the national level which would include data from the states. A comprehensive plan for education investment, supported by reliable data, is also missing at this moment. Coordination within the Partnership at country level is a challenge.	The Secretariat will continue discussions on coordination with the government, Grant Agent, and the Local Education Group. It will also continue dialogues with the government and development partners for putting in place a comprehensive EMIS and a system to collect financing data, and then carry forward a dialogue to strategize for more investment in education.	Critical	Much needs to be done to improve coordination among various actors to ensure proper use of education grants. Division of responsibilities among development partners needs to be reviewed carefully. Currently, the Grant Agent provides technical support in grant management and fiduciary issues, leaving the other technical support to other development partners active in the states. However, the Grant Agent's engagement in technical issues is needed by the states. Capacity enhancement both at federal and state level would be important.	An early Mid Term Review has been planned, which will take place in October 2017. The Secretariat will participate with a two-person mission that includes M&E expertise. The experience of the past year will be taken into account to see whether problems faced can be addressed during the Mid Term Review, and if necessary, through restructuring. The Secretariat will continue reviewing implementation reports from the states and is considering additional ways to provide technical support to the states.
Somalia Federal	High	While the Federal Government has been able to organize joint sector reviews, monitoring is restricted by limited data. Moreover, domestic financing to education remains very low. There are numerous issues around sector risks related to coordination, capacity, implementation, and financing. High dependence on external funding, including that of GPE, is a risk in the sector. The country has developed a new sector plan in 2017, with the support of GPE funding.	The Secretariat will strive to encourage greater collaboration between the Local Education Group and the Ministry of Finance (MoF) (or other relevant government entities) and better accountability for Education Sector Plan financing commitments. It will also continue support to data strengthening to support monitoring the implementation of the new Education Sector Plan.	High	The payment of teachers' salaries has occurred but only a quarterly (instead of monthly) basis. It is possible that this has negatively affected the goal to motivate teachers by enhanced teacher payment, especially since the government was not able to provide their promised counter financing to teachers. Since fewer teachers were paid than originally budgeted, a no-cost extension of 1 year was approved in December 2016 which covers teacher salaries roughly until the next application.	The Secretariat will continue close follow up with the Grant Agent on implementation, especially on the payment of teachers' salaries. It will also continue discussion with government and the Local Education Group to strengthen the system of teacher salary payments.

Country	Sector risk (2017)	Summary of sector risks	Mitigation measures (next 6 months)	Grant risk (2017)	Summary of grant risks	Mitigation measures (next 6 months)
South Sudan	High	The local education group has become active during the ESP process and the ESP is at the final stage of ministry approval. The sector continues to have significant risk of fragmented support and monitoring. Domestic finance remains low, increasing the risk of poor administration and management of the sector.	The Secretariat will continue close engagement with the Local Education Group and the ministry on key requirements for GPE funding. It will continue encouraging development partners to coordinate humanitarian and development financing in the sector.	High	The grant is unlikely to achieve its results and objectives within the extended closing period, hence requiring a further extension. However, some components that were delayed due to the conflict - such as school construction - have been nearly completed during 2017. The staff capacity of the Grant Agent has improved since the evacuation in July 2016, but conflict still limits monitoring and oversight of the activities.	The Secretariat remains in close contact with the Grant Agent and the Ministry on implementation issues of the project and will facilitate the upcoming extension request.
Uganda	Critical	The refugee situation and engagement of new partners have challenged harmonization in the sector. The ESP expired this year and the development of a new one has not yet begun. Domestic financing remains low.	The Secretariat will facilitate joint planning by participating in joint missions and continuing dialogue with the new development partners active in Uganda.	Medium	The grant was restructured in August 2017 and an extension was approved up to December 2019. Given financial irregularities in this grant, additional supervision fees were approved as part of the restructuring to ensure closer financial monitoring. The implementation will be closely monitored, particularly given recent discussions with the Grant Agent which have pointed to implementation challenges.	The Secretariat will continue regular communication with the Grant Agent on the grant's progress, including through future missions and reviewing ISRs and other available reports.

Country	Sector risk (2017)	Summary of sector risks	Mitigation measures (next 6 months)	Grant risk (2017)	Summary of grant risks	Mitigation measures (next 6 months)
Yemen	Critical	Since January 2015, Yemen has been facing a high level of violence and insecurity due to armed conflict. The majority of development partners have had to halt their operations in the country. In addition, planning for the Transitional Education Plan (TEP) has been delayed. However, the Ministry of Education has shown strong willingness to continue supporting the education system in the country. Approximately 90% of schools are still functioning in the country despite the on-going conflict. GPE support has led to the organization of Local Education Group (LEG) meetings outside Yemen to keep partners engaged in the planning and monitoring of the situation.	The Secretariat will continue closely working with the Local Education Group (LEG) and Ministry of Education in Aden and Sana'a in the development of the Transitional Education Sector Plan (TESP) for Yemen. In addition, the Secretariat will increase its advocacy efforts to ensure that public sector teachers are being paid on a regular basis.	Critical	The on-going conflict in Yemen requires responsiveness from GPE in order to respond to the immediate needs on the ground. The Grant Agent has closely monitored the GPE funded ESPIG to Yemen. However, there is a need for further review and strengthening of M&E systems, especially related to financial management and procurement to ensure proper utilization of GPE resources, including avoiding diversion of resources for political purposes.	The Secretariat will continue engagement with the Grant Agent, Ministry of Education and Local Education Group to ensure effective implementation of GPE funding to Yemen. This includes continuing close coordination with the Grant Agent on oversight mechanisms, working with partners to review the situation and discuss needs for reprogramming, and continuing to ensure that adequate fiscal safeguards are in place related to the use of GPE resources.

ANNEX 4: RISK ASSESSMENT OF CSEF GRANT

Global Partnership for Education
Operational Risk Framework

October-17

Grant name: CSEF

Grant Agent	GCE
Current Grant amount (US \$)	28,769,442

1. GPE Secretariat Operational Risk Assessment

Grant risk rating

High

Summary of grant risks

Grant risk is assessed as high primarily because the CSEF is a unique and complex program with a first-time Grant Agent and where funds are administered to national education coalitions with varying levels of capacity in more than 60 countries. It has been brought to the attention of the Secretariat that there has been recent evidence reported of potential ineligible expenditures from an audit of funding provided through a different source to a small number of national coalitions that are also recipients of CSEF funding. There is no evidence at this stage of any ineligible expenditure related to GPE Funds, however follow up action already planned by the Grant Agent is needed to provide reasonable assurance of this.

2. GPE Secretariat Risk Management Plan

Summary of measures to be taken to mitigate grant risk

Continue to closely engage with the Grant Agent to ensure prompt communication around any significant issues concerning implementation arrangements. Ensure relevant information related to internal control mechanisms (including audit reports and management letters, implementation status reports and expenditure forecast) are provided in a timely manner, and that matters arising are appropriately managed, and escalated in the event of any delays in receipt of information. Increase number of missions to meet with and provide necessary support to Grant Agent, regional coalitions and regional fund management agencies (RFMAs). Consider progress with respect to timely communication and provision of documents, satisfactory implementation of the internal audit plan, and progress on addressing any issues arising when determining the release of the next disbursement of funds, currently due in December 2017.

ANNEX 5: LIST OF ACRONYMS

ASA	Advocacy and Social Accountability
CA	Coordinating Agency
CL	Country Lead
CSEF	Civil Society Education Fund
DCP	Developing Country Partner
DGP	Developing Partners Group
DLI	Disbursement Linked Indicators
DRC	Democratic Republic of Congo
ECW	Education Cannot Wait
EMIS	Education Management Information Systems
ESA	Education Sector Analysis
ESP	Education Sector Plan
ESPDG	Education Sector Plan Development Grant
ESPIG	Education Sector Program Implementation Grant
FCAC	Fragile and Conflict Affected Countries
FFF	Financing and Funding Framework
FRC	Finance and Risk Committee
GA	Grants Agent
GEC	Governance and Ethics Committee
GPC	Grants and Performance Committee
HR	Human Resource
IFFED	International Financing Facility for Education
JSR	Join Sector Review
KIX	Knowledge and Innovation Exchange
LEG	Local Education Groups
MCA	Maximum Country Allocation
MDB	Multilateral Development Bank
ORF	Operational Risk Framework
PS/F	Private Sector and Foundations Strategies
QAR	Quality Assurance Review
RBF	Results Based Financing
SIC	Strategy and Impact Committee
TEP	Transitional Education Plan
ToR	Term of Reference
CAR	Central African Republic