

RISK MANAGEMENT

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.

Recommended by: Finance and Risk Committee

Committee Consideration:

- The Committees were broadly supportive of the work on risk, noting that substantial design work has been completed, and the focus can now shift to implementation of the new approach. The Committees noted that the approach can be refined and improved as lessons are learned from implementation.
- FRC and GPC gave feedback on two pending risk appetite statements which are now recommended for approval.
- FRC encouraged the Secretariat to revise the three lines of defense (3 LOD) model proposal following the Board’s decision on the Effective Partnership Review (EPR), expected in June 2019. FRC felt that there was still a degree of unclarity and a potential for conflicts of interest in the proposal presented.
- FRC and GPC gave feedback and were supportive of the approach to risk indicators and country risk. The Secretariat noted the Committees’ comments and will present remaining risk indicators to FRC later this year. GPC noted that the country risk rating would be useful for its decision-making on grants and encouraged the Secretariat to explore together with Grant Agents whether the country risk rating could be used during the QA process.

The Committees took note of the semi-annual corporate risk update, which is a transitional update pending formal approval of risk indicators. The committees raised questions on the direction of travel of “Impact Risk” from “high” in the previous update to “very low” in the current one. The Secretariat explained that the current risk rating is based on available indicators that need to be further developed (i.e. adjustment of weight and score) and acknowledges that the actual level of risk is closer to moderate.

Board Policy Reference: BOD/2018/12-07: Review of GPE risk policies and practices. December 2018

1. OBJECTIVE

1.1 The purpose of this paper is for the Board of Directors to approve (1) the risk appetite statement, and (2) the approach to risk indicators and country risk, as well as be informed on (3) the development of the three lines of defense (3 LOD) model and (4) the semi-annual review of corporate risks.

2. RECOMMENDED DECISION

BOD/2019/06-XX—Review of Risk Policies and Practices: The Board of Directors:

1. Approves the risk appetite statement and approach to risk indicators and country risk as set out in Annex 2, 3a, and 3b of BOD/2019/06/13 posted on the [Board eTeam site](#), and requests the Secretariat to replace the current risk management policy accordingly.
2. Delegates authority to the Finance and Risk Committee to oversee the finalization of remaining risk indicators in 2019, and to approve any future adjustments to the risk taxonomy, risk indicators including country risk, and risk appetite statement deemed necessary to improve clarity and efficiency.
3. Requests the Finance and Risk Committee to review the risk management policy every two years or more frequently as needed, and to recommend any material changes to the Board.

3. BACKGROUND

3.1 Following an external review of GPE's risk management practices and policies, the Board approved in June 2018 a workplan to implement the review's recommendations (BOD/2018/06-19)¹. In December 2018, the Board approved a new risk taxonomy and requested the Secretariat to finalize the risk appetite statement, three lines of defense model, and definition of key risk indicators for consideration by the FRC and recommendation to the Board in 2019 (BOD/2018/12-07)². Whilst the risk architecture is being updated, the Secretariat has also provided its semi-annual corporate risk update, which is necessarily a transitional update pending formal approval of risk indicators.

3.2 The proposed risk appetite statement in Annex 2 is recommended to the Board for approval. It incorporates feedback provided by the FRC and GPC.

3.3 In relation to the development of key risk indicators and a country risk methodology in [Annex 3a and 3b](#), the proposal is recommended to the Board for approval. Some indicators will need to be finalized after June 2019 as they relate to decisions to be made on the EPR. With

¹ <https://www.globalpartnership.org/content/risk-management-report-7-june-2018>
<https://www.globalpartnership.org/content/presentation-risk-framework-review-june-2018>

² <https://www.globalpartnership.org/content/review-gpe-risk-policies-and-practices-december-2018>

regards to the country risk approach, further consultation within the Secretariat will be needed to stress-test the different options presented, finalize the methodology, and solidify the ways the country risk rating will be used going forward. It is recommended that the FRC be delegated authority to approve any future adjustments to the risk indicators and country risk methodology.

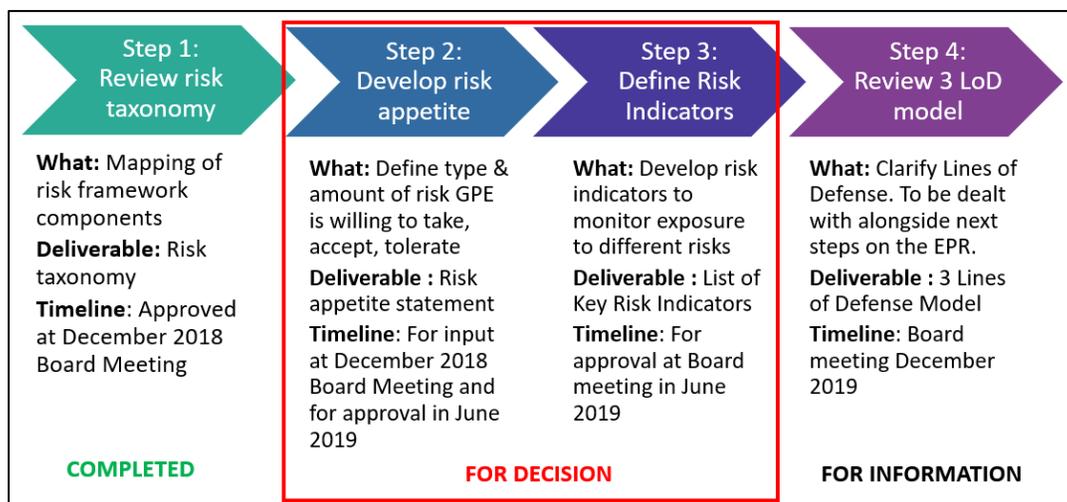
3.4 While the review of risk policies and practices is ongoing, the Secretariat completed the semi-annual review of corporate risks, with items being reviewed by the relevant committee. The current report in Annex 4 is based on the risk taxonomy approved by the Board in December 2018. High and critical risks from the December update have been reviewed for current relevance, and material new risks arising since December have been added, together with mitigating actions³.

3.5 The Secretariat also proceeded with development of the 3 LOD model as shown in Annex 5, considering preliminary outputs of the EPR, in particular on roles and responsibilities at the country level, and between Grant Agents and the Secretariat. The 3 LOD model represents the current reality of GPE as both a partnership and fund. It attempts to represent: (1) roles and responsibilities between the first and the second lines of defense; (2) assign risk ownership within the Secretariat for the second line of defense, and (3) clarify risk oversight functions of different Committees. More refinement of this approach is needed, as detailed further in the section below.

4. ADDITIONAL BACKGROUND

4.1 Summary Workplan

Figure 1: GPE Secretariat Workplan agreed with the FRC in June 2018 (Updated)



³ Calculations tables for the corporate risk update are available only on the [Board eTeam website in Annex 3c](#).

4.2 Risk Appetite Statement

4.2.1 The appetite statement expresses the type and the amount of risk GPE is prepared to take, accept or tolerate to achieve its strategic goals and objectives. Acceptance of some risk is necessary given the trade-offs between GPE's mission and the fact some of the risks faced are systemic in nature and would require significant investment and time to mitigate. Acceptance of some risk is also often necessary to foster innovation and growth. Thus, the risk appetite statement guides risk taking in areas where it is necessary to clarify the trade-offs between GPE's mission and the risks inherent in its work. Each risk appetite statement provides guidance on the nature and extent of risk the Partnership is prepared to take.

4.2.2 The revised risk appetite proposal in Annex 2 builds on committee discussions in October 2018 and specifically incorporates feedback provided by the FRC and the GPC on Mutual Accountability Risk and ESPIG Performance Risk. This final proposal is recommended to the Board for approval. Once approved, the risk appetite statement will be a public document while the risk indicators will be internal thresholds that guide GPE operations and the amount of risk-taking within the risk appetite statement.

4.2.3 As part of the Board's duty to consider the nature and extent of the principal risks the Partnership is willing to take, and to ensure that sound risk management practices and internal control systems are maintained, it is recommended that the FRC on behalf of the Board continues to monitor and review the risk appetite on a regular basis, bringing material issues to the Board's attention.

4.3 Approach to risk indicators and country risk

4.3.1 The proposal in Annex 3a includes (i) a method for assessing risk based on a risk scoring mechanism that uses ranking from 1-5 as a proxy for probability and impact and (ii) a set of risk indicators to guide risk taking for GPE operations within the overall risk appetite statement. This proposal is recommended to the Board for approval and it is also recommended that the FRC be delegated authority from the Board to oversee the finalization of remaining indicators in 2019.

4.3.2 The list of indicators includes three types of indicators:

- **Key Risk Indicators (KRIs)** which are metrics used to monitor identified risk exposures over time or the possibility of future adverse impact;
- **Key Performance Indicators (KPIs)**, which evaluate the success of an activity; and
- **Key Control Indicators (KCIs)**, which are metrics that provide information on the extent to which a given control is meeting its intended objectives.

These indicators are largely drawn from existing data collection processes within GPE, and linkages have been built to the Results Framework and Portfolio Review, and the draft Management Team performance dashboard. Previously identified risk drivers have been included for each sub-risk.

4.3.3 The Secretariat has been working on a new online system to facilitate risk data collection, which is due for completion in August 2019, and information from this system will feed future corporate risk reporting. The Secretariat Management intends to review the risk information on a regular basis to guide decision-making and make course corrections, especially as it links to the Strategic Plan and the Results Report.

4.3.4 The proposal in Annex 3b includes (i) an external review of various indices that assess the country environment and (ii) recommendations on alternative ways to compute GPE Country Risk based on a selected set of indices. This proposal is recommended to the Board for approval and it is also recommended that the FRC be delegated authority from the Board to oversee the finalization of GPE country risk in 2019. GPC noted that the country risk rating would be useful for its decision-making on grants and encouraged the Secretariat to explore together with Grant Agents whether the country risk rating could be used during the QA process.

4.3.5 GPE country risk is an inherent risk that is defined in terms of how different aspects of the local context (e.g. economic factors, governance, risk of conflict/disaster, etc.) could negatively or positively affect the implementation of GPE-funded programs. In the past GPE has relied on the methodology developed by the Global Fund to assess “contextual risk” in GPE eligible countries. Following a need for further country coverage and data updating, the Secretariat contracted a consultant to review publicly available indices that assess the country environment and recommend alternative ways to compute GPE Country Risk. The Secretariat will conduct further consultation within the Secretariat to stress-test these options, finalize the methodology, and solidify the ways the country risk rating will be used going forward.

4.3.6 The list of risk indicators, country risk methodology and calculation tables are confidential documents for the use of the GPE Secretariat and its governing bodies. Due to length and the very technical nature of Annexes 3a, 3b and 3c, these have not been provided at the end of this paper but are accessible on the [Board eTeam site](#).

4.4 Corporate Risk Update

4.4.1 The previous corporate risk update provided to the Board in December 2018⁴, was based on the previous risk taxonomy as the revised taxonomy was being considered by the Board

⁴ See BOD/2018/12 DOC 06-Rev.1

concurrently. In the interests of efficiency and considering the emphasis on transitioning to the new taxonomy, the previous report gave an update on critical and high risks as reported to the Board in June 2018.

4.4.2 With the approval of the new risk taxonomy by the Board in December 2018, the current corporate risk update is based on the new risk taxonomy but does not yet consider the full list of proposed risk indicators, which was reviewed by the FRC in April 2019. To be mindful of the previously high and critical risk areas, these have been mapped to the sub-risks of the new taxonomy and an update on mitigation actions is presented for those which are considered as pertinent to flag to the Board. The current level of risk is provided for these sub-risks as an example, using the risk indicators reviewed by FRC in April 2019 when possible.

4.5 *Three lines of defense model*

4.5.1 In GPE's business model, diverse stakeholders work together and manage risk daily to help the organization achieve its goals and objectives, including the GPE Secretariat, Developing Country Partner, Grant Agent, Local Education Group, and Coordinating Agency. Given that risk management and controls are split between these stakeholders, it is necessary to define clear roles that enable each group of stakeholders to understand the boundaries of their responsibilities and how their positions fit into GPE's overall risk and control structure. This can be achieved by strengthening GPE's three lines of defense (LOD) model.

4.5.2 The three LOD model provides a way to enhance the effectiveness of risk management systems by clarifying roles and responsibilities. In the typical three LOD model shown in Figure 2 above:

- The 1st LOD owns and manages the risks (i.e. responsibility over identification and assessment of risks, implementation of correction and mitigation actions to address process and control deficiencies). Operational management usually serves as the first line of defense because controls are designed into systems and processes under their guidance.
- The 2nd LOD provides an oversight and challenge function (i.e. responsibility over provision and implementation of policies, controls and procedures). This is typically covered by the risk and compliance function. Because the 2nd LOD is intrinsically linked to the 1st line, it cannot provide truly independent analysis, hence the need for the third LOD.
- The 3rd LOD provides independent assurance and challenge through the audit of both programs and their underlying risk framework and controls. The scope of this

independent assurance usually covers a broad range of objectives (e.g. efficiency and effectiveness of operations and governance processes, reliability and integrity of reporting processes, safeguards, compliance with policies, processes and contracts).

Figure 2: Typical three lines of defense model



4.5.3 GPE’s structure as both a partnership, and a fund, and with a Secretariat, does not easily lend itself to a traditional three lines of defense model. Each of the stakeholders in the partnership plays a distinct role within GPE’s global and country level governance framework per the Charter⁵. In revising the 3 LOD model for GPE, it is important to consider two aspects: (i) the unique structure of GPE as a multi-stakeholder partnership and funding platform that outsources grant management; and (ii) the principles adopted by the Board to improve effectiveness and efficiency of GPE’s country-level operations, which highlight country-level mutual accountability; reinforcing national government ownership and strengthening its capacity; and achieving a reduction in GPE country-level processes and transaction costs while maintaining robust mechanisms for ensuring quality and managing risk. These considerations suggest adapting the typical 3 LOD model to a tailored GPE 3 LOD model that can better serve the Partnership.

4.5.4 The model presented in Annex 5 reflects current reality but needs to be refined in line with the decisions to be made on EPR. It builds on the EPR, in particular on the outcomes of the Grant Agent workshop held in Washington DC in March 2019. The proposal includes 3 different 3 LOD models, based on the different activities of the Partnership:

- **Grant Management:** In cases where the government is the implementing entity (fully or partially), GAs are accountable to the GPE Board for overseeing and monitoring grant implementation and the government is accountable to the Grant

⁵ <https://www.globalpartnership.org/content/charter-global-partnership-education>

Agent (as per grant agreements/MoUs or other administrative agreements governing the use of funds) for program implementation, and to its citizens for sector outcomes. In cases where the GA has a responsibility for direct implementation, it is accountable to the GPE Board for program implementation (as per its Financial Procedures Agreement). Given the diversity of Grant Agents, the GPE Secretariat role is to ensure consistency of quality assurance and implementation support, depending on the particular context and capacity of the Grant Agent.

- **Partnership Management:** As a global partnership, the roles and responsibilities of the first line of defense at local (LEG) and global (Board, Committees) levels are set out in the GPE Charter for Civil Society, Government, Development Partners, Grant Agents, Coordinating Agencies, and private sector and foundations. The second line of defense role in charge of oversight and challenge for ensuring mutual accountability remains unclear, i.e. who plays the challenge function when the behavior of actors within the partnership does not conform to expectations per the Charter. Given the Secretariat's role in supporting the GPE Board and Committees, it may be best placed to play the second line, but further clarity is required on expectations this creates.
- **GPE Secretariat Management:** With regards to risk ownership within the Secretariat, a three-step process has been developed at the first line-of-defense level to collect data on risk and provide information on mitigation actions from the different teams and levels of responsibilities. The Risk and Compliance Team provides an oversight role during the entire process as part of its second line of defense role, while the internal and external audit functions of the World Bank as the administrative host to the Secretariat plays a third line of defense. This type of three lines of defense is common in a traditional organizational structure.

4.5.5 Annex 5 also considers the roles of GPE management and GPE's governing bodies, which are the primary stakeholders served by the lines of defense and are the parties best positioned to ensure that the three LOD model is reflected in the organization's risk management and control processes. They are collectively responsible and accountable for setting the organization's objectives, for defining the strategy to achieve these objectives, including the risk appetite statement, and for establishing the governance structures, and provide the risk function the necessary inputs to develop processes to best manage and mitigate risks. Annex 5 includes a draft proposal for the distribution of (1) GPE Secretariat management ownership of risks; and (2) Committee oversight per sub risk.

ANNEXES

Annex 1: Related Board Decision, Review of GPE Risk Policies and Practices

Annex 2: Risk Appetite Statement proposal

Annex 3a and 3b: [Approach to risk indicators and country risk](#)⁶

Annex 3c: Corporate Risk update: calculation tables⁷

Annex 4: Corporate Risk update

Annex 5: Three Lines of Defense model

⁶ Available only on the [Board eTeam website](#)

⁷ Available only on the [Board eTeam website](#)

ANNEX 1: RELATED BOARD DECISION

BOD/2018/12-07—Review of Risk Policies and Practices: The Board of Directors:

1. Approves the risk taxonomy as set out in Annex 1D to BOD/2018/12/DOC 06.
2. Requests the Secretariat to complete the finalization of the risk appetite statement, three lines of defence model, and definition of key risk indicators for consideration by the Finance and Risk Committee and recommendation to the Board in 2019.

ANNEX 2: RISK APPETITE STATEMENT PROPOSAL

Vision & Mission	<p style="text-align: center;">To ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</p> <p style="text-align: center;">To mobilize global and national efforts to contribute to the achievement of equitable, quality education and learning for all, through inclusive partnership, a focus on effective and efficient education systems and increased financing.</p>			
Goals	<p style="text-align: center;">1</p> <p style="text-align: center;">Improved and more equitable learning outcomes</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">Increased equity, gender equality and inclusion</p>	<p style="text-align: center;">3</p> <p style="text-align: center;">Effective and efficient education systems</p>	<p style="text-align: center;">Linkages with Risk Taxonomy</p>
Risk Appetite Statements	<ul style="list-style-type: none"> GPE recognizes the need to take risk given its mission to mobilize global and national efforts to contribute to the achievement of equitable, quality education and learning for all. GPE is particularly committed to focus its resources on the most marginalized children and youth, including those affected by fragility and conflict. GPE believes that considerable risk taking is justified to achieve its goals in fragile and conflict affected states, and it is willing to accept potential negative impacts arising from working in these environments. The Partnership recognizes that there are risks that arise from its partnership-based governance and operating model. Particularly, it recognizes the need to ensure the effectiveness and efficiency of GPE’s operations. Therefore, GPE has a low risk appetite for behaviors that deviate from mutual accountability and government ownership. GPE has chosen to operate in the poorest countries, including in conflict affected countries, making its work risky by nature. As such GPE stresses the need to have in place measures that safeguard its integrity, so it can deliver the results it seeks. GPE considers that an important part of its brand is acting in ways that reflect integrity, professionalism, and transparency, and it therefore has zero risk appetite to engage in or support an activity that is not at the highest levels of integrity. GPE further recognizes that unexamined and unaddressed conflicts of interest can diminish its effectiveness and reputation. Recognizing that such conflicts are inherent to its model, GPE has a low risk appetite for unexamined and unaddressed conflicts of interest. It therefore proactively examines and seeks to address all issues arising from conflict of interest and recognizes that in doing so it can enhance the Partnership’s effectiveness and the confidence of partners. 			<p>Governance Risk</p> <p>Mutual Accountability Risk</p> <p>Reputational Risk</p>

Objectives	1 Strengthen education sector planning and policy implementation	2 Support mutual accountability through inclusive policy dialogue and monitoring	3 Ensure efficient and effective delivery of GPE support	Linkages with Risk Taxonomy
Risk Appetite Statements	<ul style="list-style-type: none"> GPE has low risk appetite to fund programs which do not sufficiently further its objectives of equity, learning, and system strengthening. It also has low risk appetite for funding programs that might cause inadvertent harm to beneficiaries⁸. The Partnership acknowledges the need to consider these risk appetites and their implications in relation to roles and responsibilities across the Partnership. The implication of a low risk appetite is that the Partnership accepts the transaction costs that the quality assurance process entails for both the Secretariat and country partners. GPE recognizes that education reform is not a linear process, but rather one that requires periodic stocktaking, monitoring and possibly course corrections. The Partnership encourages programs to conduct mid-term reviews and make the necessary adjustments to achieve results, in addition to having realistic program timelines to start with. It recognizes that some program extensions have the potential to drive reform and sector results and acknowledges that adjustments may sometimes be required due to unexpected events in the country environment. At the same time, GPE has low risk appetite for program extensions that result from gaps in implementation support, oversight, and grant management. Given GPE’s obligation to be an effective steward of donor resources, the Partnership maintains a zero tolerance in cases of evidenced misuse of funds. It will therefore pursue recuperation of funds and strengthened fiduciary controls as a condition of continued support in such cases. However, the Partnership acknowledges that working in the poorest countries, including in conflict affected countries, means working in environments where the likelihood of fraud or misuse is higher. The Partnership is committed to ensuring that fiduciary oversight arrangements are appropriate for the context and that they are well executed. It therefore has a low risk appetite for failures in the Grant Agent’s fiduciary oversight and controls, while acknowledging the risks inherent to its model of channeling funds through country systems where these are sufficiently robust. 			<p>ESPIG Design Risk</p> <p>Risk of doing harm</p> <p>Access to funding risk</p> <p>ESPIG Performance Risk</p> <p>Risk of Fraud and Misuse</p>

⁸ ‘Do No Harm’ is a principle that GPE follows in its engagement in fragile and conflict affected states by ensuring adequate context analysis, conflict sensitivity, and appropriate risk mitigation measures in programs.

Objectives	4. Mobilize more and better financing	5. Build a stronger partnership	Linkages with Risk Taxonomy
Risk Appetite Statements	<ul style="list-style-type: none"> Given the nature of the global education challenge, GPE has chosen to pursue a systemic approach to address it. It consequently prioritizes work on nationally owned education sector analyses and plans, joint sector reviews, and increased domestic financing to education. The Partnership recognizes that this approach is incompatible with knowing the impact of every dollar spent by the Partnership. GPE is a learning organization and is willing to adapt and evolve in light of new evidence or innovative ways to address the global challenges it tries to address. The Partnership has considerable risk appetite for the risk that it may fail while pursuing these adaptations and innovations, such as KIX and ASA. At the same time, the Partnership is committed to engaging evaluations and making course corrections, as deemed necessary in order to achieve results. Because global education is underfinanced, GPE has set ambitious financing goals for itself so it can deliver on its mission. The Partnership has so far exceeded its financing targets in relation to domestic financing and crowded in external financing to education. The Partnership has low risk appetite for not reaching its fundraising goals and is subsequently committed to ensuring that it is adequately resourced to meet this appetite. GPE is willing to undertake bold steps to fundamentally and sustainably deliver better learning and equity outcomes for 870 million children and youth in 89 countries. Recognizing that addressing these challenges requires coordinated effort together with partners, GPE has low appetite for the risk that the education aid architecture is not aligned and complementary. As a result, the Partnership is committed to investing time to coordinate and align support on a technical level and committed to furthering alignment between education organizations at a political level. <p><u>Enablers for the Secretariat to carry out GPE’s vision and mission:</u></p> <ul style="list-style-type: none"> GPE recognizes the need to have a dedicated and professional Secretariat to support the work of the Partnership while ensuring it is operating as efficiently and effectively as possible. Therefore, GPE has a low risk appetite for risks related to the business continuity of the Secretariat as this could challenge the conduct of operations and impede the ability of the Partnership to deliver on its mission. Balancing this with the need for efficiency in Secretariat operations, GPE has a low risk appetite for operating expenses exceeding 5-7% of total expenditure. 		<p>Value for Money Risk</p> <p>Financing Risk</p> <p>Global Aid Architecture Risk</p> <p>Business Continuity Risk</p> <p>Operating expenses risk</p>

ANNEX 4: CORPORATE RISK UPDATE, BASED ON THE NEW RISK TAXONOMY

Strategic Risk Category

Sub Risk 1.3: Mutual Accountability Risk - The risk that partners at the country level are not accountable for their commitments.

Current level of risk: Not available (Risk indicators pending EPR outcome)	Risk appetite: In draft, pending EPR outcome.
Previous level of risk: The residual risk around roles, responsibilities and accountabilities at country level was high.	
Update on mitigation actions: One of the Effective Partnership Review workstreams has focused on strengthening country level partnership and policy dialogue. Regarding mutual accountability, the recommendations of the working group are the following: Simple and flexible guidelines and tools to improve partnership and periodic LEG self-assessment, linked to strategic plan results framework. The mitigation actions for this risk will be updated once the GPC has decided on the way forward, in April 2019.	

Sub Risk 1.4: Impact Risk – The risk of not being able to demonstrate results.

Current level of risk: Moderate	Risk appetite: GPE has chosen to pursue a systemic approach to address the global education challenge. The Partnership recognizes that this approach is incompatible with knowing the impact of every dollar spent by the Partnership.
Previous level of risk: In the last risk update, the residual risk around quality data on ESPs was high (The risk that the partnership is unable to capture reliable data to monitor and demonstrate performance of education sector plans).	
Update on mitigation actions: As part of the quality assurance process for ESPIGs, the Secretariat assesses the availability of education data, which is an ESPIG funding requirement. DCPs not meeting the benchmark, of at least 10 out of 12 key international education indicators reported to UIS, are required to have a strategy to improve data availability and to use the ESPIG to develop it if other funding is not available. Out of 37 active/pending ESPIGS in FY18, 29 ESPIGs (19 in FCACs) targeted countries' EMIS. Five of the eight pending grants that will become active in FY19 support EMIS: Cape Verde, Comoros, Gambia, Guinea Bissau, Somaliland. For this fiscal year, the Secretariat has already informed the following countries that they are not meeting the benchmark: Rwanda, Papua New Guinea, Djibouti. The Secretariat is following up with the DCPs on a strategy to improve data availability as part of their coming ESPIGs. The Secretariat's mitigation actions also include: Working with UIS to support better data; Launch KIX data theme to leverage expertise and resources from partners, including through the Data Roundtable; Publish the international EMIS conference proceedings; Incorporate EMIS international conference findings into the KIX data theme, and; Ensure further analysis to understand underlying causes of limited data reporting to UIS.	

Fragmented Global Aid Architecture Risk Category

Current level of risk: Not available (Risk indicators pending)	Risk appetite: Low appetite for the risk that the education aid architecture is not aligned and complementary.
Previous level of risk: In the last risk update, the residual risk around complementarity/alignment with IFFEd was assessed critical.	
Update on mitigation actions: <p>GPE Secretariat is continuing its efforts to work closely with ECW through ECW's EXCOM and various task teams. The GPE Secretariat is attempting to engage on country level and communications related issues with counterparts in the ECW Secretariat. The ECW Director and GPE's CEO have held calls and are arranging a further meeting to strengthen cooperation and there are several areas where improvements can be made.</p> <p>In relation to IFFEd, the GPE Secretariat is not involved in the ongoing technical design work but is keeping in contact with the Education Commission to be informed of progress. Given the nature of IFFEd as purely a financing mechanism for MDBs primarily in LMIC countries, the Secretariat's assessment of risks around alignment and complementarity is low. The Secretariat is prepared to engage and support the commission as needed.</p> <p>As requested by the Board in December, the Secretariat is working with the Board Working Group and World Bank to explore the family of funds concept. There are ongoing discussions related to the education architecture being convened by partners with some planned around the margins of the World Bank Spring meetings. GPE Secretariat is happy to engage in this where asked, and any further work on family of funds should take into account progress on these issues.</p>	

Operational Risk Category

Sub Risk 4.1: Access to funding – The risk that partners do not, or are not able to, apply for GPE funding.

Current level of risk: Moderate	<i>Risk appetite not applicable</i>
Previous level of risk: The residual risk around GPE's funding model was high (The risk of disruption in country-level processes due to problems in the implementation of the GPE funding model).	
Update on mitigation actions: <p>The recommendations of the working group are to streamline and adapt the application process according to Grant Agent and context. The GPC will also consider whether specific adaptations to the ESP process and Variable Part should be adopted for specific cases in the shorter term. This will be updated following the GPC meeting.</p> <p>Secretariat staffing and strategic solutions to inability to take on new countries needs to be considered by the Board of Directors.</p>	

Sub risk 4.4: Risk to ESP financing – The risk that financial commitments are not sufficient or not continuously expanding to finance the implementation of the sector plan.

Current level of risk: Moderate	Risk appetite: Low risk appetite for not leveraging domestic financing.
Previous level of risk: In the last risk update, the residual risk that some DCPs fail to deliver on their current pledges was high, and 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 was also high.	
Update on mitigation actions: 12 countries have received a total Multiplier allocation in the amount of US\$101 million, leveraging approx. US\$446 million in co-financing. This gives a ratio of about 1:4.4 in additional sector financing that has been unlocked by the Multiplier. The Secretariat also plans to pilot Education Sector Investment Cases (ESICs) in select countries in 2019 and 2020, which would position the Secretariat as a matchmaker between unfunded programmatic opportunities identified through the planning process and external (e.g. a donor) or internal (e.g. a local foundation) contributors. However, the Secretariat currently only has capacity to pilot a very limited number of ESICs. The main tools at the Secretariat’s disposal to mitigate this risk are the following: (i) Reducing transaction costs on applications, which can facilitate additional co-financing; (ii) Continuing to seek to leverage additional DCP funding for sector plans through the funding model. Advocacy and social accountability could help to mitigate this risk. Overall, the Partnership needs to consider additional mechanisms to help countries mobilize more funding to education.	

Sub risk 4.6: ESPIG Performance – The risk that ESPIGs do not achieve results in intended timeframe.

Current level of risk: High	Risk appetite: <i>In draft</i>
Previous level of risk: In the last risk update, the residual risks around program implementation timeline and grant management were both high (The risk that grant objectives are not achieved within the expected implementation period; The risk to GPE that not all poorly performing grants are detected and remedied in a timely manner).	
Update on mitigation actions: One of the Effective Partnership Review workstreams has focused on clarifying the accountabilities of government, Grant Agents, Secretariat, and GPC around ESPIGs and their implementation. An increased role on different partners’ role in building government capacity will be needed. This includes capacity building in cases where the government has difficulty implementing a grant. Based on the implementation delay analysis, increased attention to potential delays in program design through quality assurance is needed. Regional Managers will continue overseeing implementation progress in their portfolios and collaborating with Grant Agents to address issues. More realistic estimates of project duration are also needed, to ensure that implementation timelines are feasible.	

Business Continuity Risk Category

Sub risk 7.7: Risk to new projects and strategies - The risk that the Secretariat is not able to effectively design and implement new projects or strategies.

<p>Current level of risk: Not available (Risk indicators pending)</p>	<p><i>Risk appetite not applicable</i></p>
<p>Previous level of risk: In the last risk update, the residual risks around the implementation of the Foundations Strategy and around the absence of a private sector strategy were both high.</p>	<p><i>Risk appetite not applicable</i></p>
<p>Update on mitigation actions:</p> <p><u>Private Foundation Strategy:</u></p> <p>Implementation of the Board approved Private Foundation strategy is delayed as no headcount was initially allocated to this work. The person previously responsible for developing the strategy was mapped fully to other priority work. Responsibility for engaging with the philanthropic community, including the constituency, and driving the strategy was transferred to the new Private Sector and Foundations Team in EXR, which is now staffing up. Discrete staffing has been now allocated and a Private Foundations position has been recruited and an offer has been made to a strong candidate. The work plan for the next six months will focus on an updated re-mapping of the sector, supporting the work with existing foundation donors and partners, and post mapping advancing a small number of engagements with select foundations around GPE’s technical thematic work, including through the Knowledge and Innovation Exchange (KIX).</p> <p>Risks to implementation exist, including but not limited to lack of capacity, GPE’s weak engagement with the private foundations constituency, persisting lack of concrete pathways for GPE and foundations to collaborate in the short term, and competing priorities within the small Private Sector and Foundations Team. A designated Foundations position able to service the necessary relationships and implement a timebound workplan with milestones will mitigate some of these risks.</p> <p><u>Private Sector Engagement strategy:</u></p> <p>The finalization of GPE’s private sector engagement strategy has taken longer than anticipated. It was previously scheduled for consideration by the GPE Board last December. However, the Strategy and Impact Committee requested additional work to be done on several issues and established a SIC Committee Working Group to work with the Secretariat on these issues. This additional work was done between December 2018 and February 2019. The SIC met in late February and endorsed the revised strategy, pending minor tweaks, and decided on a policy option regarding use of GPE funds to support private provision of education. The strategy will now be considered by the Board in June 2019. The SIC made note of the size of the staffing and budget presented with the strategy, given modest financial returns for the first three years. We anticipate that this issue will be discussed as part of the Board’s consideration of the strategy and the Secretariat’s annual budget and workplan request. In terms of implementation of the strategy, we currently have 30% of a team lead, 1 senior ETC expert, and an STC research consultant. These few resources will enable GPE to start this work only at a very modest level and is insufficient to implement the new strategy.</p> <p><u>ESIC and Multiplier:</u></p> <p>Thus far 12 countries have received a total Multiplier allocation in the amount of US\$101 million, leveraging approx. US\$446 million in co-financing. As mentioned in response to Risk 4.1. <i>Access to</i></p>	

Funding, Secretariat staffing and strategic solutions to inability to take on new countries needs to be considered by the Board of Directors. With regards to Education Sector Investment Cases (ESICs), the Secretariat goal was to pilot around four ESIC approaches in 2019 and 2020. However, it is not on track to do this, given implementation and testing rest with one senior level staff member and no extra headcount is available to support this work.

Advocacy and Social Accountability:

The objectives of the ASA project have been refined and consulted over a two-year period which has led to well defined objectives. In addition, a firm has been hired to ensure strong communications around ASA including its branding and messaging. Oxfam will also ensure full suite of guidelines are available outlining the details of the ASA objectives and the related results framework indicators on ASA to ensure clarity on what the project aims to achieve. Oxfam IBIS has included a significant human resources envelope in their proposal including 4 regional management units given the high touch implementation support required for such a large portfolio of small grants. With this capacity in place, it is expected that the GPE Secretariat will be able to support oversight of the program and its integration with other workstreams using existing staff, and mechanisms such as KIX-ASA joint coordination group, etc. However, should a risk manifest around inadequate implementation capacity, the ASA process includes an annual adaptive management review to adjust program features, and future requests for additional Secretariat or Oxfam IBIS staff may be made if required.

Knowledge and Innovation Exchange:

The KIX mechanism has several moving parts related to knowledge exchange activities and grants and includes a range of implementing partners. A detailed workplan co-developed by the grant agent and GPE Secretariat and overseen by two full-time Secretariat positions spell out the processes to establish the different components over the next 12 months including the recruitment of technical partners, establishment of regional knowledge exchange communities, and the issuance of global and regional grants. Inherent implementation risks exist, described in the grant agent proposal, which will be mitigated through swift staffing of KIX grant agent team, clear messaging and communications with DCPs and the broader partnership, strong coordination within the GPE Secretariat, and oversight by a Committee as a standing item.

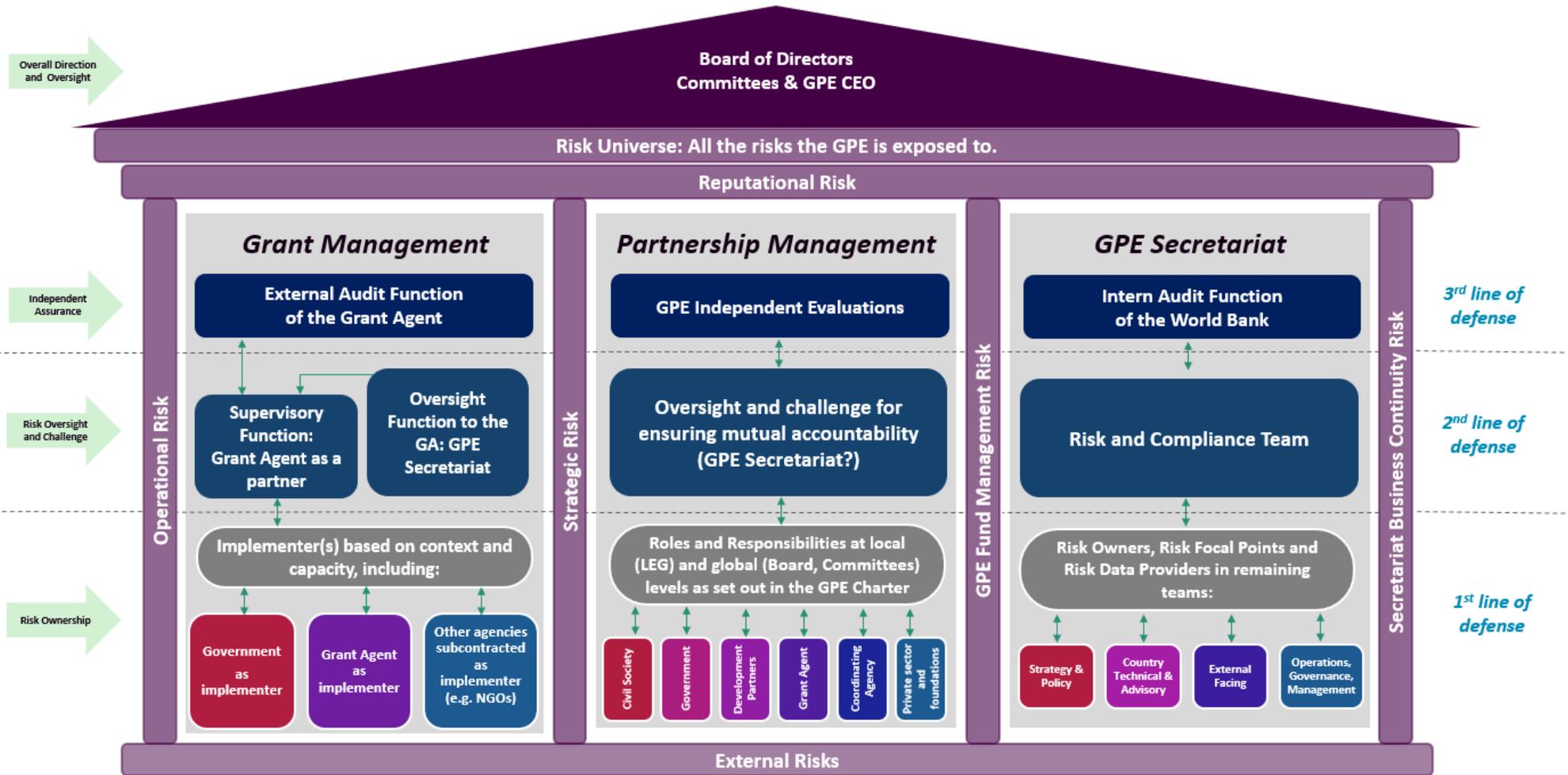
Gender Strategy:

In line with GPE's Gender Equality Policy and Strategy, a collaborative gender mainstreaming exercise has been conducted, which has identified a number of leverage points in the operational framework where consideration of gender could be strengthened to help further drive results towards achieving the policy goals. These actions have been incorporated into the indicative work plan outlined in the draft Annual Report on Implementation of GPE's Gender Equality Strategy 2019 which will be submitted to the SIC for discussion and input in their May meeting.

The draft annual report previews findings from the 2019 Results Report as well as from other analytical work produced in the year, and outlines progress towards achievement of the Output Areas of the Gender Equality Strategy, noting that with three months remaining in this FY, progress is generally on track. The draft cites the 2018 Portfolio Review that 31 out of 37 ESPIGs active/pending in FY18 include initiatives supporting gender equality - 18 out of 22 FCACs and 13 out of 15 non-FCACs (p. 41). As GPE's Gender Equality Strategy runs to 2020 only, the report also recommends integration of gender equality strategic objectives into the GPE 2025 strategic plan, rather than development of a new stand-alone strategy for gender.

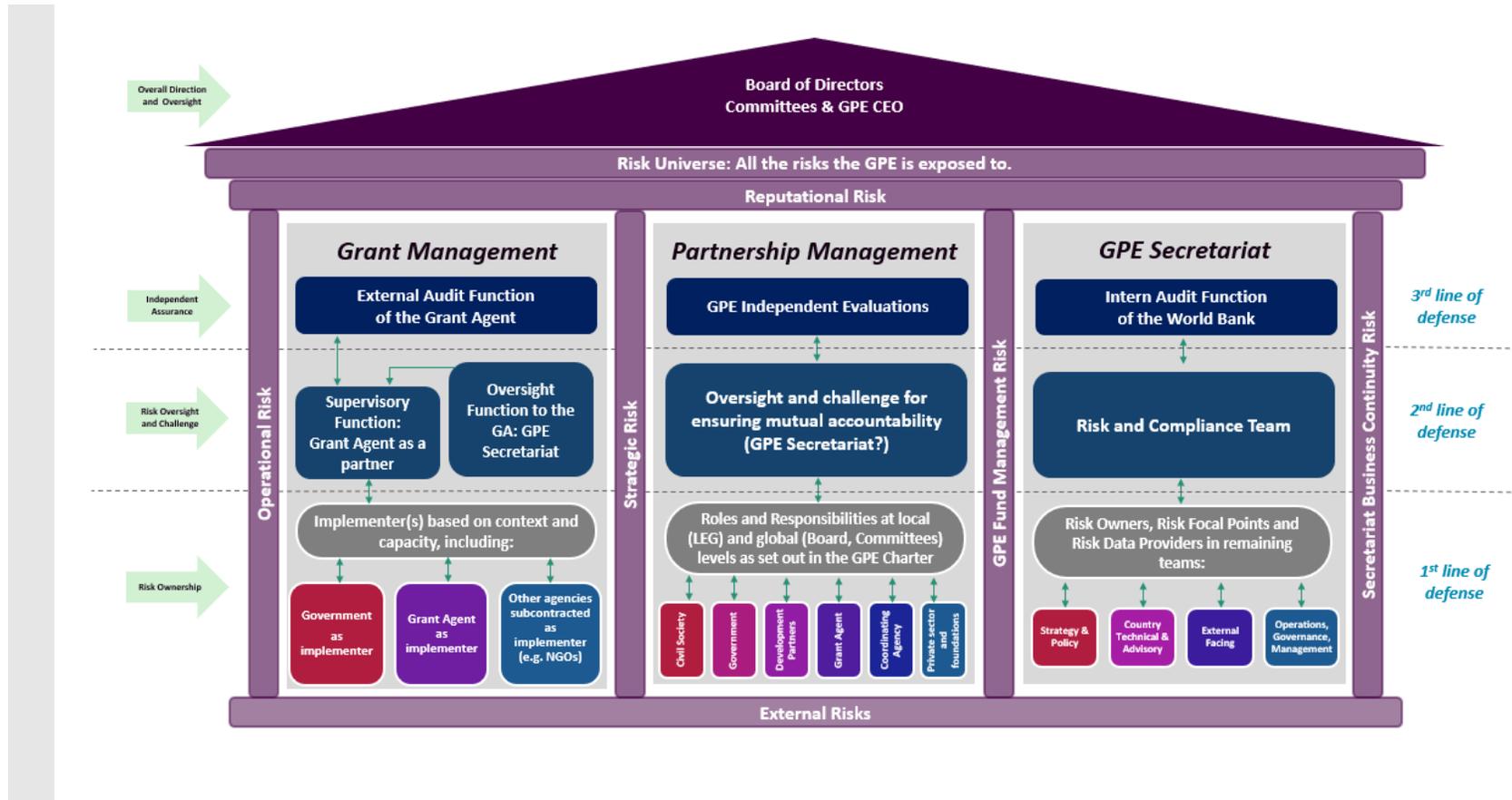
ANNEX 5: THREE LINES OF DEFENSE MODEL

Overall architecture:



Zoom on the three pillars:

Areas that need to be further clarified.



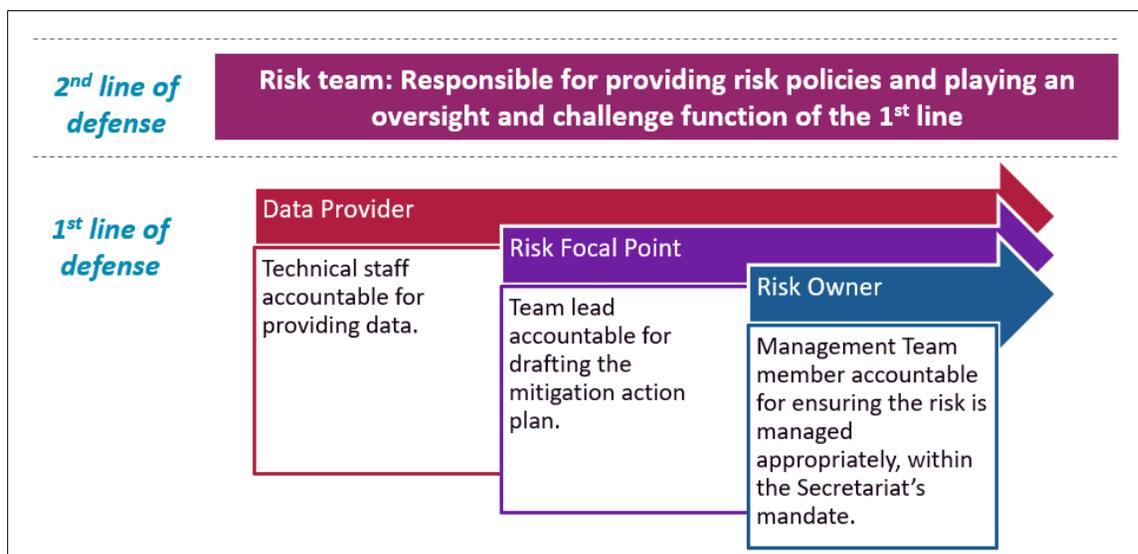
Distribution of GPE Secretariat management ownership of risks and Committee oversight

The table below aims to clarify: (i) risk ownership within the Secretariat; and (ii) the division of Committee oversight on risk.

With regards to risk ownership within the Secretariat, a three-step process has been developed at the first line-of-defense level to collect data on risk, provide information on mitigation actions and ensure consistency, as follow:

1. **Primary Data Provider:** The individual (usually a Technical staff) who is accountable for providing the latest data available for the different risk indicators at each reporting period (biannual).
2. **Risk Focal Point:** The individual (usually a Team lead) who is accountable for drafting the mitigation action plan for each sub risk.
3. **Risk owner:** The individual (usually a Management Team member) who is accountable for ensuring the risk is managed appropriately, within the Secretariat’s mandate. There may be multiple personnel who have direct responsibility for, or oversight of, activities to manage each identified risk, and who collaborate with the accountable risk owner in his/her risk management efforts. The risk owner is responsible for mitigation action plans that are being taken to manage this sub risk.

Figure 4: Risk Ownership within GPE Secretariat



The Risk and Compliance Team (R&CT) provides an oversight role during the entire process as part of its second line of defense role. The R&CT can help primary data providers and risk focal points to complete the exercise. At the request of the manager, the R&CT can modify the data provided by the primary data provider and adjust the scale of each indicator when deemed necessary. A summary is provided in Figure 2.

Risk Category	Sub Risk	Committee Oversight ⁹
Strategic Risk The risk that GPE is not able to achieve its goals and objectives.	1.1 Financing Risk <i>The risk that contributions to the GPE Fund do not reach targets.</i>	Finance and Risk Committee
	1.2 Governance Risk (Global) <i>The risk that the systems by which GPE makes and implements decisions in pursuit of its objective is not fit for purpose.</i>	Governance and Ethics Committee
	1.3 Mutual Accountability Risk (Country level) <i>The risk that partners at the country level are not accountable for their commitments.</i>	Grants and Performance Committee
	1.4 Impact Risk <i>The risk of not being able to demonstrate results.</i>	Strategy and Impact Committee
	1.5 Value for Money Risk <i>The risk that GPE investments do not demonstrate Value for Money.</i>	Finance and Risk Committee
Fragmented Global Aid Architecture Risk The risk that the education architecture is not well defined & complementary.	n/a <i>Fragmented Global Aid Architecture Risk is part of the external / contextual risk category.</i>	Coordinating Committee
Reputational Risk The risk of threat or danger to the good name or standing of an organization.	n/a <i>Reputational risk is part of the external / contextual risk category.</i>	Finance and Risk Committee
Operational Risk The risk that GPE is not able to deliver on its country-level objectives.	4.1 Access to Funding Risk <i>The risk that partners do not, or are not able to, apply for GPE funding.</i>	Grants and Performance Committee
	4.2 Risk to context appropriate sector plans	Grants and Performance Committee

⁹ While only one Committee provides oversight on a sub risk category, the risk analysis on this sub risk category might be presented for information to other committees.

Risk Category	Sub Risk	Committee Oversight ⁹
	<i>The risk that GPE does not support evidenced-based, government-endorsed sector plans focused on equity, efficiency and learning.</i>	
	4.3 Risk to sector dialogue and monitoring <i>The risk that GPE does not support improved sector dialogue and monitoring of the sector plan's implementation.</i>	Grants and Performance Committee
	4.4 Risk to sector plan financing <i>The risk that financial commitments are not sufficient or not continuously expanding to finance the implementation of the sector plan.</i>	Grants and Performance Committee
	4.5 ESPIG Design Risk <i>The risk of approving programs that do not support equity, efficiency, and learning in an efficient and effective way.</i>	Grants and Performance Committee
	4.6 ESPIG Performance Risk <i>The risk that ESPIGs do not achieve results in intended timeframe.</i>	Grants and Performance Committee
	4.7 Risk of Doing Harm <i>The risk that interventions cause inadvertent harm to intended beneficiaries and /or marginalized populations.</i>	Grants and Performance Committee
	4.8 Risk of Fraud and Misuse <i>The risk of losses due to fraud or misuse in GPE-funded programs.</i>	Finance and Risk Committee
	4.9 Grant Management Compliance Risk <i>The risk of a breach of the policies and procedures on grant management.</i>	Finance and Risk Committee

Risk Category	Sub Risk	Committee Oversight ⁹
<p>Country Risk</p> <p>The risk of exogenous factors in the country environment adversely affecting sector planning and implementation.</p>	<p>n/a</p> <p><i>Country Risk is part of the external / contextual risk category.</i></p>	<p>N/A</p>
<p>GPE Fund Management Risk</p> <p>The risk associated with the ineffective or underperforming financial management of the GPE Fund.</p>	<p>6.1 Liquidity risk <i>The risk that the Secretariat is unable to ensure that all payment obligations are met when they come due.</i></p> <p>6.2 Transaction Processing Risk <i>The risk that deficiencies in transaction processing, in internal processes or controls result in delayed transactions.</i></p> <p>6.3 Currency Exchange Risk <i>The financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the GPE.</i></p> <p>6.4 Investment Risk <i>The risk of losses relative to the expected return on an investment.</i></p>	<p>Finance and Risk Committee</p>
<p>Business Continuity Risk</p> <p>The risk that the Secretariat is unable to operate its critical business functions.</p>	<p>7.1 Operating Expenses Risk <i>The risk that GPE's operating expenses are not aligned with needs.</i></p> <p>7.2 Human Resources (HR) Risk <i>The risk that the Secretariat has inadequate human resource capabilities.</i></p> <p>7.3 Information Technology (IT) Risk <i>The risk that external, internal, deliberate or unintentional threats to IT systems affect business or project goals, service continuity, bottom line results, reputation, security or infrastructure.</i></p>	<p>Finance and Risk Committee</p> <p>Finance and Risk Committee</p> <p>Finance and Risk Committee</p>

Risk Category	Sub Risk	Committee Oversight ⁹
	7.4 Workplace Risk <i>The risk that hazards in the working place negatively impact the conduct of operations.</i>	Finance and Risk Committee
	7.5 Suppliers and Service Providers Risk <i>The risk that suppliers and service providers are not able to deliver, challenging the conduct of operations.</i>	Finance and Risk Committee
	7.6 Integrated Processes Risk <i>The risk that the lack or misuse of integrated processes, systems and tools challenge the conduct of operations.</i>	Finance and Risk Committee
	7.7 Risk to new projects or strategies <i>The risk that the Secretariat is not able to effectively design and implement new projects or strategies.</i>	Strategy and Impact Committee
	7.8 Secretariat Compliance Risk <i>The risk of a breach of the Host/Trustee or Secretariat specific administrative policies and procedures.</i>	Finance and Risk Committee