PURPOSE

- The purpose of the Fall 2020 Corporate Risk Update is to provide the GPE Board of Directors (BoD) with information on the current status of risk management at GPE, with a focus on high and very high risk ratings at the risk and sub risk levels, and their respective risk mitigation plans.

- The Secretariat shared the corporate risk update report with the four GPE Committees along with a short, targeted report for each Committee focusing on risk areas for which they provide challenge and oversight as part of their 2nd line of defense role in the risk management framework. This presentation flags specific material risk exposures or risk-related concerns the Committees wanted to signal for the Board’s attention (further detail on slide 9).
The Direction of Travel (DOT) indicates whether the risk level has increased (e.g. from low to moderate), remained similar (e.g. from low to low) or decreased (e.g. from high to moderate) compared to the previous reporting exercise. The DOT does not consider changes of risk scores (e.g. changes from 2.3 to 1.8 shows "remained similar"). PRR: Previous Risk Rating. CRR: Current Risk Rating.
GPE’s risk profile has remained stable over the past 6 months, with 7 out of the 10 Top Risks from the previous risk update still included in the current Top 10 Risks.

- The 3 Top Risks of this risk update are (1) Grant Management Compliance Risk, (2) Human Resource Risk, and (3) Risk of Fraud and Misuse, with a high risk exposure for the first two and a moderate risk exposure for the last (further detail outlined in a later slide).

- Risk exposure of Access to Funding Risk and Liquidity Risk, the 2 highest risks 6 months ago have significantly decreased, and the second has left the Top 10 Risks. This is the result of various actions taken by the Secretariat, Board, and Partners, along with the impact of the COVID-19 funding window that led to a sharp increase in approvals and disbursements compared to the previous reporting period. Given the volumes of approvals, the focus will naturally need to shift towards monitoring implementation (managing program implementation risks).

- Workplace Risk and Risk to Sector Plan Financing have seen a minor increase in their risk exposure (i.e. both went from low to moderate risk exposure). Investment Risk has entered the Top 10 as a result of other risks’ exposure falling rather than an actual increase in exposure. The six other risks that are part of the Top 10 Risks were already in the Top 10 Risks of the previous risk update and have seen their exposure remain stable over the past 6 months (detail in the next slide).

Given that the GPE is in a transition period, finishing one strategic plan period and moving into another, the current risk framework and report is really positioned towards the current strategy. GPE’s risk profile is likely to shift under the new Strategy, with potential new, shifted or reframed risks associated with the new strategy and operating model, as well as potential implications for GPE’s risk appetite. The next report will better reflect risks around implementation of the new Strategy.
### Top 10 Risks

<table>
<thead>
<tr>
<th>#</th>
<th>Risk</th>
<th>Oversight</th>
<th>PRR</th>
<th>CRR</th>
<th>DOT</th>
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<tbody>
<tr>
<td>1</td>
<td>Grant Management Compliance Risk</td>
<td></td>
<td>3.7</td>
<td>4.0</td>
<td>=</td>
</tr>
<tr>
<td>2</td>
<td>Human Resources (HR)</td>
<td></td>
<td>3.9</td>
<td>3.5</td>
<td>=</td>
</tr>
<tr>
<td>3</td>
<td>Risk of Fraud and Misuse</td>
<td></td>
<td>3.2</td>
<td>3.2</td>
<td>=</td>
</tr>
<tr>
<td>4</td>
<td>ESPIG Design Risk</td>
<td></td>
<td>3.3</td>
<td>3.0</td>
<td>=</td>
</tr>
<tr>
<td>5</td>
<td>IT Risk</td>
<td></td>
<td>3.3</td>
<td>3.0</td>
<td>=</td>
</tr>
<tr>
<td>6</td>
<td>Investment Risk</td>
<td></td>
<td>3.0</td>
<td>3.0</td>
<td>=</td>
</tr>
<tr>
<td>7</td>
<td>Mutual Accountability Risk (Country level)</td>
<td></td>
<td>3.0</td>
<td>3.0</td>
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</tr>
<tr>
<td>8</td>
<td>Workplace Risk</td>
<td></td>
<td>2.0</td>
<td>3.0</td>
<td>→</td>
</tr>
<tr>
<td>9</td>
<td>Risk to Sector Plan Financing</td>
<td></td>
<td>2.4</td>
<td>2.9</td>
<td>→</td>
</tr>
<tr>
<td>10</td>
<td>Access to Funding Risk</td>
<td></td>
<td>4.5</td>
<td>2.7</td>
<td>→</td>
</tr>
</tbody>
</table>

**Legend**

- FRC = Funder Risk Criteria
- GPC = Governance, Policy and Compliance
- GEC = Geographical, Eventual, Context
- SIC = Sectors, Impact, Context

**Direction of travel since Spring 2020**

- PRR = Previous Risk Rating
- CRR = Current Risk Rating
- DOT = Direction of Travel

**Legend**

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In bold: risks or sub risks that were already flagged as Top 10 Risks in Spring 2020.
1. **Grant Management Compliance Risk: Exposure continues to be high due to delayed submission of audit reports and ESPIG completion reports.**
   - The size and the composition of the sample and timing of data collection are factors that explain some of the delays. 50% of delayed completion reports were however submitted within one month of the deadline and delays were due mainly to COVID-19 factors. 69% of audit reports were submitted late (i.e. one month after the deadline), compared to 23% last time, which is however more preoccupying. To mitigate this risk, increased monitoring, involving Secretariat Management review, of the timeliness of receipt of ESPIG completion and audit reports will be performed, including additional follow up with GAs where necessary.

2. **Human Resources Risk: Exposure continues to be high due to long recruitment times.**
   - Causes of recruitment process delays include high workloads, and COVID-19 impacting times taken to complete longlisting, shortlisting, and conduct interviews. Risk is also driven by the results of the last WB staff survey that concluded that only “46% of GPE staff agree that their unit has the resources necessary to do quality work”. To mitigate this risk, the GPE is monitoring the cycle time of each recruitment.

3. **Risk of Fraud and Misuse: Exposure has remained moderate. Risk exposure is driven by the percentage of audits reviewed with high or very high-risk issues in the current FY (33%).**
   - It’s important to understand that the risk rating is elevated due to number of issues identified in audit reports, while it does not necessarily imply that there is an actual increase in incidences of fraud and misuse but rather that the likelihood of such risk occurring may be higher requiring increased vigilance.
4. **ESPIG Design Risk exposure has remained moderate.**
   - More of the newer grants include co-financing and much of the co-financing is leveraged through the Multiplier. Since 2020 is the last year of the funding model and the validity of the MCAs, the window for impacting the final application rounds is closing. New mitigation actions/incentives may be considered for the next Strategic Plan.

5. **IT Risk exposure is moderate and has not changed since the previous report. It is driven by the Strategy that was proposed and updated as necessary but not formally approved.**
   - The mitigation strategy chosen is to Assume/Accept the risk (i.e. acknowledge the existence of a particular risk and make a deliberate decision to accept it without engaging in special efforts to control it). This acknowledges that GPE in many cases rely on World Bank IT systems, policies and processes.

6. **Investment Risk has entered the Top 10 Risks as a result of other risk exposures falling rather than increased exposure.**
   - The Secretariat continues to actively manage the GPE Trust Fund (TF) in collaboration with the Trustee. As of the last investment re-balancing performed (July 31, 2020), roughly 37.5% of the assets were held in cash earning no interest. This was after a rebalancing allocating more funding to highly liquid instruments to cover large cash disbursements that occurred and were expected arising from the COVID-19 funding window.

7. **Mutual Accountability Risk has maintained a moderate risk exposure.**
   - The risk assessment is qualitative and risk indicators are yet to be developed in this area. Agreement on accountabilities was completed in June 2019 with the adoption of an Accountability Matrix. Awareness, implementation and monitoring thereof are either under development or have been completed.
8. Workplace Risk has seen a minor increase in its risk exposure over the past six months, moving from low to moderate risk exposure.
   - The GPE Secretariat has transitioned to home-based work (HBW) since March 2020 with the DC office closed and Paris and Brussels restricted to 10% and 25% presence, respectively. It will be at least 2021 before GPE staff physically return to the office in significant numbers. A “Back to Office” team is looking at workspace needs, both in terms of health and safety but also longer-term needs considering the expiration of the current DC building lease in July 2021, staffing levels, flexible working demands, and scale up in Paris.

9. Risk to Sector Plan Financing has seen a minor increase in its risk exposure over the past six months (from low to moderate).
   - Risk exposure has risen due to not being able to pilot the Education Sector Investment Case in more than one country in 2020 due to the impact of COVID. The percentage of Developing Countries Partners (DCPs) not meeting the domestic financing (DF) benchmark (30%) has remained similar since the data is drawn from the Results Report. This risk is central to the new Strategy and Operating Model currently being designed. The lessons learnt have been drawn from the current model application at country level. Strategic partnerships are engaged (through the Finance Platform) and DF questions are being largely redesigned and discussed.

10. Access to Funding Risk, one of the two highest risks in the previous risk update, has significantly decreased from very-high to medium risk. (further detail on slide 4).
COMMITTEES REPORT TO THE BOARD

With regards to HR Risk, FRC Committee members raised concern on the low score of GPE staff reporting they have sufficient resources to do their job and the risk of staff burn-out – The Secretariat noted the exceptional demands on the Secretariat in 2020, exacerbated by the COVID impact and that the Management Team is well aware of the risk of staff burn out, especially in the context of global pandemic – the longer the situation continues the greater the risk of more staff being negatively impacted. Secretariat Staff are surveyed regularly and both the GPE and the WB are facilitating work adjustment to support staff. A committee member also pointed out that HR recruitment times could potentially be problematic for replenishment resourcing, hence a need to prioritize the mitigation of this risk.

With regards to Governance Risk, both the FRC and the GPC indicated their disappointment that the SEAH policy will not be ready in December 2020. The GPE Secretariat however indicated that the work with the consultant is on track, and that a draft SEAH policy will be ready in Q1 of 2021. Committee members were pleased to hear that the reporting elements of the SEAH policy will mirror the GPE Misuse of Funds Policy.

With regards to the significant decrease of risk exposures of Access to Funding Risk (GPC-owned) and Liquidity Risk (FRC-owned), the 2 highest risks 6 months ago, a Committee member indicated that, while this tendency is overall positive, it might be a temporary consequence of the record period of approvals and disbursements, and that issues related to access to Funding Risk should be carefully considered as part of the new funding model, as well as the need to shift focus to risks related to implementation of grants.

Questions were also raised by members and responded to by the Secretariat in relation to risks around grant management compliance, misuse of funds, status of ESIC, and IT strategy. The Secretariat also provided updates on latest misuse of funds and SEAH cases.
THANK YOU

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