SEMESTER 2 2021
CORPORATE RISK UPDATE
**A TRANSITIONAL REPORTING EXERCISE**

- Update Risk Appetite Statement.
- Organize internal consultations within Secretariat to refine list of proposed indicators.
- Implement changes in GPE risk dashboard to start collecting data for Semester 1 2022 risk report.

**Tailoring risk framework to GPE 2025 while the new Operating Model is rolled out**

- Quantitative monitoring using indicators to be continued under GPE 2025 and new Operating Model.
- Qualitative monitoring through strategic risk conversations at management and FRC levels. *Focus of the discussion.*

**While continuing to monitor ongoing risk exposures across GPE**
TOWARDS AGILE RISK MANAGEMENT AT GPE

Outcome 1: Risk framework is an effective Internal management tool

Outcome 2: Risk framework supports FRC and Board in strategic decision making

Streamlined indicators for increased risk management agility. Indicators are predictive (i.e., reflect actual levels of risk) & more adaptable to unforeseen circumstances (e.g., COVID-19)
HIGH LEVEL QUALITATIVE RISK ASSESSMENT

**Strategic risks**

- **High risk**
  - Risks around partners not understanding, championing, or delivering on the operating model approach towards system transformation.

**Operational risks**

- **Moderate risk**
  - Risks around ability to ensure efficient and effective portfolio management including timely adaptation to changing conditions & contexts.

**GPE Fund Management risks**

- **High risk**
  - Risks around GPE’s financial position continuing to be exposed to significant FX risk, and higher operating costs due to changes in hosting fees.

**Business continuity risks**

- **Low risk**
  - Risks around the Secretariat not being equipped to effectively support the roll out of the new OM, and around transition of senior leadership.
Risks that the Partnership does not fully engage in championing and implementing the new operating model (OM) approach towards system transformation

1) The ability and commitment of all partners to understand and embrace the new OM, particularly the approach towards system transformation.
2) Risks that the OM does not pivot policy dialogue and actions towards system transformation in partner countries, thus failing to deliver on the goals and objectives of GPE 2025.

Mitigation Plan:

- Effective engagement of partners through HQ and regional bodies to inform, mobilize and support their country level counterparts’ engagement in the processes.
- Ensuring Local Education Groups have the tools and support they need from the Secretariat:
  - Technical guidance complete and clear
  - Country teams staffed and equipped to provide support as needed.
Risks around having the tools & processes in place to enable effective and efficient grant portfolio management and monitoring.

Mitigation plan:
• Strengthened grant operations team and investment in grant management systems
• Close monitoring and use of metrics on grant approval timelines, effectiveness, disbursement, utilization rates, and status of implementation.
• Regular engagement with Grant Agents on status of portfolio, and escalation of problem grants.
• Consideration of policy changes to support restructurings, including change of Grant Agent, limitations on extensions, and cancellation of grants in extreme cases.

Risk that GPE is not agile enough to adapt to changing conditions and contexts that affect grant implementation, particularly in Fragile and Conflict Affected States (FCAS).

Mitigation Plan:
• In addition to the actions already mentioned - review and revision of GPE’s approach to strengthening resilience and mitigating the systemic impacts of crisis, including adaptation to the Operational framework for FCAS – For Board discussion
GPE FUND MANAGEMENT RISKS & MITIGATION PLAN – HIGH RISK

Risk that GPE’s financial position continues to be exposed to significant foreign exchange risk (over 80% of pledges in non-USD)

**Mitigation Plan:**
- World Bank developing a solution on provision of currency hedging. Technical Briefing for Donors expected in November 2021 with update to Board thereafter.
- GPE donors signing multi-year contribution agreements with defined payment schedules will improve efficiency of any solution.
- Donors encouraged to contribute in US Dollars where possible

Risks around increased operating expense costs and uncertainty due to hosting charges

Changes in World Bank cost recovery rates are outside of GPE’s control and increases can significantly impact ability to keep operating costs to within 5–7% of total disbursements

**Mitigation plan:**
- An external mid-term hosting review report will be considered by the Board in December 2021 and the impact of this issue will be included.
- While the risk of further increases beyond those communicated is low, it cannot be ruled out or mitigated based on the current language of the hosting MoU
Risks around transitions and changes in senior GPE leadership.

Risk of disruption due to transition of Board leadership and anticipated earlier change of CEO in context of recent & substantial governance reforms

Mitigation Plan:
• Changes take place at optimal time considering GPE2025 and Operating Model approved, and successful Replenishment
• Orientation sessions took place with new & outgoing GPE Chair, Vice Chair, & Secretariat.
• EXCO fully engaged on CEO transition.
• DCEO and Management Team prepared to provide effective leadership and oversight to Secretariat during any transition period.

Risks that GPE Secretariat is not equipped to effectively support roll out of the OM.

The risk is around staff not having the right support (e.g., tools and processes in place, training, manageable workload, ability to travel if needs be) to champion and support implementation of new OM.

Mitigation plan:
• Roll out of robust training plan
• Recruiting and onboarding additional staff
• OM roll-in work becoming mainstreamed into business processes with investment in IT
• Continued focus on efficient virtual work with expectation that increased office presence and ability to travel in 2022 will reduce risk
OTHER RISKS & CONTINUOUS MONITORING

**Strategic risks:**
- Financing risk (GPE Fund, co-financing, domestic financing,)
- Governance risk
- Risk around Impact, Monitoring, Evaluation and Learning
- Value for Money Risk

**Operational risks:**
- Risks around timely application, approval and effective implementation of grants.
- Risks around performance.
- Risks around impact of COVID-19 and crisis in partner countries.
- Sector related risks including KIX and EOL.

- Risks around grant management compliance and fraud and misuse.

**GPE Fund Management Risk:**
- Risks around liquidity, forecasting and projections.
- Investment risk

**Business continuity risk:**
- Risks around operating expenses
- Risks around implementation of Secretariat’s work program.
- Risks around human resources, workplace (including hybrid work arrangements) and IT & systems.

**Reputational Risk**
THANK YOU