

REVIEW OF GPE RISK POLICIES AND PRACTICES, RISK TAXONOMY PROPOSAL, AND RISK APPETITE STATEMENT DRAFT PROPOSAL

For Decision (Risk Taxonomy) / For Input (Risk Appetite Statement) / For Information (Semi-Annual Review)

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.

1. STRATEGIC PURPOSE

1.1 The purpose of this paper is for the Board of Directors to (1) approve the Risk Taxonomy, (2) provide input on the Risk Appetite Statement, and (3) be informed on the semi-annual review of the corporate risk matrix.

Summary of Committees Deliberations

1. Risk taxonomy proposal and risk appetite statement draft proposal

• *The risk taxonomy proposal and the risk appetite statement draft proposal were presented to the FRC. A joint FRC/GPC session was held for the Secretariat to present the risk taxonomy proposal and the risk appetite statement draft proposal, focusing on operational risks and aspects of the risk appetite relevant for GPC. The SIC and the GEC were also given a presentation that highlighted key points on the development of the two proposals. The Secretariat noted that the taxonomy was developed over the past six months as a consultative effort with all Secretariat teams.*

• *The committees thought that the **taxonomy was comprehensive and did not flag that any sub-risks were missing**. They agreed with the articulation of most sub-risks and suggested some refinements to the definitions. The FRC and GPC discussed operational risks and related risk appetite statements at length. The FRC discussed the remainder of the draft risk taxonomy and risk appetite, focusing on non-operational risks. The committees made a substantial number of suggestions for additional risk drivers and risk outcomes. The Secretariat appreciated all the suggestions and indicated that it would revise the operational sub-risks accordingly. In Annex 1C, a table summarizes all comments received from the committees on the risk taxonomy proposal and how they were integrated in the proposal in Annex 1D.*

- *The committees particularly highlighted the lack of data as a risk driver for multiple operational sub-risks and requested more gender-specific language in both the risk taxonomy and the risk appetite statement. The Secretariat indicated that it would review these documents to include gender elements where deemed relevant and appreciated the committees' suggestion that the lack of gender analysis could be added as a risk driver for two operational sub-risks.*
- ***The committee agreed with the levels of risk appetite proposed by the Secretariat.*** *The committees noted the absence of a specific risk appetite statement with regards to governance as well as the fact entering the Partnership might be a risk itself. The Secretariat responded that this is captured in the statement “Low risk appetite for lack of clarity and lack of execution of accountabilities”. The committees flagged this risk appetite statement for the Board, as it is linked to the outcome of the Effective Partnership Review (EPR) and which itself is relevant to finalization of the appetite statement. The committees also flagged the risk appetite statement that relates to ESPIG performance risk for the attention of the Board. In Annex 2A, a table summarizes all comments received from the committees on the risk appetite statement draft proposal and how they were integrated in the draft proposal in Annex 2B.*
- *The FRC noted the linkages between the risk appetite statement draft proposal and the GPE Strategy 2020 and reflected on the situation post-2020 when the strategy is revised. The Secretariat indicated that (i) the linkage between GPE 2020 and the risk appetite was made in response to FRC's request, (ii) that having this linkage can be helpful to articulate a new strategy with a risk lens, and (iii) that it is unlikely that the new strategy completely changes the direction of the GPE.*
- *The Secretariat gave a presentation on how Institutional Arrangements (IA) and the EPR might impact risk management. The GPE three lines of defense model was described followed by three potential variant scenarios including (1) a decentralized model, (ii) a mixed model, and (iii) a centralized model. The implications for enterprise risk management, advantages and disadvantages, as well as requirements of each model were presented.*

2. Corporate Risk Update

- *The current report is based on the previous risk taxonomy and does not yet consider the proposed updates. The Secretariat gave an update on existing and new mitigation actions for high and critical risks as reported in the June 2018 Update to the Board. The FRC reviewed all 3 risks that were rated “critical” and 4 FRC-owned risks that were rated “high”. The GPC reviewed all GPC-owned risks that were rated “critical” (1 risk) or “high” (7 risks). The SIC reviewed the SIC-owned risks that were rated “high” (2 risks). The GEC did not have any high or critical risks in the June update. In Annex 3A, a table summarizes all comments received from the committees and how they were integrated in the corporate risk update in Annex 3B.*
- *The FRC expressed concern about harmonization more broadly, given new initiatives in the education aid architecture, and requested the Secretariat to be more proactive in pursuing discussions with new initiatives and highlighting existing tools that GPE has. The Secretariat*

noted that it is already closely collaborating with IFFEd and ECW to ensure operational harmonization. However, it also highlighted the limits of actions at the Secretariat level and recalled the need for Board discussion on these issues.

- On risk 3.1.2, DCP Pledges (FRC-owned), the FRC requested the Secretariat to be more proactive and bold when tracking pledges, and to use them as an accountability tool. The Secretariat responded that (i) budget monitoring was an intricate aspect of new ESPIG applications and (ii) any country that did not make a pledge in Dakar is required to indicate its domestic financing to education as part of the ESPIG application. The Secretariat also clarified that the pledges made in Dakar were in local currencies and will be monitored in local currencies.
- On risk 2.3.3, Program Implementation Modality (GPC-owned), the GPC noted its concern regarding the amount of upstream work undertaken by the Secretariat, rather than downstream, when implementing at the country level. The GPC suggested a greater focus on restructuring of grants to shift the focus on implementation at the country level. The Secretariat has taken note of the comment and hope this question will be addressed as part of the EPR review.
- On risk 2.1.3, Choice of Grant Agents (GPC-owned), some committee members expressed the view that it is unfortunate that “Direct Access” (i.e. Governments performing the role of Grant Agent) was not a focus of the OPM report and was not raised in any detail by respondents. The Secretariat clarified that the issue is being looked at in terms of the work on institutional arrangement and whether GPE could adopt this approach if needed, however the issue of whether GPE should adopt this approach has never been examined in significant detail.

2. EXECUTIVE SUMMARY

2.1 Following the June 2018 Board meeting (BOD/2018/06 DOC 13), the Secretariat developed a risk taxonomy and drafted a risk appetite statement in line with the approved workplan.



2.2 The proposed risk taxonomy in Annex 1D is for recommendation to the Board for approval. In Annex 1C, a table summarizes feedback provided by the committees on the risk taxonomy proposal and how it is incorporated in Annex 1D.

2.3 In relation to the risk appetite statement draft proposal in Annex 2B Secretariat is seeking input from the Board. In Annex 2A, a table summarizes feedback provided by the committees on the risk appetite statement draft proposal and how it is incorporated in Annex 2B. As the outcome of the Effective Partnerships Review (EPR) and Institutional Arrangements are major items for the December Board meeting and are relevant to finalization of the appetite statement, it is proposed that the appetite statement be finalized in 2019 taking into account these outcomes. The Secretariat will also proceed with the review of the three lines of defense model and the development of risk thresholds per step 3 and 4 of the workplan for approval in 2019.

2.4 While the review of risk policies and practices is ongoing, the Secretariat proceeded to meet its deadline to complete the semi-annual review of the corporate risk matrix. Therefore, the current report in Annex 3B is based on the previous risk taxonomy and does not yet consider the proposed updates to the taxonomy. In the interests of efficiency considering the emphasis on transitioning to the new taxonomy, the current report is in the format of an update on critical and high risk as reported to the Board in June 2018 (BOD/2018/06 DOC 13). The committees reviewed the update and flagged issues for the Board's attention, as per the summary table provided in Annex 3A.

3. RECOMMENDED DECISIONS

3.1 The Finance and Risk Committee recommends to the Board to approve the following decision:

BOD/2018/12-XX—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.

4. BACKGROUND

4.1 In June 2018, the findings and recommendations of the external review of GPE's risk policies and practices was presented to the Board.¹ The Board requested the Secretariat to commence implementation of the recommendations arising from the external review of risk policies and practices based on existing resources and capacity and to report to the FRC on progress at its next meeting (BOD/2018/06 DOC 13).²

4.2 The workplan agreed with FRC focuses on four steps as set out below, with the first two steps (Risk Taxonomy and Risk Appetite) to be tackled by the FRC in 2018.

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

² <https://www.globalpartnership.org/content/risk-management-report-7-june-2018>

- **Step 1: Review of the risk taxonomy.** This step includes a mapping of different risk framework components such as the risk landscape (e.g. identifying blind spots in the current framework), the policies and procedures the Partnership and the Secretariat must comply with, the linkages with GPE's objectives (Strategy, Results Framework, Theory of change). The first step also includes a benchmark exercise aimed at understanding how others (whether Host, GAs, Donors, comparable organizations, etc.) identify, assess and manage risks, and with which tools. The review of the Operational Risk Framework is part of this exercise. To deliver on step 1, so far, the Secretariat completed desk-based reviews and organized focused group discussions with Secretariat staff and the Management Team.
- **Step 2: Develop risk appetite statements.** Step 2 includes the development of high level risk appetite statements for key risks, that should align with strategic objectives and be endorsed by the Board. Through metrics and thresholds (e.g. risk target, risk tolerance), risk appetite statements will be cascaded down to operational units. To deliver on step 2, the Secretariat benchmarked with comparable organizations and organized focused group discussions with Secretariat staff and the Management Team. The risk appetite statement proposal is now presented along with the risk taxonomy proposal.
- **Step 3: Review three-line of defense model.** This step aims at clarifying the 1st line of defense (i.e. who is the risk owner, must provide inputs for the Key Risk Indicators (KRIs) and Key Control Indicators (KCIs), and can be ultimately held accountable in the implementation of mitigation actions). This step is to be dealt with in conjunction with outcomes from the Effective Partnership Review. The three lines of defense (3 LOD) proposal is to be presented at the FRC meeting to be held in the April 2019.

Step 4: Define KRIs and KCIs. This step aims at building the KRIs and KCIs by identifying data readily available and somewhat easy to collect Partnership wise and by building specific aggregate data (e.g. context risk). Because this step is based on the 3 LoD architecture (i.e. first LoD are risk owners and provide inputs for KRIs and KCIs), it relies on progress on Step 3, and is to be presented at the FRC in April 2019.

4.3 It is important to note that other efforts to strengthen risk monitoring, risk reporting, and risk culture are ongoing and will be a key part of the changes to GPE's risk management approach.

5. RISK TAXONOMY PROPOSAL

5.1 The risk taxonomy proposal is aligned with common standards and adapted to the needs of the Partnership (e.g. mutual accountability sub risk). Out of the 36 risks in the previous risk matrix (see Attachment 1: Previous risk taxonomy for reference purpose), 35 risks are covered in the risk taxonomy proposal, whether they were reformulated or broken down in several sub risks or risk drivers.³ New risk categories and sub risks that were not previously covered have been added to cover the blind spots (e.g. compliance risk, IT risk, etc.) following a cross-check with risk matrixes from

³ One risk has purposely not been included: this is risk 1.1.1 on implementation of the strategic plan, since the entire strategic risk category covers the risk that GPE is not able to achieve its goals and objectives, including de facto the strategic plan.

other Global Funds/Partnerships. Thus, risk categories and sub risks are mutually exclusive and collectively exhaustive as per the recommendations arising from the external review. The draft taxonomy already received initial input from FRC during a call in September 2018 and this feedback had been considered in the revised version presented to the Committees in October 2018.

5.2 In Annex 1A, the architecture of the risk taxonomy proposal is presented. In Annex 1D, the full risk taxonomy proposal is presented, including risk drivers and risk outcomes, based on the Bow Tie Structure explained in Annex 1B. The comments received during the GPC and GPC meetings are available in Annex 1C and have been integrated in Annex 1D. The risk taxonomy proposal is aligned with GPE's Strategy "GPE2020" and the Results Report. (see the risk appetite statement in the following section, particularly the last column on the right for reference to the risk taxonomy).

6. RISK APPETITE STATEMENT DRAFT PROPOSAL

6.1 ***Purpose:*** *This high-level risk appetite statement is a draft proposal and is currently not in force. At this stage, the risk appetite statement is submitted for Board consideration and the Secretariat is seeking feedback from the Board. Once approved by the Board, the risk appetite statement will be a public document aimed at expressing the type and amount of risk the Global Partnership for Education is prepared to take, to accept, or to tolerate to achieve GPE's strategic goals and objectives. While the high-level risk appetite statement is a public document, internal risk tolerance thresholds and key risk indicators will be developed to further guide GPE operations within this high-level risk appetite statement.*

6.2 Risk appetite is an expression of the type and amount of risk an organization is prepared to take, to accept, or to tolerate to achieve its strategic goals and objectives. The appetite considers the level of risk and risk combinations that an organization is prepared to take, accept, or tolerate together with the level of risk shock that the organization can withstand. 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.

6.3 For the Global Partnership for Education, the purpose of having a Board-approved risk appetite statement is to align and guide stakeholders across the Partnership in taking the right amount of risk to deliver on GPE's strategic goals and objectives. Clarity around risk appetite promotes consistent, 'risk-informed' decision-making that is aligned with strategic aims and it also supports robust corporate governance by setting clear risk-taking boundaries, thus enabling consistent and transparent decisions between risks and rewards. It also helps to drive more efficient, risk-based resource allocation.

6.4 In the external review of risk policies and practices, one of the key findings relates to the risk appetite statement. Risk appetite was broadly defined within the GPE's 2014 Risk management policy⁴ that establishes an overall moderate risk appetite for the Partnership, including a moderate to high appetite for working fragile and conflict affected states and a very low appetite for risks related to fraud and misuse of funds. Leading practices define risk appetite in more detail for key risk

⁴ GPE's 2014 Risk management policy: <https://www.globalpartnership.org/content/risk-management-policy>

areas, with a structured and documented process involving the Board. See GAVI's risk appetite statement in Attachment 2 for example.

6.5 The Board of Directors will need to agree on a set of risk appetite statements that address key risk areas and specific operations. Hence, there is no risk appetite statement for each risk in the taxonomy; rather the risk appetite statement guides risk taking in areas where it is necessary to clarify the trade-offs between our mission and the inherent risk of our field. Each risk appetite statement provides guidance on the nature and extent of risk the Partnership is prepared to take. These high-level statements will be used by the Secretariat to define risk tolerance thresholds including key risk indicators and target risk in relevant areas of GPE operations to further monitor our principal risks. A set of mitigation actions that can be used to manage the risk levels down will also be developed, the value of risk management being limited if a risk cannot be mitigated.

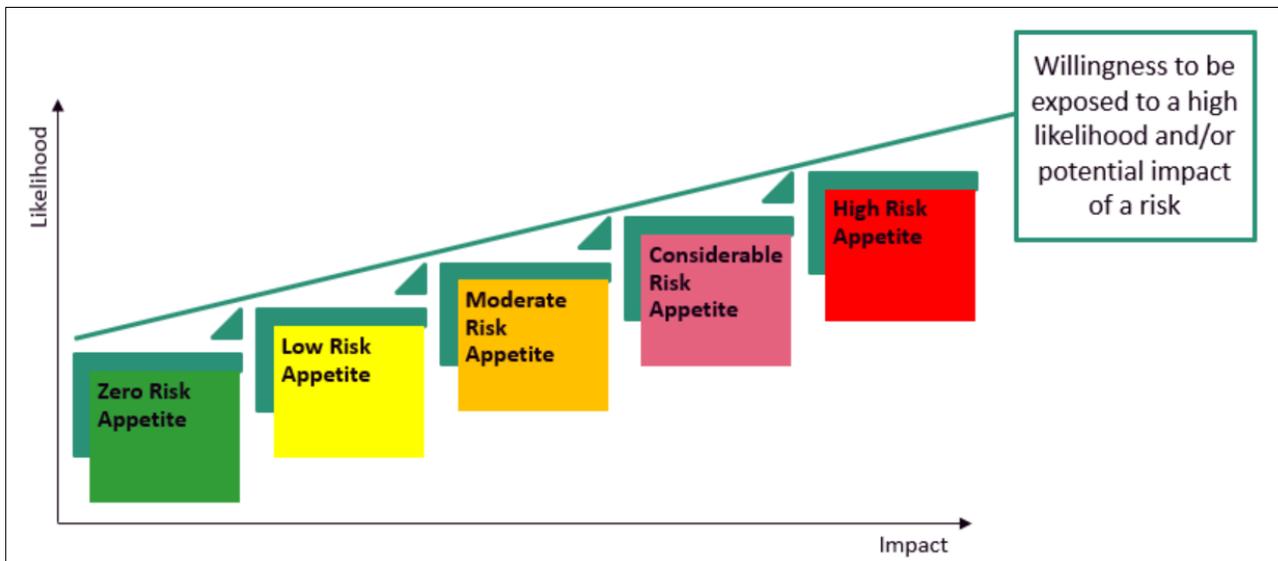
6.6 In this high-level risk appetite proposal, risk appetite is defined at goals and objective levels on a five points scale between zero risk appetite and high-risk appetite (see Figure 2). The risk appetite represents the willingness of the Partnership to be exposed to a high likelihood and/or a high impact of a risk. Strategic goals and objectives influence the level of risk the GPE should be willing to take.

- **High risk appetite:** The GPE believes aggressive risk taking is justified and is willing to accept a large negative impact in order to pursue strategic goals and objectives. (Risk seeking)
- **Considerable risk appetite:** The GPE is willing to take greater than normal risks and to accept some negative impact in order to pursue strategic goals and objectives. (Risk tolerant)
- **Moderate risk appetite:** The GPE takes a balance approach towards taking risk. Potential negative impacts and completion of strategic goals and objectives are given equal consideration. (Risk neutral)
- **Low risk appetite:** The GPE takes a cautious approach towards taking risk and is only willing to accept a small negative impact to pursue strategic goals and objectives. (Moderately risk averse)
- **Zero risk appetite:** The GPE takes caution and accepts as little risk as possible. The GPE is not willing to accept any negative impact to pursue strategic goals and objectives. (Risk averse)

6.7 There is no right or wrong type and amount of risk the GPE is prepared to take, to accept, or to tolerate. However, it is important to understand the implications of setting a risk appetite statement at a low versus a high level. For example, if GPE has a low risk appetite to fund programs which do not sufficiently further its objective of equity, learning and system strengthening, it may accept that this requires an appropriately high investment in country support to develop and quality assure such programs. However, if GPE has a moderate to high risk appetite to fund programs which do not sufficiently further its objective of equity, learning and system strengthening, it may accept a lighter touch approach to such processes.

6.8 It is the duty of the Board of Directors 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 Board monitors and reviews its risk appetite on an annual basis to ensure that it is appropriate and consistent.

Figure 2. Risk Appetite Scale



6.9 For the purpose of advancing the work and stimulating debate, the Secretariat has proposed the draft risk appetite statement in Annex 2B. The comments received during the GPC and GPC meetings are available in Annex 2A and have been integrated in Annex 2B.

7. LESSONS LEARNED FROM ERM BENCHMARK

7.1 *Purpose:* The risk taxonomy proposal and the risk appetite statement draft proposal must be read and analyzed considering other ongoing reviews such as the effective/efficient partnership review (EPR) and the ongoing work on institutional arrangements (IA). The Finance and Risk Committee and the Grant and Performance Committee had a joint session at their last committee meetings to discuss how IA and EPR might impact risk ownership, which is the three lines of defense model. This section had aimed at providing background for the discussion. It is also important for the Board of Directors to understand the implications of being a risk owner, which means being responsible for collecting and providing data to feed the key risk indicators.

7.2 In September 2018, the Secretariat undertook various discussions to learn about how other organizations have set up their Enterprise Risk Management (ERM) system. Organizations consulted via phone call or in-person included DFID, Gates Foundation, GAVI, Girls' Education Challenge, The Global Fund, International Federation of the Red Cross, Save the Children, and UNHCR. The exchanges provided for some very rich learning and new ideas for how to take forward the improvement of GPE's risk management. It not only underscored the unique position and challenges that arise from GPE's model as a partnership, but also highlighted the opportunity to strengthen mutual accountability that comes from examining the partnership through a risk lens. At this point, the Secretariat is sharing some key takeaways on lines of defense and common challenges and will share findings on other topics when Committees discuss those issues.

Lines of defense:

7.3 The 1st line, or risk owners, are consistently the staff who manage the program or manage the partners implementing the program. These staff can be either (i) country-based program managers, where the organization has country presence, or (ii) HQ-based program managers (particularly the case for organizations that do not have country presence). In the organizations consulted, the first line oversees progress of the program; review of financial reports and audits is also considered a first line responsibility. Risk owners are assigned within the organization, even though assessment of programmatic risk may be a joint effort with in-country partners. Co-ownership of risk with partners outside the organization is rare. Two organizations, whose staff are HQ-based, have strengthened their first line by contracting monitors at the country level who are independent from the fund recipient.

7.4 The 2nd line of defense is consistently the HQ-based risk team, whose role is to improve and ensure compliance with risk policies and frameworks. The 2nd line can support the 1st line on an ad hoc-basis to improve the quality of risk assessments.

7.5 The 3rd line, independent audit, brings a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Some organizations have one audit department, while others that rely more heavily on the 3rd line have created both program audit and internal audit departments. The strength of the audit function reflects the choices made for the 1st line: where the 1st line has strong capacity to mitigate and manage program risks, reliance on program audit is less, and vice versa.

Common challenges:

7.6 Strengthening the culture of risk, including putting theory into practice, was consistently mentioned as a challenge among the organizations consulted. Most organizations face this challenge at various levels, from operational to management: incentivizing the 1st line to invest time to do quality risk assessments; encouraging escalation of risks (when appropriate) through the frameworks that are in place; and linking the corporate risk register to the organization's strategic planning.

7.7 At an operational level, one organization has quickened the culture shift through introducing staff rules that outline responsibilities, including risk responsibilities, for both program managers as well as heads of units at each stage of the program management cycle. The rules are ultimately compliance-based, and staff can be held accountable for failure to execute them.

7.8 At a management level, many of the organizations consulted have a practice of assigning risk ownership of strategic risks to different members of their leadership/management team. While this was thought to be an effective way of ensuring that risk mitigation actions are carried out for a particular strategic risk, it was generally not seen to have such an impact on strengthening the link between risk and strategic planning.

8. CORPORATE RISK UPDATE

8.1 While the review of risk policies and practices is ongoing, with the review of the risk taxonomy (step 1) and the development of a risk appetite statement (step 2) being rolled out ⁵, the Secretariat proceeded to meet its deadline to complete the semi-annual review of the corporate risk matrix as per Annex 3B. Therefore, the current report is based on the previous risk taxonomy and does not yet consider the proposed updates which are being presented to the Board. In Annex 3A, a table summarizes all comments received from the committees and how they were integrated in the corporate risk update in Annex 3B.

8.2 In the interests of efficiency considering the emphasis on transitioning to the new taxonomy, the current report does not follow the process of previous updates. Rather, while the taxonomy is being redefined and improved upon, the Secretariat proposes a lighter touch that prioritizes updates on critical and high risk as reported in June 2018 (BOD/2018/06 DOC 13).

8.3 Thus, an update on the completion of mitigation actions that were identified in the June report as well as new mitigations actions are provided for the three risks that were rated “critical” and the fourteen risks that were rated “high”. Meanwhile, the Secretariat ensures that all the mitigation actions that were identified in the previous corporate risk update, including those for risks that were rated “low” and “medium” are being carried out and on track.

8.4 Key risk indicators (step 3) are based on both the risk taxonomy (since KRIs will be developed for key risk areas and operations) and the risk appetite statement that will inform risk thresholds. Since step 3 should be rolled out in the Spring 2019, there are no KRIs provided in the current report, and no risk ratings. Furthermore, the lighter format of the corporate update risk update is likely to remain until all four steps of the Secretariat’s workplan are rolled out, since risk ownership must be clarified as part of the review of the three lines of defense model (step 4). Finally, a reference column on the right-hand side of the matrix explains the linkages with the new risk taxonomy as well as the rationale behind the category or sub category newly assigned.

8.5 In terms of methodology, risk focal points across the Secretariat were consulted to provide updates on rolling out of mitigation actions. Risk focal points are senior staff who work and have expertise in the areas of the different mitigation actions; they are however not the risk owners. Until the risk ownership is clarified under the new taxonomy, the different committees and the Board will continue to review the fourteen critical/high risks based on the previous risk taxonomy, as follows:

<p>Board</p> <ul style="list-style-type: none"> • 1.1.6 Complementarity/ alignment with IFFEd • 4.2.2 Secretariat Institutional Arrangement • 4.2.3 Secretariat Capacity 	<p>GPC</p> <ul style="list-style-type: none"> • 2.3.3 Program Implementation Modality • 1.2.3 Domestic Financing • 2.1.1 Roles, Responsibilities and Accountabilities at Country Level • 2.1.2 GPE Funding Model • 2.1.3 Choice of Grant Agents • 2.3.2 Program Implementation Timeline • 2.3.4 Grant Management • 2.4.2 Quality Data (Education Sector Plans)
<p>FRC</p> <ul style="list-style-type: none"> • 3.1.2 DCP Pledges • 3.1.3 Strategic Financing Resource mobilization • 3.1.5 Foreign Exchange Movements • 3.2.1 Fraud and Misuse 	

⁵⁵ See “Figure 1: Recap of timeline proposed by the Secretariat” in the background section for a recap of the 4 steps.

SIC <ul style="list-style-type: none"> • 1.1.7 - Foundations Strategy • 1.1.8 - Private Sector Strategy 	
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9. ANNEXES AND ADDITIONAL INFORMATION

Annexes:

- Annex 1A: Architecture of the risk taxonomy proposal
- Annex 1B: How to read the risk taxonomy proposal
- Annex 1C: Inclusion of FRC and GPC comments in risk taxonomy proposal
- Annex 1D: Risk taxonomy proposal
- Annex 2A: Inclusion of FRC and GPC comments in risk appetite statement draft proposal
- Annex 2B: Risk Appetite Statement
- Annex 3A: Inclusion of committees' comments in corporate risk update
- Annex 3B: Corporate risk update

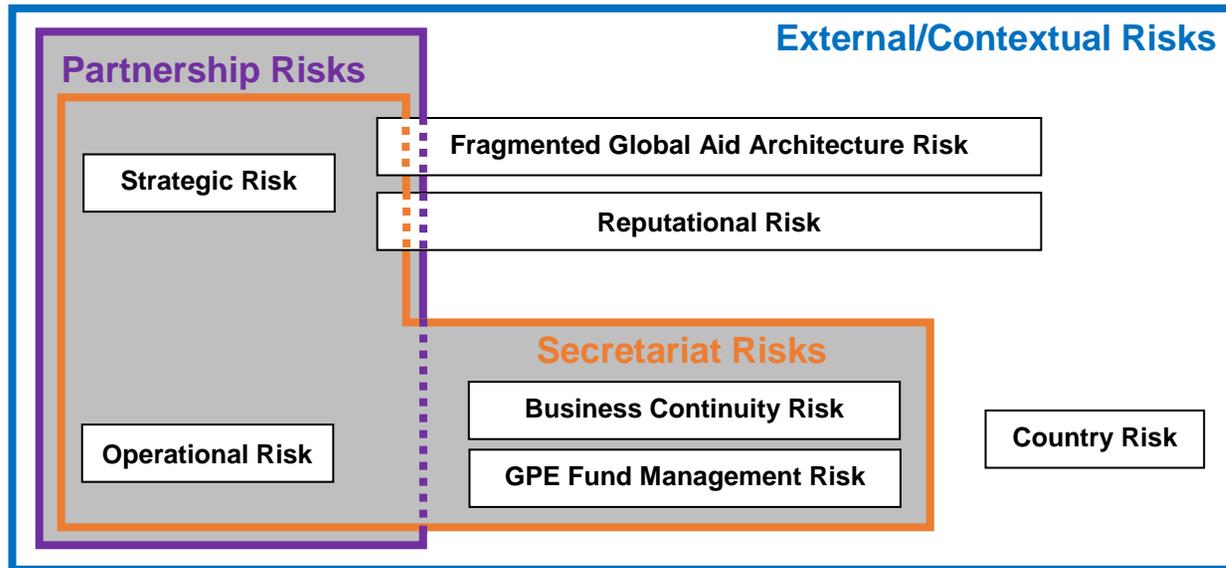
Attachment:

- Attachment 1: Previous risk taxonomy (for reference purpose)
- Attachment 2: GAVI risk appetite statement, 2018 (for reference purpose)

10. PLEASE CONTACT Matthew Smith at mdsmith@globalpartnership.org, Anna-Maria Tammi at atammi@globalpartnership.org, or Anne Joncheray at ajoncheray@globalpartnership.org for further information.

ANNEX 1A: ARCHITECTURE OF THE RISK TAXONOMY PROPOSAL

Risk Taxonomy – Breakdown by 7 risk categories

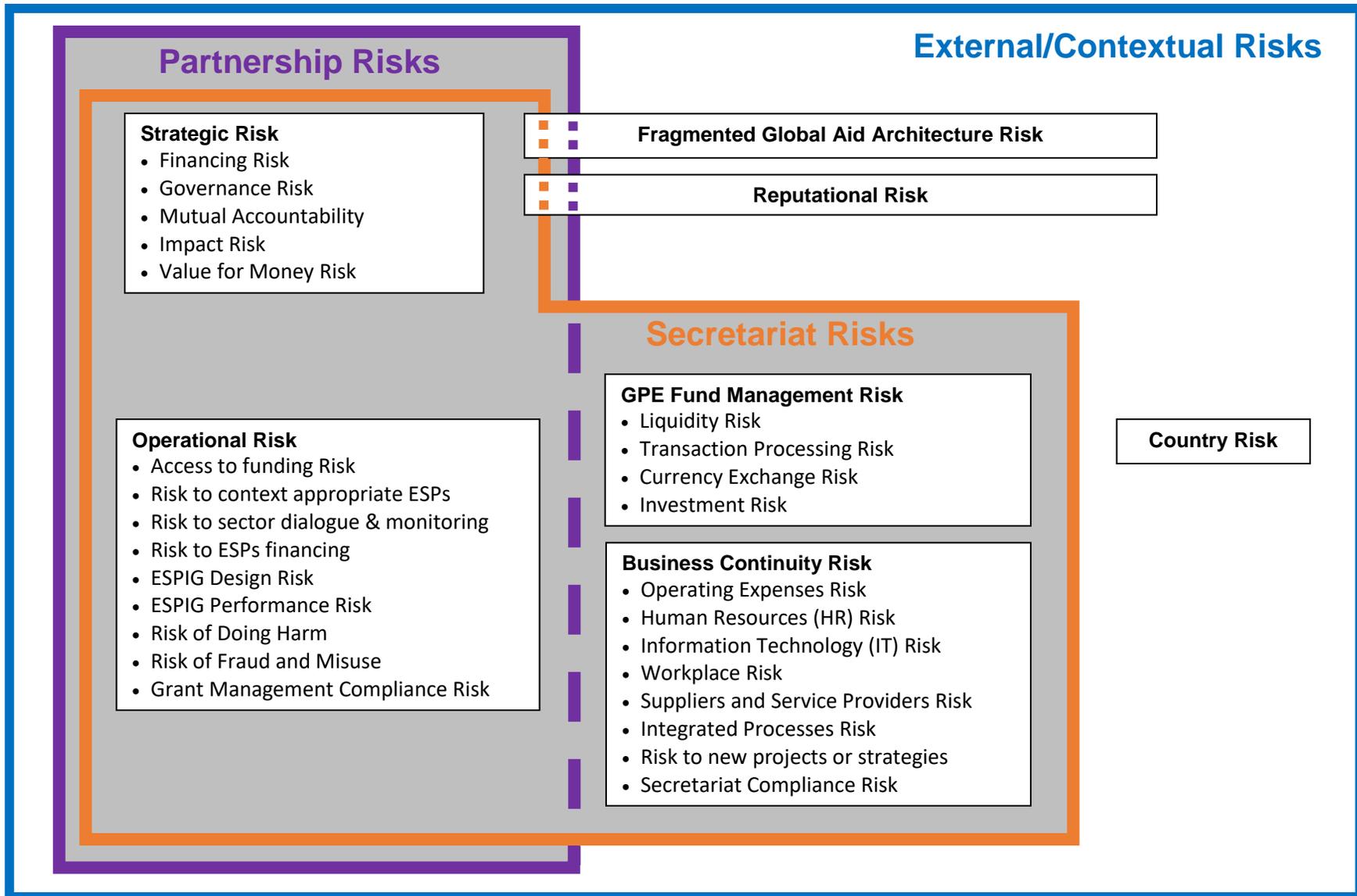


External/Contextual risks risks that arise mainly from events outside of the organization’s control and tend to be less predictable than internal risks. External / Contextual risks can offer positive and/or negative benefits. The organization cannot influence the likelihood of these risk events but can reduce the cost of impact by focusing on recognition and early reaction (*e.g. political changes in a country*).

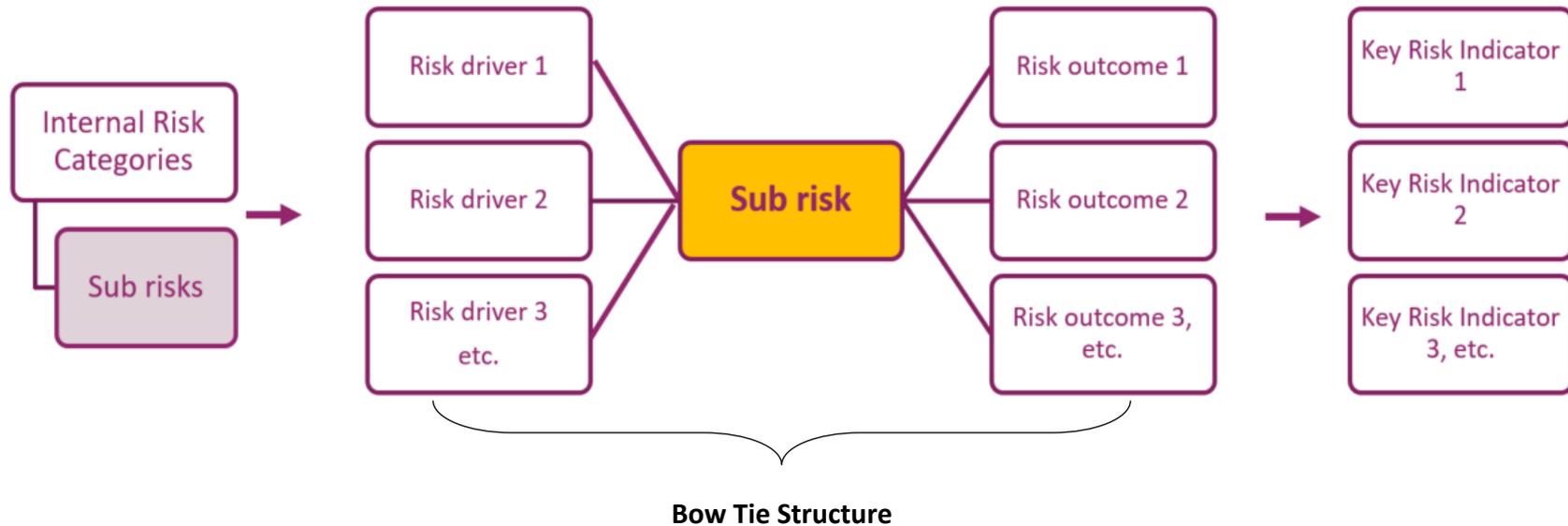
Internal risks are faced by an organization from within and arise during the normal operations. These risks can be forecasted with more reliability, and therefore, an organization has a good chance of reducing internal risks. For the GPE, there are two types of internal risks:

- **Partnership risks:** internal risks managed by all the partners, including the Secretariat (*e.g. ESPIG performance risk*);
- **Secretariat risks:** internal risks managed by the Secretariat, that have a negative impact on the Partnership should they occur (*e.g. operating expenses risk*).

Risk Taxonomy - Breakdown with sub risks



ANNEX 1B: HOW TO READ THE RISK TAXONOMY PROPOSAL



Risk categories give a structured overview of the risks an organization is facing. Each category contains unique characteristics that require different measurement, analysis, and management techniques.

Sub risks are subcategories of risks that are proposed for internal risks. Sub risks help to specifically nail down what is happening within the organization by grouping risks drivers at a more granular level.

Risk drivers (several) are the causes, triggers, sources, factors contributing to risk occurring or increasing likelihood of occurring.

Risk outcomes (several) are the negative consequences, effects, or impacts on the organization's objectives.

Key Risk Indicators (KRI) (several) are metrics that provide information on the level of exposure to a given risk or sub risk at a point in time. (KRI are to be discussed once risk appetite and risk ownership are clarified).

ANNEX 1C: INCLUSION OF FRC AND GPC COMMENTS IN RISK TAXONOMY PROPOSAL

The table below provides a detailed summary of how FRC and GPC committee comments from the October 2018 meetings have been incorporated into the risk taxonomy proposal. Unless otherwise noted, all comments have been incorporated.

Regarding the architecture of the risk taxonomy, the committees requested clarity on the category “External / Contextual Risks”. The Secretariat noted that it had added dotted lines to the categories “Fragmented Global Aid Architecture Risk” and “Reputational Risk” to reflect that GPE plays a role in the materialization of such a risk (e.g. GPE is a player in the global education aid architecture and recognizes its role in influencing it).

Sub-risk	Issues / Comments	Actions
1.1 Financing risk	<ul style="list-style-type: none"> - Add as risk outcome: (i) lack of economy in investments and (ii) lack of equity in investments. - The FRC enquired why domestic financing risk was considered as an operational risk rather than a strategic risk, since it has a significant reputational impact for GPE. 	<ul style="list-style-type: none"> - Risk outcomes added. - <i>Secretariat response:</i> The Secretariat clarified that categories are not ranked by order of importance and therefore domestic financing is no less important even if it is in the operational category. The rationale for placing it there was that the end goal for GPE is to achieve adequate financing for the sector plan (a sub-risk in the operational category), to which domestic financing contributes.
1.3 Mutual accountability	<ul style="list-style-type: none"> - Add as a Secretariat risk driver: (i) Secretariat compensates for partners in cases where accountabilities are unclear or not performed. - Add as risk outcome: (i) duplication of work. 	<ul style="list-style-type: none"> - Secretariat risk driver added. - Risk outcome added.
1.4 Impact Risk	<ul style="list-style-type: none"> - The FRC enquired why this sub risk is about demonstrating results rather than achieving results. 	<p><i>Secretariat response:</i> The Secretariat explained during the session that it considers “demonstrating results” to include the achievement of results. Furthermore, it noted that the strategic risk category itself is defined as the risk of not achieving GPE’s goals and objectives. The Secretariat has made a deliberate effort in the development of the risk taxonomy to not duplicate the Results framework. There will be a possibility to reflect</p>

		the theory of change as part of the development of Key Risk Indicators.
1.5 Value for Money Risk	-What does 'lack of economy in investments' mean? -Lack of economy in investments can be a risk outcome for 1.1 Financing Risk.	- <i>Secretariat response:</i> An example has been added in parenthesis on this point (duplication of work). - Risk outcome added.
2. Global Aid Architecture Risk	- A more accurate name for this risk category would be 'Fragmented Global Aid Architecture Risk'. -Rephrase risk driver 'lack of clarity on roles and mandates' into 'harmonization between organizations'. - Also consider pooled funds, bilateral programs, and global initiatives in this risk category. -As a risk outcome, add that increased transaction costs undermine principles of aid effectiveness in education. -Rephrase the risk outcome 'ineffective global education financing': the issue is that unhealthy competition drives divisiveness. -In risk drivers, consider the implications that a different hosting arrangement might create (e.g. barriers to effective collaboration?).	- Risk category renamed. - Risk driver amended. - Pooled funds, bilateral programs, and global initiatives in this risk category considered as part of this category. - Risk outcome added. - Risk outcome rephrased. - <i>Secretariat response:</i> The Secretariat will await the outcome of a decision on institutional arrangements and will then evaluate whether a risk driver needs to be added.
4.1 Access to Funding Risk	- Rephrase the sub-risk definition to: "The risk that partners do not, or are not able to, apply for GPE funding." -As Partnership risk drivers, add: (i) a country's capacity to engage with GPE (to better capture that it is not only about access to funding) and (ii) identifying co-financing for the Multiplier. -The risk driver on the complexity of funding mechanisms should also reflect how the funding mechanisms of different organizations are seen from the country level.	- Sub-risk definition amended. - Partnership risk drivers added. - Risk driver on the complexity of funding mechanisms amended as follow: "Complexity of how the funding mechanisms of different organizations are seen from the country level."
4.2. Risk to context appropriate sector plans	- In the sub-risk definition, change the word 'nationally owned' to 'government endorsed'. -As a Partnership risk driver, add the lack of credible data.	- Sub-risk definition amended. - Partnership risk driver added.

	<ul style="list-style-type: none"> -Reflect upon the role of the Grant Agent and Coordinating Agency. - Add as risk outcome that the sector plan is not aligned with education systems. - In Partnership risk drivers, change wording as follows: “Low engagement / inclusion of country level stakeholders to sector analysis and sector plan development”. 	<ul style="list-style-type: none"> - <u>Secretariat response</u>: A risk driver has been added to reflect upon the role of the Grant Agent and Coordinating Agency. - Risk outcome added. - Wording of risk driver amended.
4.3 Risk to sector dialogue and monitoring	<ul style="list-style-type: none"> - Reflect on the sub-risk definition, particularly the key issue which is the sector plan’s implementation. - Consider as a risk driver how linked sector dialogue is to the sector plan. -Add as Partnership risk drivers: (i) LEG is not transparent; (ii) insecurity/country environment can impede conducting a JSR. -Reflect upon the role of the Grant Agent and Coordinating Agency. 	<ul style="list-style-type: none"> - <u>Secretariat response</u>: Sub-risk definition has been changed to: “The risk that GPE does not support improved sector dialogue and monitoring of the sector plan’s implementation.” - Risk outcome added: Delays to sector plan implementation. - Partnership risk drivers added. - <u>Secretariat response</u>: A risk driver has been added to reflect upon the role of the Grant Agent and Coordinating Agency.
4.4 Risk to sector plan financing	<ul style="list-style-type: none"> -Include in sub-risk definition that countries should also look to continuously expand financial commitments. - Reflect upon the fact that endorsement does not mean that the sector plan is financed. -Clarify whether the risk driver on domestic financing commitments refers to the pledges made in Dakar -Add as Partnership risk drivers: (i) debt burden, and (ii) lack of financing data - Add as Risk Outcomes: (i) Sector plan is not implemented 	<ul style="list-style-type: none"> - Sub-risk definition amended. - Secretariat response: Risk outcome “Sector Plan is not fully implemented” added to reflect the fact that endorsement does not mean that the sector plan is financed. - <u>Secretariat response</u>: The risk driver wording has been clarified to refer to the domestic financing benchmark used by GPE (20% or a trend towards it). - Partnership risk drivers added. - Risk outcomes added.
4.5 ESPIG Design Risk	<ul style="list-style-type: none"> -Add as Partnership risk drivers: (i) Grant Agent excess capacity vis-à-vis government counterpart; (ii) lack of data; (iii) lack of gender inclusive analysis -Add as Secretariat risk drivers: (i) Inadequate lesson learning from the effectiveness of past grants, (ii) Multiplier does not leverage additional funds 	<ul style="list-style-type: none"> - Partnership risk drivers added. - Secretariat risk drivers added. - <u>Secretariat response</u>: An issue can be both a sub-risk and outcome of another sub-risk. The risk outcome of doing harm has therefore been maintained.

	-Reflect upon the risk outcome on doing harm, as there is a separate sub-risk on it (4.7)	
4.6 ESPIG Performance Risk	-Add as Partnership risk drivers: lack of data, including gender sensitive data. -Add as a Secretariat risk driver: Multiplier does not leverage additional funds. -Rephrase to: “Design not adequately informed by or reflective of context”. -Reflect on the potentially different incentives of GAs and DCPs.	- Partnership risk drivers added. - Secretariat risk driver added. - Risk driver rephrased. <i>- <u>Secretariat response:</u> A risk driver on potentially different incentives of Grant Agents and DCPs (specifically that Grant Agents may want to achieve results in a specific timeframe) has been added.</i>
4.7 Risk of doing harm	-Rephrase sub-risk definition to: “The risk that interventions cause <u>inadvertent</u> harm to beneficiaries and/or marginalized populations.” -Add as Partnership risk drivers: (i) insufficient monitoring of risks, (ii) insufficient DCPs engagement in program design and monitoring (iii) scope of the intervention is unclear (risks associated with long term supported vs. short term emergency support). -Rephrase first risk driver to: “Inadequate context analysis, including gender analysis”. -Reflect upon the fact that results-based financing could have unintended consequences. -Add as a risk outcome: Exacerbating inequalities, including gender inequalities.	- Sub-risk definition rephrased. - Partnership risk drivers added. - Risk driver rephrased. <i>- <u>Secretariat response:</u> We have changed the wording of one of the risk drivers to better reflect this comment.</i> - Risk outcome added.
3. Reputational Risk	-In risk drivers, distinguish between Partnership and Secretariat risk drivers and external/contextual risk drivers -Add lack of monitoring of GPE Fund’s investment risk as a risk driver. -Reflect upon how to word the sub-risk and its definition given it is both in internal risk and external/contextual risk.	- Distinction between Partnership and Secretariat risk drivers and external/contextual risk drivers added. - Risk driver added. <i>- <u>Secretariat response:</u> The language in the taxonomy has been modified to reflect the fact the sub-risk is both in internal risk and external/contextual risk.</i>
7. Business continuity risk	- The FRC noted the reliance on the host to effectively mitigate those risks.	

ANNEX 1D: RISK TAXONOMY PROPOSAL

1. Strategic Risk Category

The risk that GPE is not able to achieve its goals and objectives.

Risk Drivers - Partnership	Risk Drivers – Secretariat	Sub Risk	Risk Outcomes	Ref. ⁶
<ul style="list-style-type: none"> - Donors not delivering on pledges to GPE Fund - Lack of confidence from donors in GPE business model - Risk that GPE is not ambitious enough and cannot attract additional funding beyond existing pledges - Targeted financing distorting core contribution - Lack of diversification of donors 	<ul style="list-style-type: none"> - Inefficient utilization of existing resources to attract new financing - Inadequate tracking of pledges 	<p>1.1 Financing Risk <i>The risk that contributions to the GPE Fund do not reach targets</i></p>	<ul style="list-style-type: none"> - Missed opportunities for bringing in additional financing - Lack of economy and equity in investments 	<p>3.1.1 3.1.2 3.1.3</p>
<ul style="list-style-type: none"> - Poor oversight from Board and Committees (e.g. mismatch between capacity/competency and mandate of Committee and Board members, inability to make decision) - Board: Lack of compliance with governance policies (e.g. conflict of interest policy) - Inefficient consultation mechanisms across the Partnership - Board decisions are not understood and implemented uniformly across the Partnership - Board lacks confidence in work of Committees and Secretariat 	<ul style="list-style-type: none"> - Documents provided to the Board are inadequate or too voluminous - Inadequate oversight from CEO and Management Team - Policies and procedures do not exist or have not been properly reviewed and approved - Inability to Implement Effective Enterprise Risk Management - Management fails to provide timely and objective analysis and advice to Committees and Board 	<p>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></p>	<ul style="list-style-type: none"> - Poor governance structure lead to inefficiencies - Resources used to service governance structure vs. countries - Diverging interests of Partners are not reconciled - Breakdown in Board and Secretariat trust limits partnership effectiveness. 	<p>4.1.2 4.1.3</p>

⁶ Reference to risk number in previous risk matrix.

<ul style="list-style-type: none"> - Lack of clarity of roles & responsibilities between Secretariat, LEGs, CA, GA, DCPs, national civil society - Poor execution of roles and responsibilities - Lack of transparency around performance of partners - Poor risk culture across Partnership 	<ul style="list-style-type: none"> - Secretariat compensates in cases where accountabilities are unclear or not performed 	<p>1.3 Mutual Accountability Risk (Country level) <i>The risk that partners at the country level are not accountable for their commitments.</i></p>	<ul style="list-style-type: none"> - Different levels of commitments from partners - Further disengagement of partners - Design & implementation of programs is hampered - Reputational Impact - Duplication of work 	2.1.1
<ul style="list-style-type: none"> - Country: Poor national assessment and monitoring systems - Country: Poor quality or incomplete data on sector - GA/Secretariat: Poor quality or incomplete data on grants - Partnership: Inefficient implementation of Board decisions 	<ul style="list-style-type: none"> - Secretariat: Unable to demonstrate effectiveness of theory of change - Secretariat: Poor capacity to communicate on results 	<p>1.4 Impact Risk <i>The risk of not being able to demonstrate results.</i></p>	<ul style="list-style-type: none"> - Reduced confidence in GPE - Put next replenishment at risk 	1.1.2 2.4.1 2.4.2
<ul style="list-style-type: none"> - Inability to invest funds efficiently and effectively (e.g. Secretariat / GPC approves of poorly designed programs) - Lack of economy in investments (e.g. incentives for performance is not strong enough) - Funding mechanisms do not achieve their intended purpose (e.g. targeted financing windows do not produce expected results) - Choice of GA 	<ul style="list-style-type: none"> - Inability to invest funds efficiently and effectively (e.g. Secretariat does not allocate, and reallocate, programmatic funds effectively) - Lack of economy in investments (e.g. duplication of work) - Lack of equity in investments (e.g. how the Secretariat allocate money to different funding windows) - Inadequate innovation in funding modality 	<p>1.5 Value for Money Risk <i>The risk that GPE investments do not demonstrate Value for Money.</i></p>	<ul style="list-style-type: none"> - Redundancies in GPE investments - Reputational impact 	2.1.3

2. Fragmented Global Aid Architecture Risk

The risk that the education architecture is not well defined and complementary.

Fragmented global aid architecture is a hybrid risk: it requires special management since the global aid architecture is shaped both inside and outside of the GPE.

Partnership and Secretariat Risk Drivers	External / Contextual Risk Drivers	Sub Risk	Risk Outcomes	Ref.
<ul style="list-style-type: none"> - GPE Board does not sufficiently define GPE's mandate within the broader architecture 	<ul style="list-style-type: none"> - Lack of harmonization between education organizations, pooled funds, bilateral programs and global initiatives. - Lack of coordination between different organizations 	<p>n/a</p> <p><i>Fragmented Global Aid Architecture Risk is part of the external / contextual risk category.</i></p>	<ul style="list-style-type: none"> - Fragmentation of investments at country level, and possibly displacement of funds at country level - Ineffective global education financing (unhealthy competition drives divisiveness) - Maximum possible impact on sector outcomes with available resources is not reached - Increased transaction costs undermine principles of aid effectiveness in education 	<p>1.1.5</p> <p>1.1.6</p>

3. Reputational Risk

The risk of threat or danger to the good name or standing of an organization. Reputational risk can occur through several ways:

- 1) directly as the result of the actions of the organization itself;
- 2) indirectly due to the actions of an employee or employees;
- 3) indirectly due to the actions of stakeholders of the Partnership;
- 4) tangentially through other peripheral parties (e.g. suppliers, etc.).

Reputational risk is a hybrid risk: it requires special management since reputation is shaped both inside and outside of the organization, and since all risks have the potential to ultimately damage GPE’s reputation.

Partnership and Secretariat Risk Drivers	External / Contextual Risk Drivers	Sub Risk	Risk Outcomes	Ref.
<ul style="list-style-type: none"> - Lack of integrity of Secretariat staff, Board/Committee members, - Lack of integrity of Partners at country level (GA, CA, LEGs, DCP, national civil society) - Weak contingency plans - Communication poorly managed (e.g. major misuse case, media scandal, etc.) - Lack of ambition given that we are a “global” partnership - Negative impact of political decisions (e.g. Board appointments, working in highly fragile contexts) - Litigation risk - Lack of monitoring of GPE Fund Investment risk 	<ul style="list-style-type: none"> - Lack of integrity from external influencers (non-partners such as CSOs, champions, political influencers) - Smear campaign 	<p>n/a</p> <p><i>Reputational risk is part of the external / contextual risk category.</i></p>	<ul style="list-style-type: none"> - Lack of confidence from donors - Donors reluctant to meet pledges and difficulties to raise additional funds - Poor reputation, and risk for the GPE to ultimately collapse 	<p>4.2.1</p>

4. Operational Risk

The risk that GPE is not able to deliver on its country-level objectives.

Risk Drivers - Partnership	Risk Drivers - Secretariat	Sub Risk	Risk Outcomes	Ref.
<ul style="list-style-type: none"> -Complexity of GPE funding mechanisms and processes as well as funding model requirements -Complexity of how the funding mechanisms of different organizations are seen from the country level - GA selection processes not conducive to identifying the agency best able to support country - Country's capacity to engage - Inability to identify co-financing for the Multiplier 	<ul style="list-style-type: none"> -Insufficient understanding of different funding mechanisms within Secretariat -Inadequate guidance tools provided to country-level partners 	<p>4.1 Access to Funding Risk <i>The risk that partners do not, or are not able to, apply for GPE funding.</i></p>	<ul style="list-style-type: none"> -GPE does not use all available resources -Reputational impact 	<p>1.2.4 (modified) 2.1.2 (modified)</p>
<ul style="list-style-type: none"> -Low quality of education sector analysis -Sector analysis findings do not sufficiently inform sector plan priorities and strategies -Low engagement/inclusion of country-level stakeholders to sector analysis and sector plan development -Weak capacity at the Ministry level to conduct sector analysis and link findings to sector plan strategies -Independent appraisal does not detect and correct poorly designed sector plans - Lack of credible data -Limited support from Grant Agent and Coordinating Agency 	<ul style="list-style-type: none"> -Quality of sector analysis is not formally assessed or appraised -Inadequate Secretariat support to sector analysis and sector plan development -Inadequate guidance tools provided to country-level partners -ESP quality standards do not adequately take context into account -Knowledge and Innovation Exchange outputs do not inform/link to sector analysis and planning processes 	<p>4.2 Risk to context appropriate sector plans <i>The risk that GPE does not support evidenced-based, government-endorsed sector plans focused on equity, efficiency and learning.</i></p>	<ul style="list-style-type: none"> - Education sector plan is unattainable - ESPIGs will not align to sector plan - Weak implementation of sector plans - Sector Plan is not aligned with education systems 	<p>1.1.3 (modified) 1.2.1 2.2.2</p>
<ul style="list-style-type: none"> - Sector plan monitoring and evaluation mechanisms are not in place at the country level, including reporting on the implementation of the ESP, JSR, LEG, etc. 	<ul style="list-style-type: none"> -Inadequate support to improve the quality of JSRs -Advocacy and Social Accountability mechanism is not reaching its objectives 	<p>4.3 Risk to sector dialogue and monitoring <i>The risk that GPE does not support improved sector</i></p>	<ul style="list-style-type: none"> - Not knowing whether ESP is on track 	<p>1.1.4 (modified) 1.2.2</p>

<ul style="list-style-type: none"> - Sector dialogue is not linked to the Sector Plan and its implementation - Civil society do not/cannot meaningfully participate in sector monitoring and dialogue - LEG is not transparent - Insecurity/country environment can impede conducting a JSR -Limited support from Grant Agent and Coordinating Agency 		<p><i>dialogue and monitoring of the sector plan's implementation.</i></p>	<ul style="list-style-type: none"> - Adjustments are not made to operational plan as needed - Delays to sector plan implementation 	
<ul style="list-style-type: none"> - Due to a high debt burden or other circumstances, the country does not meet the domestic financing benchmark - Donors do not align their funding to the endorsed sector plan -Development partners including civil society at the country level is not able to effectively engage parliamentarians and MoF -Civil society in donor countries is not able to effectively advocate and monitor alignment of donor funding - Lack of financing data 	<ul style="list-style-type: none"> -Insufficient Secretariat advocacy for donors/countries to increase financing -Targeted funding windows are not successful in crowding in more funding or supporting civil society advocacy -Education Sector Investment Case is not successful in raising additional sector plan financing 	<p>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></p>	<ul style="list-style-type: none"> - ESP objectives cannot be attained - Sector Plan is not fully implemented 	<p>1.2.3 2.1.4</p>
<ul style="list-style-type: none"> -Sector analysis and sector plan conclusions do not inform ESPIG design -Varying capacity of GAs at country level to support program development -Varying robustness of GAs' internal quality assurance process -Limited engagement of LEG in program development -Programs are not using country systems, where appropriate 	<ul style="list-style-type: none"> -Secretariat QAR process and standards do not detect poorly designed programs -Inadequate collaboration between different Secretariat teams - Inadequate lesson learning from the effectiveness of past grants - Multiplier does not leverage additional funds 	<p>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></p>	<ul style="list-style-type: none"> -Not achieving intended sector outcomes -Risk of doing harm, e.g. marginalizing further some populations -Programs do not build local capacity -Program results are not sustainable 	<p>2.2.1 2.3.3</p>

<ul style="list-style-type: none"> -Programs are not pooled with other funding when appropriate - Grant Agent excess capacity vis-à-vis government counterpart - Lack of data - Lack of gender inclusive analysis 				
<ul style="list-style-type: none"> -Weak GA implementation support (technical aspects) -Weak capacity at Ministry level to implement program -Low capacity of implementing partners -Design not adequately informed by or reflective of context, country capacity, and lessons -Untimely detection of problems affecting the grant - Delayed decisions to remedy problems - GA inadequately sharing information and reporting to Secretariat - Lack of data, including gender sensitive data -Grant Agent and DCP have different incentives regarding the program timeline 	<ul style="list-style-type: none"> -Insufficient accountability for performance - Multiplier does not leverage additional funds 	<p>4.6 ESPIG Performance Risk <i>The risk that ESPIGs do not achieve results in intended timeframe.</i></p>	<ul style="list-style-type: none"> -Revision/extension of programs - Delay of next ESPIG application & GPE funds not disbursed within strategy period -Lower VfM of investments -Adverse effect on sector outcomes 	<p>2.3.1 2.3.2 2.3.4 4.1.1 (modified)</p>
<ul style="list-style-type: none"> -Inadequate context analysis, including gender analysis -Inadequate risk mitigation measures - Insufficient monitoring of risks - Insufficient DCPs engagement in program design and monitoring - Scope of the intervention is unclear 	<ul style="list-style-type: none"> -Inadequate quality assurance around conflict sensitivity and risk mitigation in programs, including result-based financing 	<p>4.7 Risk of Doing Harm <i>The risk that interventions cause inadvertent harm to intended beneficiaries and /or marginalized populations.</i></p>	<ul style="list-style-type: none"> -Reputational impact -Potential adverse effect on program - Exacerbating inequalities, including gender inequalities 	
<ul style="list-style-type: none"> - Weak GA fiduciary oversight mechanisms and implementation support -Weaknesses of country institutions and systems (PFM) 	<ul style="list-style-type: none"> -Insufficient accountability for preventing fraud and misuse during implementation 	<p>4.8 Risk of Fraud and Misuse <i>The risk of losses due to fraud or misuse in GPE-funded programs.</i></p>	<ul style="list-style-type: none"> - Loss of funds - Lower VfM of investments 	<p>3.2.1</p>

	-GA accreditation and QAR process do not detect weak fiduciary systems		- Not achieving results within original timeframe - Reputational impact	
-GAs: Breach of FPA (including applying their own policies and procedures), Grant Agreement, or ESPIG policy -GAs: Non-compliance with administrative agreements and Board decisions -DCPs: Non-compliance with Grant Agreements		4.9 Grant Management Compliance Risk <i>The risk of a breach of the policies and procedures on grant management.</i>	- n/a	

5. Country Risk

The risk of exogenous factors in the country environment adversely affecting sector planning and implementation.

External / Contextual Risk Drivers	Sub Risk	Risk Outcomes	Ref.
- Political factors - Governance factors - Economic factors - Environmental factors - Societal Factors	n/a <i>Country Risk is part of the external / contextual risk category.</i>	- Additional operating challenges for the Partnership that have a negative impact on achieving goals	

6. GPE Fund Management Risk

The risk associated with the ineffective or underperforming financial management of the GPE Fund.

Secretariat Risk Drivers	Sub Risk	Risk Outcomes	Ref.
<ul style="list-style-type: none"> - Funding and liquidity management inefficiently embedded into strategy and business planning - Inability to obtain financial data with required accuracy and frequency (e.g. grant pipeline not updated) 	<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>	<ul style="list-style-type: none"> - Inability to close transactions - Inability to conduct day-to-day operations 	3.1.4
<ul style="list-style-type: none"> - Human errors in transactions - Inadequate process design - Unrealistic timelines to conduct all steps leading to delivery of funds at country level 	<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>	<ul style="list-style-type: none"> - Allocations not being used efficiently due to time taken by grant processing 	
<ul style="list-style-type: none"> - Frequent and important fluctuation in exchange rates - Important mismatch between currency of contributions vs. currency of liabilities - Lack of effort to fundraise in currency of liability 	<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>	<ul style="list-style-type: none"> - Significant reduction in predictability of available funds for GPE programs 	3.1.5
<ul style="list-style-type: none"> - Poor investment strategy leading to low or negative return on investment - Lack of communication with trustees - Lack of information from donors on contribution schedules 	<p>6.4 Investment Risk <i>The risk of losses relative to the expected return on an investment.</i></p>	<ul style="list-style-type: none"> - Missed opportunities for bringing in additional financing 	

7. Business Continuity Risk

The risk that the Secretariat is unable to operate its critical business functions.

Secretariat Risk Drivers	Sub Risk	Risk Outcomes	Ref.
<ul style="list-style-type: none"> - Lack of or poor forecasting of anticipated expenses - Lack of economy or consistency in administrative budget management (e.g. irregular monitoring, data not timely updated) - Poor internal financial controls - Lack of conformity of commitments and expenditures with the budget approved 	<p>7.1 Operating Expenses Risk <i>The risk that GPE's operating expenses are not aligned with needs.</i></p>	<ul style="list-style-type: none"> - Inability to conduct day-to-day operations - Secretariat unable to fulfil its mission 	
<ul style="list-style-type: none"> - Insufficient staffing (including limitations under WB for staff headcount, turnover) - Inappropriate staffing (including staff skill sets do not match needs, long term staff needs filled with consultants, weak managerial capacities, poor talent management) - Lack of performance management for staff - Uncertainties about institutional arrangements 	<p>7.2 Human Resources (HR) Risk <i>The risk that the Secretariat has inadequate human resource capabilities.</i></p>	<ul style="list-style-type: none"> - Inability to conduct day-to-day operations - Secretariat unable to fulfil its mission 	4.2.3
<ul style="list-style-type: none"> - Weak Business enablement (e.g. IT governance and priorities not aligned with institutional priorities, relevant stakeholders not included in important IT investment decisions, missed technology-related innovation) - IT Systems and Technology not fit for purpose (hardware, software, systems) - IT Process Design and Execution not fit for purpose - Poor IT delivery (e.g. under-adoption, over budget, unrealized business benefits) - Inadequate IT Reliability and Quality - External events (e.g. disasters, legal issues, service dependencies) - Issue with security and privacy (e.g. breach of privacy, breach of confidentiality, data loss, etc.) - Negative actions of people (e.g. inadvertent (mistakes), deliberate (fraud), inaction (skills)) 	<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>	<ul style="list-style-type: none"> - Inability to conduct day-to-day operations - Secretariat unable to fulfil its mission 	

- Inadequate IT Talent (e.g. unpreparedness, ineffectiveness or shortfall of staff and contractors)			
- Damages to physical asset - Threat to staff security and safety at HQ and on mission - Inability to access to buildings due to natural or manmade disaster - Insufficient building capacity	7.4 Workplace Risk <i>The risk that hazards in the working place negatively impact the conduct of operations.</i>	- Inability to conduct day-to-day operations - Secretariat unable to fulfil its mission	4.2.2
- Poor procurement services - Other poor internal and third parties service providers (vendors, consulting firms, etc.) - Poor quality of services provided - Early termination of contract	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>	- Secretariat unable to fulfil its mission	
- Lack of integrated processes, systems and tools - Integrated processes, systems and tools not fit for purpose - Lack of SOPs or existing SOPs not followed - Weak work planning and/or weak execution of plans - Unsuccessful change management process	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>	- Silo mentality creating inefficiencies (e.g. duplication of work)	
- Objectives of new project or strategy are unclear - Insufficient implementation capacity - Lack of integration with other workstreams	7.7 Risk to new projects or strategies The risk that the Secretariat is not able to effectively design and implement new projects or strategies.	- Silo mentality creating inefficiencies (e.g. duplication of work) - Secretariat is not able to support GPE in achieving its goals through these projects or strategies	1.1.7 1.1.8
- Breach of Host/Trustee policies and procedures including: Access to information Policy, HR policy, Staff Manual, Corporate Procurements Guidelines, Public Statements, Funds transfer, Contribution and Safeguards, etc. - Breach of Secretariat specific administrative policies and procedures	7.8 Secretariat Compliance Risk <i>The risk of a breach of the Host/Trustee or Secretariat specific administrative policies and procedures.</i>	- n/a	

ANNEX 2A: INCLUSION OF FRC AND GPC COMMENTS IN RISK APPETITE STATEMENT DRAFT PROPOSAL

The table below provides a detailed summary of how FRC and GPC committee comments from the October 2018 meetings have been incorporated into the risk taxonomy proposal. Unless otherwise noted, all comments have been incorporated.

Risk Appetite Statement	Issues/Comments	Actions
Working in Fragile and Conflict Affected States	- Rephrase risk appetite statement to: Considerable risk taking is justified to achieve its goals in fragile and conflict affected situations, where opportunities for building systems are available.	- Risk appetite statement rephrased.
Mutual accountability risk	-Low risk appetite for lack of clarity and execution of accountabilities.	- This risk appetite statement is flagged for the Board as it is linked to the outcome of the EPR, which is relevant to finalization of the appetite statement.
Risk of doing harm	- The committees affirmed their zero tolerance for inadvertent harm, when it occurs, and requested the addition of “and/or marginalized populations” to the wording. Rephrase risk appetite statement to: Low risk appetite for funding programs that might cause inadvertent harm to beneficiaries and/or marginalized populations.	- Risk appetite statement rephrased.
ESPIG Performance Risk	- Regarding risk appetite for grant extensions, the committees agreed with the differentiation into two categories (extensions with potential to drive sector reform and extensions resulting from unjustified gaps in implementation support and oversight). The GPC suggested the following edits: “Conversely, the Partnership maintains low risk appetite for grant extensions that result from unjustified gaps in implementation support, oversight, and grant implementation.” - The GPC enquired whether it worth differentiating the above risk appetite statement for FCAS and emergencies.	- Risk appetite statement rephrased. - <u>Secretariat response:</u> During the session, the Secretariat explained that risk tolerance thresholds including key risk indicators will be defined as part of step 4. Differentiated risk appetite statement for FCAS and emergencies could be developed as part of the key risk indicators. - This risk appetite statement is flagged for the Board as it is linked to the outcome the EPR.

Adaptations and innovations	- Rephrase risk appetite statement to: The Partnership has considerable risk appetite for the risk that there may be failures from which we can learn while pursuing these adaptations and innovations, such as KIX and ASA.	- Risk appetite statement rephrased.
Financing risk	- Rephrase risk appetite statement to: The Partnership has low risk appetite for not reaching its fundraising goals and leveraging domestic financing . - The committees enquired about the possibility to differentiate risk appetite across different funding windows.	- Risk appetite statement rephrased. <i>- Secretariat Response:</i> The Secretariat confirmed that this is possible, but also noted that the risk appetite statement is a high-level document that addresses key risk areas and specific operations, and that there does not need to be a risk appetite statement for each risk in the taxonomy. It noted that differentiated risk tolerance thresholds for different funding windows could be developed as part of the work on key risk indicators.
Operating expenses risk	- Rephrase risk appetite statement to: Balancing this with the need for efficiency in Secretariat operations, GPE has a low risk appetite for operating expenses exceeding the Board agreed limits.	- Risk appetite statement rephrased.

ANNEX 2B: RISK APPETITE STATEMENT DRAFT PROPOSAL

Vision & Mission	<p>To ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. 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>1 Improved and more equitable learning outcomes</p>	<p>2 Increased equity, gender equality and inclusion</p>	<p>3 Effective and efficient education systems</p>	<p>Linkages with Risk Taxonomy</p>
<p>Risk Appetite Statements</p>	<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, where opportunities for building systems are available. 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 that prolonged unclarity around roles and responsibilities will negatively affect its ability to deliver its mission and subsequently its reputation as a major education partnership and fund. GPE therefore has low risk appetite for lack of clarity and execution of accountabilities. 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>Mutual Accountability Risk</p> <p>Governance 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 beneficiaries and / or marginalized populations⁷. The Partnership has a zero tolerance in cases of evidenced harm and will take the necessary actions to redress the situation. It 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 therefore encourages programs to conduct mid-term reviews and make the necessary adjustments to achieve results. GPE maintains a considerable risk appetite with regard to grant extensions that have the potential to drive reform and sector results. Conversely, the Partnership maintains a low risk appetite for grant extensions that result from unjustified 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 Risk of doing harm Access to funding risk</p> <p>ESPIG Performance Risk</p> <p>Risk of Fraud and Misuse</p>

⁷ ‘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
<p>Risk Appetite Statements</p>	<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 there may be failures from which it can learn 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 for not leveraging domestic financing. It 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 the Board agreed limit. 		<p>Value for Money Risk</p> <p>Financing Risk</p> <p>Fragmented Global Aid Architecture Risk</p> <p>Business Continuity Risk</p> <p>Operating Expenses Risk</p>

ANNEX 3A: INCLUSION OF COMMITTEES' COMMENTS IN CORPORATE RISK UPDATE

Risk	Issues / Comments	Actions
<p>Risk 1.1.6: Complementarity alignment with IFFEd (Board-owned)</p>	<p>- The FRC expressed concern about harmonization more broadly, given new initiatives in the education aid architecture, and requested the Secretariat to be more proactive in pursuing discussions with new initiatives and highlighting existing tools that GPE has.</p> <p>- The FRC requested clarity on potential links between IFFEd and the Multiplier fund, particularly leveraging the grants component of IFFEd.</p>	<p><u>- Secretariat Response:</u> The Secretariat noted that it is already closely collaborating with IFFEd and ECW to ensure operational harmonization. However, it also highlighted the limits of actions at the Secretariat level and recalled the need for Board discussion on these issues.</p> <p><u>- Secretariat Response:</u> The Secretariat indicated that the Multiplier fund is compatible with IFFEd, just as IDA funds can be co-financed with GPE ESPIGs. On the strategic level, there is ongoing collaboration between the Education Commission and GPE to promote complementarity.</p>
<p>Risk 3.1.2: DCP Pledges (FRC-owned)</p>	<p>- The FRC requested the Secretariat to be more proactive and bold when tracking pledges, and to use them as an accountability tool. Finally, the committee noted that the Secretariat should publicize revised pledge data in the future.</p>	<p><u>- Secretariat Response:</u> The Secretariat responded that budget monitoring was an intricate aspect of new ESPIG applications, and moreover, any country that did not make a pledge in Dakar is required to indicate its domestic financing to education as part of the ESPIG application.</p> <p>- The Secretariat also clarified that the pledges made in Dakar were in local currencies and will be monitored in local currencies. On publication of revised pledge data, the Secretariat agreed and further noted that it expects formal DCP pledges to become redundant due to integration of domestic financing into ESPIG applications.</p>
<p>Risk 2.3.3: Program Implementation Modality</p>	<p>- The FRC had a question on timelines for country level evaluations and when results will be shared with the FRC.</p>	<p><u>- Secretariat Response:</u> The Secretariat indicated that GPC has oversight for the evaluations and will receive</p>

(GPC-owned)	<p>- The GPC noted its concern regarding the amount of upstream work undertaken by the Secretariat, rather than downstream, when implementing at the country level. The GPC suggested a greater focus on restructuring of grants to shift the focus on implementation at the country level.</p>	<p>an update at their next meeting. A copy of the GPC presentation can then be shared with the FRC. <u>- Secretariat Response:</u> The Secretariat has taken note of the comment and hope this question will be addressed as part of the EPR review.</p>
<p>Risk 1.2.3: Domestic Financing (GPC-owned)</p>	<p>- The GPC enquired about how often the progress towards domestic financing commitments are reviewed. It suggested that domestic financing pledges made by DCPs in its ESPIG application are tracked in the grant progress review.</p>	<p><u>- Secretariat Response:</u> The Secretariat pointed out that the main issue is data availability: the results framework looks at actual spending rather than commitments. A process would have to be developed to triangulate and look at commitment, actual spending and the magnitude of the gap between commitment and spending.</p>
<p>Risk 2.1.3: Choice of Grant Agents (GPC-owned)</p>	<p>- Some committee members expressed that it is unfortunate that “Direct Access” was not a focus of the OPM report and was not raised in any detail by respondents. - With regards to diversification of GAs, the GPC asked the Secretariat whether the more selective competition process could be a risk itself.</p>	<p><u>- Secretariat Response:</u> The Secretariat clarified that the main questions are whether GPE could finance through “Direct Access” under the current institutional arrangement and identifying where it would make sense considering the objective to strengthen country systems. The Secretariat recalled that the Board has never discussed this issue and indicated that the role of the GAs might be discussed as part of the EPR. A study on Direct Access could be conducted should the Board request it. <u>- Secretariat Response:</u> The Secretariat explained that the nature of the risk has shifted since this risk was first captured, and that it is not a problem of diversification anymore but rather of suitability of GA for the context.</p>

ANNEX 3B: CORPORATE RISK UPDATE

Previous Risk Taxonomy (assessment as of June 2018)					Transition Period (currently)	Risk Taxonomy Proposal (from June 2019)	
Risk Owner	Risk	Inherent Risk Rating*	Residual Risk Rating**	Target Risk Rating***	Mitigation actions to be rolled out from June 2018	Update on Mitigation Actions (September 2018)	Linkages with risk taxonomy proposal
Board	<p>1.1.6 Complementarity / alignment with IFFEd.</p> <p>The risk that GPE and the Education Commission’s International Financing Facility for Education are not complementary and aligned and therefore negatively impact the effectiveness of global education financing.</p>	Critical	Critical	Low	<ul style="list-style-type: none"> • GPE/ECW/Ed. Commission: Need for better clarity in communications on the issue of complementarity and added value between GPE/ECW/IFFEd. (Timing to coincide with communication on G20) • GPE Board: Update to be shared at the June 2018 Board, including providing clarification on which mechanisms IFFEd plan to develop/use. 	<ul style="list-style-type: none"> • Secretariat has been in regular dialogue with the education commission on IFFEd development. • Confirmation that IFFEd funding will focus on those countries that cannot access concessional financing (likely to be mainly in LMIC countries where GPE has less resources deployed). IFFEd funds will be based on support for national sector plans and domestic finance commitments which aligns well with GPE approach. • Clearer understanding on timelines with expected IFFEd launch now July 2019. 	This risk is captured under “ Global Aid Architecture Risk ” category.

GPC	<p>2.3.3 Program Implementation Modality.</p> <p>The risk that by not using government systems where suitable, GPE will not realize sufficient progress in strengthening systems.</p>	Critical	Critical	Medium	<ul style="list-style-type: none"> • Secretariat: Consider issue on alignment as part of findings on country level evaluation. (FY2019) • Secretariat: Implementation of the roadmap approved by GPC in October 2017 for advancing alignment on country systems to <ol style="list-style-type: none"> clarify and gradually institutionalize GPE’s conceptual approach to aid alignment (FY2018/FY2019); strengthen country support operations (FY2018/FY2019); capitalize and promote good practices across countries (FY2018); engage with Grant agents on aid alignment (FY2018). 	<ul style="list-style-type: none"> • Secretariat: Country level evaluations are ongoing, and the evaluation team will provide a synthesis report on the first-year findings in January 2019. This report will also cover issues related to alignment. • Implementation of the Alignment Roadmap is ongoing: <ol style="list-style-type: none"> Updates of GPE communications and guidelines, highlighting opportunities for systems strengthening, active risk management and capacity development through more aligned modalities. An Alignment Task Force has been set up to support targeted monitoring and engagement in “opportunity countries” to better leverage GPE funding model processes for more aligned modalities. Capitalization of sector pooled funds (aligned and co-financed modalities) is planned (FY2019) Dialogue with Grant Agents has been held as part of the Effective Partnership Review. Structured discussions with key Grant Agents (at HQ levels) will be planned in FY2019. 	<p>This risk is covered in the operational risk category under “ESPIG Design Risk”.</p>
Board	<p>4.2.2 Secretariat Institutional Arrangement.</p> <p>The risk that the GPE institutional arrangement has a negative impact on its ability to achieve GPE strategic objectives.</p>	High	Critical	Low	<ul style="list-style-type: none"> • Secretariat/FRC/GEC/World Bank/Board: World Bank to complete Trust Fund Reform Process and Board to consider impact on GPE (2018) • Secretariat/FRC/Board: Consider findings of institutional arrangements work including review of separate legal entity for GPE (2018) 	<ul style="list-style-type: none"> • Board Working Group (BWG) established and actively engaged with futures document developed to help guide. • External firm working on cost and consequence of de-hosting analysis. • World Bank committed to submitting a hosting offer. • Independent experts will be working with BWG to assess both documents. • Dedicated Board retreat in November 2018 and decisions planned for December Board 	<p>This risk is captured in the business continuity risk category under “Human Resources Risk”.</p>

SIC	<p>1.1.7 - Foundations Strategy.</p> <p>The risk that the Foundations strategy is not successfully implemented.</p>	High	High	Low	<ul style="list-style-type: none"> • Secretariat (and PF Constituency): Ensure sufficient capacity to implement the PF strategy the Board approved in December 2017. (Ongoing) • Secretariat: Ensure clear forward plan for coordination of PF work within secretariat (April 2018). • Secretariat: Develop fundraising and engagement strategy for Foundation engagement in KIX and ASA. (April 2018). • Secretariat: Ensure alignment with PS strategy (ongoing). 	<ul style="list-style-type: none"> • Alignment between the foundations and private sector strategy is ongoing. However, capacity to implement the foundations strategy is somewhat limited since requested staff positions were not approved. Hence, the focus is currently limited to a few key foundations which manage considerable funds for education or are influential with donor governments. 	<p>This risk is captured in the business continuity risk category under “Risk to new projects or strategies”.</p>
SIC	<p>1.1.8 - Private Sector Strategy.</p> <p>The risk that the absence of the Private Sector strategy could result in misalignment with current partnership processes, engagement and prevent current work (i.e. FFF) from progressing.</p>	High	High	Low	<ul style="list-style-type: none"> • Secretariat: Work with GBC Ed to rebuild and support the private sector constituency. (Ongoing) • Secretariat to ensure that the strategy will be developed on time, with broad consultation. • Board: Approve the Private Sector Strategy in Dec. 2018. • Secretariat/GEC: Consider Changes to PS/PF constituency as part of constituency review process. (June 2018) 	<ul style="list-style-type: none"> • Development of the Private Sector Strategy is ongoing. The draft strategy highlights the GPE systems level operational model and builds upon the FFF mechanisms and takes note of the CSP. • The GBC Ed and its Board representative have been closely engaged in the development of the strategy. 	<p>This risk is covered in the business continuity category under “Risk to new projects or strategies”.</p>

GPC	<p>1.2.3 Domestic Financing.</p> <p>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.</p>	Critical	High	High	<ul style="list-style-type: none"> • Secretariat/GPC/Board: Approach to take appropriate action where domestic finance commitments are not met presented to the Board in December 2017. The policy change was agreed by the Board and corresponding revisions to the funding model framework are to be reviewed by the GPC for final Board approval (June 2018). • SIC: Explore future forms of support for civil society advocacy on domestic financing in the context of ASA design. (June 2018) • Secretariat: Add country-level advocacy mechanisms including with HoS/Ministers of Finance as required (make use of Spring and Annual WB/IMF meetings and global events as well as country visits). Ongoing. • Secretariat/Board: Prioritize high-risk countries based on Results Report and pipeline. • CEO: Engagement with relevant political authorities (Ministry of Finance, Ministry of Budget, Parliament, etc.) (Ongoing) • DCPs: Develop Education Sector Investment Case to translate education sector plans and policy into investment opportunities. 	<ul style="list-style-type: none"> • Secretariat/GPC/Board: Approach to take appropriate action where domestic finance commitments are not met: Changes to the funding model framework have been presented to GPC and integrated in the ESPIG Policy. • The design blueprint for ASA was approved by SIC. It contains provisions for supporting civil society advocacy on social accountability including domestic financing. • The ESIC approach has been developed with support from two external firms. The proposed strategy and resource implications will be presented to the FRC in October 2018 and to the Board in December 2018 (pending FRC’s approval). The approach would be implemented in a small number of countries at first and, subject to traction, scaled up. • Secretariat: Development, implementation of dissemination strategy for the effective uptake of the new guidelines on domestic financing on track. Guidelines to be published by end of October 2018. The document is expected to facilitate dialogue at country level for effective monitoring of domestic resource allocation to the education sector. • CEO: Engagement with relevant political authorities (Ministry of Finance, Ministry of Budget, Parliament, etc.) (Ongoing) • Secretariat: All DCP pledges have been cleared by relevant DCPs and have been published on the GPE website. • Secretariat/Board: Prioritize high-risk countries based on Results Report and pipeline through a strengthened partnership engagement approach. (Ongoing) 	<p>This risk is covered in the operational risk category under “Risk to sector plan financing”.</p>
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				<ul style="list-style-type: none"> • Secretariat: Publish on GPE website all DCP pledges once information has been cleared by relevant DCPs (Ongoing). • SIC: Explore future forms of support for civil society advocacy on domestic financing in the context of ASA design. (June 2018) • Secretariat: Development/ implementation of dissemination strategy for the effective uptake of the new guidelines on domestic financing including considerations within the design of the KIX Learning Exchange (June 2018/Dec 2018) 		
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GPC	<p>2.1.1 Roles, Responsibilities and Accountabilities at Country Level.</p> <p>The risk that roles, responsibilities and accountabilities of the Secretariat, LEGs, CAs and GAs in country are not clearly defined, understood and consistently applied.</p>	Critical	High	Medium	<ul style="list-style-type: none"> • Secretariat: report on the issues and options for ensuring Grant Agents, Coordinating Agencies, and Local Education Groups are operating efficiently and effectively as well as learning from past experiences to deliver GPE 2020. (June 2018) • Secretariat/Board: Clarify responsibility and optimizing approaches for capacity building and technical assistance including in fragile and conflict affected states. (Ongoing) • Secretariat: Develop technical guidance for strengthening effectiveness of LEG. (FY 2018) • Secretariat GPC: Timely sign-off of agreed inception report for effective partnership study with feasible scope and approach for delivering first analysis (June 2018). • Board/GPC/Secretariat: Follow-up to the findings and recommendations of the Effective Partnership study for improving the operational model through clear roles, responsibilities and accountabilities of the Secretariat, LEGs, CAs and GAs (October 2018). • Secretariat/GPC/SIC: Clear intersections between the EEP and other workstreams 	<ul style="list-style-type: none"> • OPM Review findings presented to the Board in June 2018, and an action plan was subsequently devised in consultation with the GPC and approved by the Board in July 2018 to address key areas where the GPE operational model needs strengthening. • The first part of the action plan is currently being implemented and is on track. The consultant has completed further input documents for the organizational design firm, contracted in August, to further define and test concrete options for decisions on key functions and corresponding roles, responsibilities, authorities, accountabilities, resourcing and risk ownership. These options will be presented to the Board at its retreat in November 2018 for discussion and to identify potential decisions for the Board in December 2018. • Several issues identified in the report feed into existing work streams, already addressing specific aspects of the operational model under the oversight of different committees (SIC, GPC, FRC). To ensure effective follow-up of the Effective Partnership Review, a consolidated report, mapping issues against workstreams and their progress will be presented to the Board in December 2018. • One of these workstreams includes the LEG work stream under which guidance is currently being developed, and which is overall on track. The SIC will review the first product - <i>LEG effectiveness principles</i> - in October 2018. • Secretariat/Board: Clarify responsibility and optimizing approaches for capacity building and technical assistance including in fragile and conflict affected states. Implement the Effective Partnership Action Plan (Ongoing; Part 1 of 	<p>This risk is captured in the strategic risk category, under “Mutual Accountability Risk (Country level)”.</p>
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					addressing aspects of the operational model for effective follow-up of recommendations; and harmonization of timelines especially with the LEG work stream, overseen by SIC.	Action Plan expected completed by December 2018)	
GPC	<p>2.1.2 GPE Funding Model.</p> <p>The risk of disruption in country-level processes due to problems in the implementation of the GPE funding model.</p>	Critical	High	Low	<ul style="list-style-type: none"> • Secretariat: Continue strengthening country-level development partners' including Ministry of Finance understanding of the implementation of the funding model and their roles in it. (Ongoing) • Secretariat: Strengthen country advisory and operational support (as part of HR plan). (Dec 2018) • Secretariat: Further clarify funding model requirements and incorporate lessons learned in guidance, including financing tool with clear guidelines on operationalizing the variable tranche. (Dec 2018) • Streamline approval process by increasing delegation of authority to the GPC and Secretariat (for consideration in April 2018 and to be decided at the Board in June 2018). 	<ul style="list-style-type: none"> • Secretariat: Encourages inclusive dialogue at country level and explains the GPE funding and operational model to different partners. It specifically encourages the integration of the Ministry of Finance at different stages of the process. • Secretariat: The reorganization of the Secretariat has increase the number of staff with a country facing assignment to strengthen country advisory and operational support. • Methodologies to assess funding model requirements have been developed, and specific guidance for the variable part will be shared with GPC during the October meeting • A proposal to delegate authority to GPC and Secretariat has been presented. The Board has decided to only approve a limited delegation to GPC. 	This risk is captured in the operational risk category under "Access to Funding Risk".

GPC	<p>2.1.3 Choice of Grant Agents.</p> <p>The risk that a country cannot identify a grant agent suited to the purpose for the country context.</p>	Critical	High	Medium	<ul style="list-style-type: none"> • Consider direct access of GPE Grants to Governments if identified as a recommendation as part of Effective and efficient partnership. (Review June 2018) • Secretariat/SIC: Clear criteria for grant agents for KIX and ASA mechanisms developed as part of the design process. 	<ul style="list-style-type: none"> • “Direct access” was not a focus of OPM report and it was not raised in any detail by respondents. It’s possible that it may arise again in next phase of work by external consultants. • Grant Agent for ASA/KIX has been nominated by SIC based on the clear criteria and external assessment of applicants. 	<p>This risk is covered in the strategic risk category under “Value for Money Risk”.</p>
GPC	<p>2.3.2 Program Implementation Timeline.</p> <p>The risk that grant objectives are not achieved within the expected implementation period.</p>	High	High	Medium	<ul style="list-style-type: none"> • Secretariat: Extend quality assurance to revision of grants. On hold pending Secretariat resource and Board consideration of HR plan) • Board: Improved accountability through M&E strategy. (Ongoing) • Consider funding of country level evaluation (first two rounds completed and third round by June 2018) 	<ul style="list-style-type: none"> • Secretariat: Extend quality assurance to revision of grants. Still on hold pending Secretariat resource and Board consideration of HR plan. The FY18 implementation ratings show an improvement from previous years with the share of delayed grants in the sample being the smallest in the last 5 years (only 10.7% share, or only 3 grants in FY18). • Improved accountability through M&E strategy. The grant has been monitored according to the implementation ratings as well as the operational risk framework (prioritizing lower rating and higher risk grants). As for FY19, CST reorganization with a new management layer will allow close monitoring of grants/ resolve grant implementation issues through liaising with the GA. • The country-level evaluations are underway. The baseline for 8 prospective evaluations has been completed and the first-year reports have been drafted and will be finalized by October 2018. Seven summative reports will also be finalized by the end of October 2018. An updated approach to country-level evaluations is currently under review by the evaluation team and will be finalized by the end of October 2018. 	<p>This risk is covered in the operational risk category, under “ESPIG Performance Risk”.</p>

GPC	<p>2.3.4 Grant Management.</p> <p>The risk to GPE that not all poorly performing grants are detected and remedied in a timely manner.</p>	Critical	High	Low / Medium for FCAS	<ul style="list-style-type: none"> • Secretariat: Strengthen QAR in restructuring grants (as part of HR plan) (2018) • Grant Agents selection process lessons learned report to be developed. The ongoing review of the GA selection process will feed into these lessons learned report. (2018) 	<ul style="list-style-type: none"> • Secretariat: Change in management structure of CST allows for a closer follow up on potential restructurings and in-depth management review of restructurings. • The Secretariat has taken stock of the different GA selection processes during the previous fiscal year. 	<p>This risk is also covered in the operational risk category, under “ESPIG Performance Risk”.</p>
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GPC	<p>2.4.2 Quality Data (Education Sector Plans).</p> <p>The risk that the partnership is unable to capture reliable data to monitor and demonstrate performance of education sector plans.</p>	Critical	High	Low	<ul style="list-style-type: none"> • Secretariat/CGP: Require financed ESPIG data plan. (2018 onwards) • Secretariat: Add additional ESA technical support to ensure stronger advisory functions. (On hold pending Board deliberations) • Secretariat: Roll out A4L initiative and support stronger data on learning outcomes. (FY 2018 and beyond) • Secretariat/SIC/GPC: ASA to provide framework for capacity building by learning partners in data collection for social accountability. (Ongoing) • Secretariat: Capacity development for improved data systems by conducting knowledge exchange across DCPs and technical partners at EMIS conference (April 2018) • Secretariat: Ensure support for projects to improve data collection, analysis and dissemination to inform planning, policy implementation and evaluation through the KIX data window (Nov. 2018) • Secretariat: Contribute to efforts of Global Alliance to Monitor Learning (GAML) to develop SDG 4 indicators, methodological tools and standards related to learning. (Ongoing) 	<ul style="list-style-type: none"> • Secretariat/CGP: Require financed ESPIG data plan: countries that do not collect and report on the performance of their education systems are required to invest in data through their ESPIG. This is ensured through the funding model requirements and ESPIG quality assurance processes. The Secretariat reports on this aspect in the GPC matrices, which are sent to the GCP at the time of a country's ESPIG application. (2018 onwards). • The A4L initiative is progressing well and works to strengthen learning assessment systems. Two of the components of A4L are related to this: 1) the ANLAS which is a tool that is being developed for countries to conduct comprehensive analyses of their systems and strengthen them; and 2) support to the regional assessment networks NEQMAP (Asia-Pacific) and TALENT (Sub-Saharan Africa), which includes support for capacity building to better enable countries in these regions to build strong learning assessment systems. (Ongoing) • The SIC has approved ASA design blueprint, including the provision for capacity building of grantees by learning partners for appropriate data collection. (Ongoing) • The ASA team is working closely with the KIX team and KIX GA to include capacity building for civil society and DCPs to integrate data into sector processes with support from learning partners. (Ongoing). • The GPE Secretariat contributes to the efforts of GAML by serving on its Strategic Planning Committee (SPC) as well as various task forces including Task Force 4.1 which is working to define methodologies for determining minimum proficiency levels in reading and 	<p>This risk is covered in the strategic risk category under “Impact Risk” which is the risk of not being able to demonstrate results.</p>
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				<ul style="list-style-type: none"> • Secretariat: The ASA fund should include explicit approaches to provide capacity building for civil society and governments to integrate data from social accountability initiatives into sector planning preparation and implementation monitoring, supported by learning partners with expertise in these areas and KIX (October 2018). 	<p>mathematics. The Secretariat has played an active role in these discussions and will continue to do, particularly during this year’s GAML annual meeting (October 2018).</p>		
FRC	<p>3.1.2 DCP Pledges.</p> <p>The risk that some DCPs fail to deliver on their current pledges.</p>	High	High	Medium	<ul style="list-style-type: none"> • Secretariat: Support development of ESIC to achieve greater additionality, coordinated financing, co-financing, and leveraging to crowd in resources to finance credible education sector plan. (FY 2019) • Secretariat: Publish on GPE website all DCP pledges once information has been cleared by relevant DCPs (Ongoing). 	<ul style="list-style-type: none"> • The ESIC approach has been developed with support from two external firms. The proposed strategy and resource implications will be presented to the FRC in October 2018 and to the Board in December 2018 (pending FRC’s approval). • Secretariat: All DCP pledges have been cleared by relevant DCPs and have been published on the GPE website. 	<p>This risk is covered in the strategic risk category under “Financing Risk”.</p>

FRC	<p>3.1.3 Strategic Financing and Resource mobilization.</p> <p>The risk that GPE fails to demonstrate its added value and can't attract new and additional funding beyond pledges made at the financing conference</p>	Critical	High	Medium	<ul style="list-style-type: none"> • Secretariat/Committees/Board: Complete the design and roll out of KIX and ASA mechanisms. (Ongoing) • Secretariat: Complete fundraising strategy for KIX and ASA for foundations and private sector. (April 2018) • Demonstrate successful implementation of the GPE Multiplier. (Ongoing) • Secretariat: Successful implementation of the Strategic Plan. (2018/2019) • Leverage the WDR 2018 to promote GPE's focus on learning and equity through building national education systems. • Secretariat: Work with replenishment co-hosts to continue advocating to donors for additional contributions for the full 2018-2020 replenishment period, including from potential new donors. • Secretariat: Work with donor countries who make annual contributions to increase/announce new contributions. • Secretariat/SIC/Board: Develop full Private Sector Strategy. • Secretariat: Engage with development of IFFEd, and coordinate with IFFEd and ECW resource mobilization efforts. 	<ul style="list-style-type: none"> • The resources available for allocation from the Multiplier from US\$ 100 M to US\$ 300 M. In addition, the Board expanded eligibility to 69 countries and mandated a series of changes to improve the Multiplier's operation and increase transparency. The Secretariat has mainstreamed these changes. As of September 2018, nearly US\$ 102 M had been allocated by the GPC and /or Board across 12 eligible countries, mobilizing over US\$ 440 M in co-financing for education. • The design blueprint for ASA has been approved and the GA has been nominated by the SIC. • Secretariat: Work with replenishment co-hosts to continue advocating to donors for additional contributions for the full 2018-2020 replenishment period, including from potential new donors. (Ongoing) • Secretariat: Work with donor countries who make annual contributions to increase/announce new contributions. (Ongoing) • Secretariat/Board: Complete lessons learned from replenishment campaign and consider GPE future level of ambition and investment required to achieve ambition (June 2019). 	<p>This risk is covered in the strategic risk category under “Financing Risk”.</p>
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					<ul style="list-style-type: none"> • Secretariat/Board: Complete lessons learned from replenishment campaign, and consider GPE future level of ambition and investment required to achieve ambition (June/November) 		
FRC	<p>3.1.5 Foreign Exchange movements.</p> <p>The risk that GPE is adversely affected by Foreign Exchange movements.</p>	High	High	Low	<ul style="list-style-type: none"> • Secretariat/FRC: Consider currency hedging proposal from World Bank. (April 2018) 	<ul style="list-style-type: none"> • All donors have been contacted to assess acceptability of World Bank requirements on hedging. • World Bank has now proposed an approach that is more flexible and needs to be further examined with donors to determine viability. • One new major donor has elected to contribute in USD rather than Euro which helps reduce risk. 	<p>This risk is covered in the GPE Fund Management risk category under “Currency Exchange Risk”.</p>

FRC	<p>3.2.1 Fraud and Misuse.</p> <p>The risk that significant GPE funds are diverted from their intended purpose through fraud or other forms of misuse as defined in the Misuse of Funds Policy.</p>	Critical	High	Medium	<ul style="list-style-type: none"> • FRC: Review Misuse of Funds Policy. Dec 2018 • Secretariat: Provide clear guidelines on operationalizing the Fraud and Misuse Policy and organize training for country facing staff. (Ongoing) • Secretariat: Repeat training of secretariat staff on communication protocol in the event of a crisis. (2018) • Secretariat: Complete development of Risk and Compliance Team. (2018) • Secretariat: Reduce Impact of this Risk occurring by successfully implementing Strategic Plan and clearly demonstrating GPE’s added value. (Ongoing) • Secretariat: Reduce Impact of this Risk occurring by ensuring prompt, credible, and transparent action is taken in the event the risk materializes to recover funds and address the cause of the misuse. (Ongoing) 	<ul style="list-style-type: none"> • Secretariat: The Risk and Compliance team became effective in September 2018, with Misuse of Funds as one of its key workstreams. • FRC: Discuss Misuse of Funds lessons learned paper at October 2018 meeting. • FRC: Guidelines on operationalizing the Fraud and Misuse Policy to be discussed with FRC in October 2018. • FRC: The Misuse of Funds policy will be reviewed at April 2019 meeting to incorporate any roles and responsibility changes from the Effective and Efficient partnerships review, and relevant work from drafting of Risk Appetite statements. • Secretariat: Organize training for country facing staff on fraud and misuse awareness and repeat training of secretariat staff on communication protocol in the event of a crisis. (November 2018) • Secretariat: Reduce Impact of this Risk occurring by ensuring prompt, credible, and transparent action is taken in the event the risk materializes to recover funds and address the cause of the misuse. (Ongoing) 	<p>This risk is covered in the operational risk category, under “Risk of Fraud and Misuse”.</p>
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Board	<p>4.2.3 Secretariat Capacity.</p> <p>The risk that the Secretariat’s technical capacity, organizational structure, financial and human resources are not sufficient to deliver on the responsibilities assigned to it by the Board.</p>	Critical	High	Low	<ul style="list-style-type: none"> • Secretariat/Board: Consider impact of lessons learned from replenishment, effective/efficient partnership review, and institutional arrangements reports on future needs and direction of GPE Secretariat. (June/Nov/Dec 2018) 	<ul style="list-style-type: none"> • While headcount remains frozen, GPE Management have re-prioritized vacant staff posts towards critical needs. • Use of short term and extended term consultants has been deployed to help manage workload challenges. • Staffing needs will be considered post December Board meeting. 	<p>This risk is covered in the business continuity risk category under “Human Resources Risk”.</p>
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***Inherent Risk:** assessed level of raw or untreated risk; that is, the natural level of risk inherent in a process or activity without doing active treatment to reduce the likelihood or the impact of the risk (before mitigation actions are applied).

****Residual Risk:** amount of risk or danger associated with an action or event remaining after natural or inherent risks have been reduced by risk controls including mitigation actions (after mitigation actions are applied).

*****Target Risk:** the optimal level of risk that an organization wants to take in pursuit of a specific goal.

Risk scale:

Critical
High
Medium
Low