JUNE 13,14 AND16, 2022

MEETING OF THE BOARD OF DIRECTORS

VIA VIDEOCONFERENCE	BOD/2022/06 DOC 08	FOR INFORMATION

SEMI-ANNUAL CORPORATE RISK UPDATE

Please note: In accordance with the GPE Transparency Policy, documents are public only after their appraisal by the relevant governance instance. Governance officials may circulate documents to their constituency for consultation purposes, except for documents of a confidential nature.

Key issues for consideration:

- The Finance and Risk Committee (FRC) considered the Corporate Risk Update at its April 28-29, 2022 meeting. The Committee highlighted the risks arising from the economic impact of COVID-19 and the war in Ukraine as related to reductions in domestic financing and the importance of making best use of available resources. The FRC highlighted the need to consider this issue as part of GPE's larger transformation agenda and its approach to the UN Transforming Education Summit. FRC members also noted the importance of GPE's ongoing efforts to advocate for domestic financing, including through the Kenyatta Declaration, and the operating model.
- With regards to strategic and operational risks associated with the rollout of the operating model, the FRC called for greater dissemination of information on GPE support, and success stories and lessons learned from pilot countries to support country ownership. The Secretariat acknowledged the need to enhance information sharing, highlighting new tools under the new operating model to support partners' capacity building.

Objective

1. This document presents the status of risk management across the Partnership by focusing on the most critical risks to GPE's ability to achieve its goals and objectives. The Board is invited to review the information provided and to determine if there are any additional risk-specific concerns, particularly in areas where changes in the internal and external environments are affecting GPE's ability to implement its strategic plan.

Background

2. The previous risk report identified a number of priorities for 2022 that were needed to adapt GPE's risk management framework and tools in response to the evolving

risk landscape. The objective was to elevate GPE's risk management framework as an effective internal management tool while supporting the Finance and Risk Committee and Board in strategic decision-making. Significant progress has been made in this context toward a more agile framework, including development of indicators that are more adaptable to unforeseen circumstances, review of internal Secretariat processes, such as quarterly risk reviews with risk owners and focal points, and integration of relevant key risk indicators into the workplan and budget process.

3. The GPE Secretariat is currently reviewing its risk framework and policy, adapting the risk taxonomy and the list of key risk, control, and performance indicators to incorporate GPE2025, the rollout of the operating model and the outcomes of the Global Education Summit held in July 2021. The Secretariat will continue to refine and improve the framework over time, using the Board approved methodology.

4. As data continue to be limited or is not yet available for some indicators, the Secretariat has emphasized qualitative rather than quantitative information in the current report. Data was collected for 19 out of 23 indicators developed so far, while information for the remaining 4 indicators is not yet available but will be over the course of GPE2025. The Secretariat is also developing additional indicators in risk areas not yet covered, as listed at the end of the tables in Annex B.

5. **Annex A** presents the key findings and trends across the five main risk categories: strategic risk, operational risk, GPE fund management risk, Secretariat business continuity risk and reputational risk. These categories focus on ongoing business management risks on an outlier basis as well as matters that will require attention in the coming months. An update on risk areas discussed in the previous risk report is also provided.

6. **Annex B** presents more detailed information on risk indicators including comparisons with previous risk indicator data, when possible, along with the direction of travel.

Annex A: Key Findings and Trends
Annex B: Detailed information on risk indicators, organized per risk category

Annex A: Key Findings and Trends

1. **Introduction:** Given the transitional nature of this report with the ongoing development of new risk, control, and performance indicators under GPE2025, and given that some indicators developed under GPE2020 continue to be monitored, qualitative (versus quantitative) information is emphasized where possible and relevant, following the structure of the GPE risk taxonomy. Furthermore, the qualitative assessment aims at considering the impacts of external factors (e.g., COVID-19 crisis, 2022 Russia-Ukraine war, political context, etc.) on GPE operations to better reflect the actual risk levels.

2. **Methodology:** The rating is based on a scale developed following the [2019 Board approved methodology](#) (from very low, low, moderate, high to very high risk exposure). A qualitative estimate of the impacts, or the estimated consequences should the risk occur, is provided, as well as the direction of travel where possible. The overall risk rating at the category level is the outcome of a collective qualitative assessment by the Secretariat risk owners.

I) Strategic Risk (High risk)

3. **The biggest strategic risk remains the risk that partners do not understand, champion, or deliver on the operating model approach towards system transformation.** This risk was flagged as high in the previous risk report and remains high although given positive reaction to the operating model to date, it is hoped this risk level can reduce over time. Should this risk materialize, the operating model would not succeed in pivoting policy dialogue and action towards system transformation in partner countries, thus failing to deliver on the goals and objectives of GPE 2025. The effective engagement of partners through HQ and regional bodies is key to inform, mobilize and support their country level counterparts' engagement in the processes. The Secretariat has been proactive in reaching out to partners to explain the model, including how gender is hardwired through it, and the feedback received so far as well as the level of interest and engagement is very positive. Ensuring that local education groups have the tools and support they need from the Secretariat is equally important to mitigate this risk. The Secretariat is thus ensuring that technical guidance is complete, and clear. Noting that it is essential that Secretariat country teams are staffed and equipped to provide support as needed, this risk is treated under Operational risk and Secretariat business continuity risk categories.

4. **Resource mobilization or the risk that contributions to the GPE Fund are insufficient is the second biggest strategic risk. It is rated high, as a result of currency exchange risk being elevated to "very high" and due to geopolitical risks increasing as a**

result of the Russia-Ukraine war. The July 2021 Global Education Summit saw GPE secure US$4 billion in pledges. However, the challenge of increasing this amount and ensuring sufficient donor commitments to meet program requirements is exacerbated given the impact of a strong US dollar, the fact that one donor has already reduced its pledge, the ongoing negative impacts of the COVID-19 crisis on national budgets, and the likely impact of the Russia-Ukraine war. The last has already driven up inflation, and will likely result in increased defense spending, along with the need for many donor countries to provide additional support for Ukraine and refugees. The Secretariat will continue to seek to mobilize resources from new and existing partners (with some post-Summit success already), while promoting the importance of funding for education through its advocacy work. Currency exchange risk is further discussed under GPE Fund Management Risk below, in particular a mitigation plan to hedge GPE's non-US dollar contributions. The ability to demonstrate timely approval and disbursement of funds will also help mitigate this risk.

5. **With regards to domestic financing, the risk is around decrease or lack of increase of the share of education spending in national budgets after countries were hit hard by the COVID-19 pandemic and the negative economic fallout.** The impact of the Russia-Ukraine war could drive up inflation and raise concerns around food and energy security, which in turn may place additional pressure on domestic financing for education. Advocacy on domestic financing continues through the Heads of State call to action on education finance and it is a core theme of the UN Secretary General's Transforming Education Summit scheduled for September. The operating model has a significant focus on domestic financing of education, particularly through, the enabling factors assessment and the partnership compact development which are intended to diagnose the issue and foster dialogue with country partners around the volume of domestic financing as relevant, as well as the efficient and equitable use of resources. The top-up lever where relevant and suitably adapted to context, is expected be used to incentivize improvements and support the ongoing focus of this issue in local education groups.

II) Operational Risk (Moderate risk)

6. **The biggest operational risk remains the ineffective or delayed rollout of the operating model resulting in inability to approve and disburse funds in a timely manner to support system transformation.** The Secretariat is monitoring closely the path of approvals under the operating model while country teams are at work to support partner countries. Efficiencies should be gained over time through the experience acquired by countries and the Secretariat, and increased information being available. The learning framework, developed to capture key lessons from the

rollout of the operating model, is in place and the lessons learned are being integrated into GPE's modus operandi to adapt the model. Better information and data on grant performance are expected over time. The initial estimate of having an application approved within 14 months of starting the process is likely to vary based on country context. While it was expected that pilot countries would exceed the 14 months initially envisioned, experience working with cohort 2 and 3 shows that levels of readiness are heterogenous. Readiness to apply should thus be factored to better forecast the path at which countries are going through the different steps of the application process. Timely approval based on context and ensuring programs that experience delays in starting or implementation are addressed promptly remain critical.

7. **The second biggest operational risk is around having the tools and processes in place to enable effective, efficient grant portfolio management and monitoring.** While the risk level has decreased from high to moderate, it is important to note that this risk is an enabler of the main strategic risk (i.e., an effective and timely roll out of the new operating model and related tools to operationalize GPE2025). The Secretariat has strengthened its grant operations team and is investing in an improved grant management system, although IT system challenges remain as highlighted under the Secretariat business risk continuity category. The Secretariat is also focusing on increased monitoring and the use of metrics on grant approval timelines, effectiveness, disbursement, utilization rates, and status of implementation to improve reporting and real-time portfolio management. Regular engagement with the grant agents on status of portfolio, and escalation of grants facing challenges, is proving to be important in addressing delayed programs and advancing the pipeline. Finally, several policy changes to support restructurings are under consideration, including partial cancellation of off track programs to reallocate to more efficient support and limitations on extensions.

8. **The risk that GPE is not agile enough to adapt to changing conditions and contexts that affect grant implementation, particularly in Fragile and Conflict Affected States (FCAS) has decreased compared to six months ago**, as it is expected that the new Operational Framework for Effective Support in Fragile and Conflict Affected States will support a timelier response at country level towards unblocking funds that may be stalled due to crisis or political unrest. Political instability has now paused or partially paused implementation in 5 countries. Collaboration with Education Cannot Wait has also significantly strengthened over the past few months, notably but not exclusively in Afghanistan. The ongoing impact of COVID-19 has also resulted in grant delays, and while disbursements remain solid so far, they are behind in a number of countries.

9. **With regards to risk of fraud and misuse and Prevention of Sexual Exploitation, Abuse, and Harassment (PSEAH) risk, the level of risk is low based on reported cases.** While the number of reported cases is low, it should be recognized that this may in part be due to cases not being identified or reported, and therefore close vigilance by all partners is important. The Secretariat continues to demand the highest level of integrity and disclosure from its GAs.

10. With regards to GPE's ability to connect expertise, innovation, and knowledge to support Partner countries to build stronger education systems, implementation of the Knowledge and Innovation Exchange (KIX) and Education Out Loud (EOL) programs is on track. Risk exposure is very low, with 95% of milestones met on average in the last fiscal year. Moving forward, the focus is on the future of the Knowledge and Innovation Exchange and Education Out Loud programs and the broader strategic capabilities question. These issues were discussed by the Finance and Risk Committee and the Performance, Impact and Learning Committee in April 2022, where the midterm evaluations of the two programs were considered.

III) GPE Fund Management Risk (Very high risk)

11. **The biggest risk in this category is GPE's continued exposure to foreign exchange movement considering 86% of unpaid donor pledges are in non-US dollar currencies. The risk is deemed very high due to significant strengthening of the dollar post replenishment and the potential for further volatility.** The majority of donor currencies have significantly weakened against the US dollar since mid-2021 eroding the value of pledges in US dollar terms. The Russia-Ukraine war has accelerated US dollar appreciation in recent weeks. With 86% of unpaid donor pledges being in non-USD currencies, GPE's financial position continues to be significantly exposed to a further relative strengthening of the US dollar. It is important to note that payments to the GPE Fund will be made over the course of GPE2025 hence the risk has not materialized yet, as the exchange rate difference only crystallizes once the contribution is made and converted. Therefore, rates may change positively or negatively. Key mitigation actions include working with the World Bank on developing a solution to provide GPE with a currency hedging provision which is now with donors for consultation, encouraging GPE donors to sign multi-year contribution agreements with defined payment schedules to improve potential for hedging and forecasting, encouraging donors to contribute to the GPE fund in US dollars where possible, and increasing the use of Euro grant allocations where feasible.

12. **The second biggest risk in this category is around liquidity risk. While the current risk is moderate, the risk could increase over the course of GPE2025.** GPE's cash balance is currently above the 9-12 month target for disbursement cover. However,

with the impact of US dollar appreciation compounding the reduction in one major donor pledge, and the potential risks around donors delivering on pledges in light of the economic impact of the Russia-Ukraine war, it is likely that GPE's cash balance will be tested over the course of GPE2025. While the Secretariat's assessment is that it should be able to stay within range, it will be important that donors contribute in a timely fashion, and fulfill their pledges. These issues are further elaborated in the financial forecast document.

IV) GPE Business Continuity Risk (Moderate risk)

13. **The risk of operating expenses exceeding the target range is high.** GPE aims to keep operating expenses within a range of 5-7% of GPE disbursements. The decision by the World Bank to increase hosting charges by more than 40% will result in a 24% markup being applied on all direct operating expenses. This significantly increases the overall budget and places increased pressure to stay within range. While the Secretariat is making best efforts to keep direct expenditure as low as possible, it is not in control of the policies applied by the World Bank and while a further increase in hosting charges is not expected, it cannot be ruled out or mitigated based on the current language of the hosting Memorandum of Understanding. The pace of the operating model rollout especially for early cohorts is also likely to be slower than initial estimates and combined with the impact of political instability negatively impacting some large grants, the risk of temporarily exceeding the target range remains high, although will reduce over the course of GPE2025. Excluding the impact of the increased hosting costs, GPE's operating expenses would be comfortably within the targeted range.

14. With regards to Human Resources (HR), three risk areas are discussed below while risk exposure is low to moderate.

    14.1. **The risks that the GPE Secretariat is not equipped to effectively support the roll out of the operating model has decreased from high to moderate.** This risk is an enabler of the effective and timely rollout of the new operating model and related tools to operationalize GPE 2025. The risk is around not having the right staff in place and staff not having the right support (e.g., tools, processes, trainings, manageable workload, ability to travel, etc.) to champion and support implementation of the new operating model. Risk exposure has decreased with the completion of the staff reorganization and the roll out of a robust training plan. The ongoing recruitment and onboarding of additional staff is also alleviating workload (i.e., 14 staff have been recruited and onboarded out of 22 Board approved positions in May 2021 and 6 are in the final selection stage). While the risk exposure may decrease as the use of the new operating model and new IT equipment will be mainstreamed into business processes, along with more office presence and increased ability to travel in 2022, the overall number of countries going through the model at the same time will increase and put pressure on staffing.

14.2. While GPE staff have been strained by the COVID-19 situation and have been working from home for over two years, most have adjusted well to the circumstances. With the initial concerns around productivity not materializing, the World Bank management are moving staff towards a "new normal" where some in-person attendance is required. The risk now is ensuring that the shift to a hybrid working environment where staff are partially working from the office and remotely is well managed, while recognizing that there may be higher levels of staff turnover should a small number of staff prefer not to return to the office due to perceived risks and adapted telecommuting rules.

14.3. **GPE had previously identified a risk around transitions and changes in senior GPE leadership. The Secretariat considers this risk as limited now, with a low likelihood to materialize**. The risk of disruption due to the transition of Board leadership and change of Chief Executive Officer (CEO) had been discussed at the previous risk meeting in the context of the recent and substantial governance reforms. The risk exposure has decreased significantly as the Chair and Vice Chair have been successfully onboarded after joining at an optimal time (i.e., after the approval of GPE2025, the new operating model, and the Replenishment). Regarding the CEO transition, a selection committee with Board representation is in place supported by an external search firm. Meanwhile, the Deputy chief executive officer (DCEO) has transitioned to the role of acting CEO and has appointed an acting DCEO and interim Chief Operating Officer (COO) from within the existing Management Team to ensure existing functions are appropriately resourced during the transition period.

15. **With regards to GPE's technological environment, even though the GPE Information Technology (IT) strategy is in place and being rolled out, the Secretariat is limited in its ability to make its own IT decisions under the World Bank IT requirements, which presents a risk to GPE's ability to implement its programs.** The independent mid-point hosting review conducted in November 2021 concluded that the World Bank's IT policy limits GPE's ability to procure fit for purpose solutions. A team within the IT strategic planning arm of the World Bank offered to review GPE's Enterprise Architecture to ensure that the GPE IT strategy is aligned with GPE2025 and the new operating model. It is hoped that this review will also enable better alignment between the GPE IT Strategy and the World Bank current and planned technologies,

to ultimately facilitate the selection of appropriate platforms for further development of GPE's IT ecosystem.

16. **With regards to the Secretariat budget and workplan execution, the risk is around a lack of alignment between the annual workplan of the Secretariat and the overall long term strategic planning.** The risk is low as the Secretariat has developed a robust mitigation plan, including the identification of annual work priorities, and a quarterly progress report to management. Going forward, the Secretariat will develop a set of key performance indicators to track workplan and budget execution, which will be coherent with GPE's risk indicators. In parallel, the Secretariat's operating expenses are reviewed on a monthly basis and six-monthly internal reallocation exercises respond to emerging priorities.

V) Reputational Risk (Moderate risk)

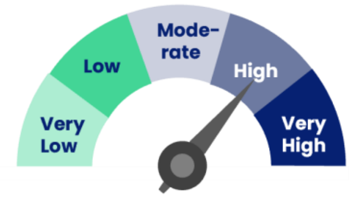
17. An organization's reputation, or how key stakeholders perceive it, has a direct bearing on its effectiveness. With the heightened public profile of the GPE financing campaign in 2020 and 2021, the Partnership faced additional scrutiny. Media coverage (a proxy indicator of reputation) around the replenishment campaign was overall very positive. **Going forward, a significant reputational risk is GPE's ability to deliver effectively and efficiently on its goal.** Should donors and other stakeholders question GPE's ability to deliver, resource mobilization could be negatively impacted, and policy influence diminished. While reputational risk is largely dependent on the successful management of the other risks, the Secretariat will continue to seize every opportunity to proactively communicate GPE's work and impact, strategically using GPE leadership engagement in key political and policy fora, the media, social media, and GPE's communications platforms. Proactive communication and positively positioning GPE help to enhance GPE's reputation, serving as a buffer against potential future reputational risk.

Annex B: Detailed information on risk indicators, organized per risk category

GPE Strategic Risk

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

1. **The risk that partners do not understand, champion, or deliver on the operating model approach towards system transformation.**
2. **Resource mobilization and the risk that contributions to the GPE Fund are insufficient.**



Risk Area	Risk Indicators & Trends (when applicable)	Risk level, Impact & Direction of Travel[1] (when applicable)	Context & Specific Countermeasure
1. Financing risk and resource mobilization: the risk that contributions to the GPE Fund are insufficient impeding GPE's abilities to fund its programs	Total amount pledged versus US$5 billion target: **US$3,956,704,090 against the US$5 billion target or 79%**	• **High risk** • High Impact	79% using the FX rates at the time of the pledges made For further information, see paragraph 4 on page 3.
2. Financing risk and co-financings: the risk that co-financing targets are not reached impeding GPE's abilities to co finance its programs	% of total co-financing mobilized per calendar year versus target (cumulative, based on a total target of 2,5 B USD): **US$ 567.8 million against the US$375 million target for S1 2022 or 151.4%**	• **Low to Moderate risk (adjusted)** • Moderate Impact	While the target indicates a low level of risk, this is partially related to high levels of Multiplier expressions of interest being approved at the end of 2020. The approval rate has been significantly lower during 2021 while the GPE rolled out the new operating model although there has been a recent increase in approvals and a significant number of countries in the pipeline considering how best to mobilize the Multiplier
3. Domestic Financing Risk: the risk is that Partner Countries might not make progress towards GPE benchmarks in terms of domestic financing volume during implementation.	% of GPE countries or states persistently below GPE benchmarks for DF volume: **24%**	• **Moderate risk** • High impact	A key element of the operating model is a focus on domestic financing through the enabling factors review. In addition to working through the operating model, advocacy efforts continue through the Kenyatta declaration, and domestic financing will be on the agenda at the Transforming Education Summit. The impact of COVID 19 and the war in Ukraine is likely to put pressure on domestic financing.

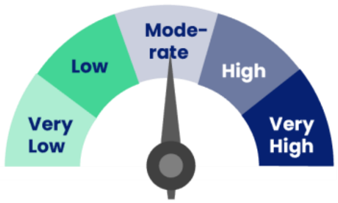
[1] Direction of travel indicates whether the measure it relates to has Improved (↓), Worsened (↑) or is Unchanged (↔) in the past six months.

4. Mutual Accountability Risk: the risk that partners at the country level do not take accountability for their commitments in the compact, impeding GPE's ability to mobilize global, national partners and resources for sustainable results.	% of partnership compacts that 1) do not include specific commitments by country-level partners nor a specified monitoring mechanism to review progress in the prioritized reform area, and which 2) do not implement the agreed monitoring mechanism: **n/a**	n/a	This indicator specifically builds on the partnership compact as it was more difficult to measure mutual accountability under the previous model when accountabilities were only defined in general at global level and not specifically at country level. Given that work is ongoing in pilot countries and countries in cohort 2 and 3 are at the inception of the grant application process, there is no data available for this indicator yet.
5. Governance Risk (global level): the risk that the systems by which GPE makes and implements decisions in pursuit of its objective is not fit for purpose.	% of Board members agreeing with the following statement: "The Board has the information it needs to operate at a strategic level and in the best interest of the GPE": **90%**	• **Low risk** • High Impact	The adoption of the governance reforms has had a positive impact on Board and Committees deliberations and decision-making. These include: • Consistent, targeted information-sharing with governance officials, to strengthen the understanding of governance rules, mandates, and pathways. • Focused documentation and communication to facilitate decision-making. • Updated onboarding to home in on duty of care.
Risk areas where indicators are being developed: 1. Gender hardwiring 2. System Transformation			

GPE Operational Risk

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

1. **Ineffective or delayed rollout of the operating model resulting in Inability to approve and disburse funds in a timely manner and support system transformation.**
2. **Risk around not having the tools and processes in place to enable the effective and efficient grant portfolio management and monitoring.**



Risk Area	Risk Indicators & Trends (when applicable)	Risk level, Impact & Direction of Travel (when applicable)	Context & Specific Countermeasure
1. Operating Model Risk: the risk that Partners are unable to progress through key operating model stages in an effective manner	% of applications approved within 14* months of allocation: **n/a**	n/a	14 months was the initial estimate presented to the Board. The number of months might be adjusted as more evidence becomes available on realistic timeframes to complete the process, and it is likely that in some cases it may be beneficial to go slower based on the need to adapt to country context
2. Access to funding risk and approvals: the risk that contributions to the GPE Fund are not allocated in a timely manner impeding GPE's abilities to implement its programs	Cumulative % of funds approved under the new operating model versus targets: **n/a**	n/a	Given that pilots are ongoing and cohort 2 and 3 are at the inception of the grant application process, there is no data available for this indicator yet. This indicator is linked to the second biggest strategic risk identified in the report, around effective and timely rollout of the new operating model, which is rated **high risk** per the GPE risk owners in a **qualitative assessment.**
3. Access to Funding Risk and Multiplier: the risk that partners do not, or are not able to, apply for GPE Multiplier funding impeding GPE's ability to implement its programs	% of Multiplier envelope allocated (= Expression of Interest approved) per calendar year versus target (cumulative, based on a total target of 750 M USD): **US$93.4 million against the US$112.5 million target for S1 2022 or 83%**	• **High risk** • Moderate Impact	Correlated to Financing risk and co financings above. The EOI approval rate has been significantly lower during 2021 while the GPE rolled out the new operating model, as reflected in the risk level here. To mitigate this risk, the Secretariat continues to make steady progress in securing new transactions (e.g., Bhutan, Rwanda EOIs approved), as well as operationalizing new initiatives to maximize co-financing (i.e., the SmartED initiative, which will potentially mobilize US$ 400 million in new co financing.
4. Access to Funding Risk and Value for Money: the risk that GPE investments do not demonstrate Value for Money	Active grant portfolio administrative costs as of the FY-end[2]: **10.6%** (Previous data: S2 2021 = 10.6% and S1 2021 = 10.4%)	• **Moderate risk (adjusted)** • Moderate Impact Direction of travel: ↔	Over 60% of the GPE programs and related grants are disbursed in FCAS (fragile and conflict affected states) where management, admin, and overhead costs are higher, hence the increase in average. The diversity of grant agents had also increased, with some GAs charging higher agency fees. Hence **this data point does not necessarily reflect a lack of value-for-money in investments but rather reflects** GPE's risk appetite statement to work in FCAS.

[2] Active grant portfolio administrative costs = all agency fees, supervision allocations and management costs as a % of the total active grant portfolio.

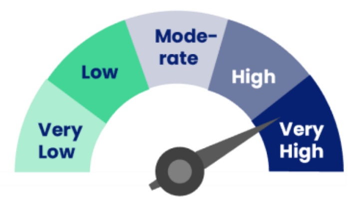
	Operating expenses (OPEX) as a % of total GPE Fund transfers: **6.9%** (Previous data: S2 2021 = 6.8% and S1 2021 = 5.2%)		With respect to OPEX in Semester 1 of FY22, the impact of increased hosting charges and disbursement delays in some large programs due to political instability is placing pressure on keeping within the 5-7% range. As the pace of grant approvals increases over the course of GPE2025 it will drive disbursements up and make it easier to keep within range.
5. Grant Performance Risk: the risk that GPE grants do not achieve results in intended timeframe	% of STGs & Multiplier grants effective within targeted approval date (new OM): **n/a – data not available yet** % of active grants on track with implementation (previous OM): **86% for existing portfolio** (Previous data: S2 2021 = 86% and S1 2021 = 80.6%)	n/a (as it is a composite indicator)	In some countries, the impact of COVID was flagged as delaying implementation, rather than as a factor to block reaching outputs. A positive element is that, regardless of COVID 19, Grant Agents indicate that programs are on track to reach outputs. There are however a number of countries were programs have stalled due to political instability and the Secretariat is actively working with Grant Agents and relevant partners on the ground and at HQ to overcome the bottlenecks.
6. Grant Management Compliance Risk: the risk of a breach of the policies and procedures on grant management	% of grants reports (progress, completion, audit) received late: **29%**	• **High risk** • Low impact	The figure is driven up by the very high % of audit reports received late (59%) while the % progress reports received late is low (6.8%) and the % completion reports received late is high (22.2%). The Secretariat continues to follow up with Grant Agents to ensure timely submission of all due grant reports, including: • Ongoing discussion on the causes for delayed completion reports which has increased over the last 6 months to see whether actions need to be taken. • Focused outreach efforts for 2 audit reports not submitted at all out of 39 expected in FY 2021 but submitted subsequently in FY22.
7. Risk of Fraud and Misuse: the risk of losses due to fraud or misuse in GPE-funded programs	% of misuse cases satisfactorily addressed within an appropriate timeframe: **71%**	• **High risk** • Low impact	This percentage is based on 5 out of 7 cases reported to the Board in December 2021 which are considered to be satisfactorily addressed. Two cases are not considered to be satisfactorily addressed because no updates have been received from the grant agent on the cases in more than a year. The Secretariat is actively following up.
8. PSEAH (Prevention of Sexual Exploitation, Abuse, and Harassment) Risk: the risk that	% of SEAH cases where information is provided by Grant Agents to allow the	• **Very Low Risk**	The GPE PSEAH policy was approved by the Board in May 2021. The GPE grant quality assurance standards have been updated to reflect the GPE PSEAH policy ensuring that grants meet the requirements before

GPE governance officials, staff and all partners involved in grant implementation are not able to prevent, manage the risk of and address SEAH incidents, should they occur in the delivery of GPE programs	GPE Secretariat to monitor and track status, and report to the Board accordingly: **100%**	• Very high impact	approval. All new GPE GAs are assessed as to their PSEAH standards, and all existing GAs are being assessed in relation to PSEAH standards. GPE regularly meets with GAs to gain updates on reported SEAH cases, and all 6 cases have made satisfactory progress in terms of GA follow-up.
9. GPE supporting programs risk: the risk that GPE is not able to connect expertise, innovation, and knowledge to support Partner countries to build stronger education systems	Overall % KIX and EOL milestones met in the last FY: **95%**	• **Very Low Risk** • Moderate Impact • Direction of travel: ↔	Including 100% of milestones met in the last fiscal year for EOL and 90% for KIX. The rollout of Strategic Capabilities will be discussed by the PILC along with information on the evaluations of KIX/EOL and the next phase of this work.
Risk areas where indicators are being developed: 1. Alignment 2. Performance of ITAP 3. Performance of Grant Agents			

GPE Fund Management Risk

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

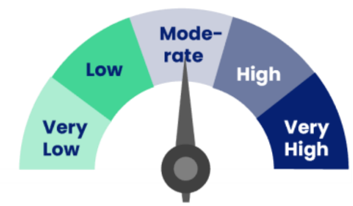
1. **Foreign exchange risk and the fact GPE's financial position continues to be exposed to significant foreign exchange fluctuations.**
2. **Liquidity risk related to impact of foreign exchange and expected pressure on donor pledges.**



Risk Area	Risk Indicators & Trends (when applicable)	Risk level, Impact & Direction of Travel (when applicable)	Context & Specific Countermeasure
Liquidity risk: the risk that GPE is unable to ensure that all payment obligations are met when they come due or that excess funds on hand impact	GPE Fund balance within targeted range: **16 months expected disbursement** based on calendar year 2022 estimate of $775m to disburse.	• **Moderate risk** • High impact • Direction of travel = ↔	The higher levels of disbursement cover is temporary due to post replenishment contributions while grant development under the new operating model takes time. With the impact of FX and the reduction in a donor pledge, combined with increasing grant approval and disbursements, it's expected that disbursement cover will fall by the end of 2022 and come

ability to demonstrate funding need to donors	(Previous data: S2 2021 = 13.5 months expected disbursement held in cash and S1 2021 = 15 months expected disbursement held in cash)		under significant pressure in 2023 and 2024. The current assessment however is that it will not fall below 9 months which is the lower end of the targeted range of 9-12 months cover.
Currency Exchange Risk: the financial risk that exists when the value of significant amounts of GPE donor pledges are subject to change, due to movement in currency exchange rates resulting in increased uncertainty for financial planning and potential reduction in funds available	Value of unhedged outstanding non-USD contributions as a % of total replenishment pledges: **86%**	• **Very high risk** • High impact	As of January 31, 2022, the value of funds not yet paid in totaled $3,288m. The value of unpaid funds in USD was $447.5m, or 14% of the unpaid balance, leaving the amount of funds in non-USD contributions that are unhedged at 86% and therefore exposed to significant volatility of FX rates.

GPE Secretariat Business Continuity Risk

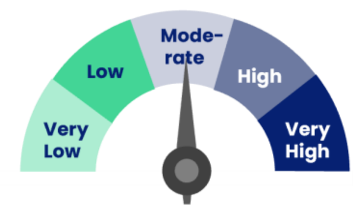


The risk that the Secretariat is unable to operate its critical business functions. Top Risks : None

Risk Area	Risk Indicators & Trends (when applicable)	Risk level, Impact & Direction of Travel (when applicable)	Context & Specific Countermeasure
Operating Expenses Risk: the risk that GPE's operating expenses are not aligned with needs	Actual vs. projected Secretariat expenditures overall (%): **91.8%** (Previous data: S2 2021 = 90.4% and S1 2021 = 84%)	• **Very Low risk** • Moderate impact • Direction of travel: ↔	• Amount Transferred between July 2021 and January 2022: $25,268,490 • Expensed between July 2021 and January 2022: $23,204,700 Regular budget vs actual monitoring will continue.
Human Resources (HR) Risk: the risk that people, culture, governance factor that causes uncertainty in the	% of staff (excluding short term and extended term consultants) currently employed out of total number of approved positions: **87%**	• **Moderate risk** • High Impact	As of March 2022, the GPE has 113 term staff on board out of 130 approved positions. This number ought to be contextualized, with 20 of the 22 new positions approved by the Board in May 2021 filled or at final selection stage, hence a **lower actual risk exposure.**

business environment could adversely affect operations.			
Information Technology (IT) Risk: 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	The GPE IT Strategy is up-to-date, well documented and implemented (qualitative assessment): **80% (= the strategy is under review)**	• **Moderate risk** • High impact	The World Bank IT Enterprise Architecture Team is reviewing GPE IT architecture to ensure alignment between GPE IT Strategy and World Bank current and planned technologies, to facilitate the selection of platforms for further development of GPE IT ecosystem. **Actual risk exposure is however higher** as the Secretariat is limited in its ability to make its own IT decisions and must comply with World Bank IT policies and procedures, which are designed to support Bank operations, and therefore may not necessarily match GPE needs.
Risk areas where indicators are being developed or refined in this category: 1. Human resources risk 2. Diversity and inclusion risk. 3. Secretariat workplan			

GPE Reputation Risk



The risk of threat or danger to the good name or standing of the GPE. Top Risks: None

Risk Area	Risk Indicators & Trends (when applicable)	Risk level, Impact & Direction of Travel (when applicable)	Context & Specific Countermeasure
The risk of threat or danger to the good name or standing of the GPE	% negative media coverage out of total GPE media coverage: **3.6% (low)** % of negative coverage in social media: **33% (high)**	• **Moderate risk** • High Impact • Direction of travel: ↔	The two indicators measure a sentiment, which is an imperfect metric since posts or tweets that mention education challenges (ie. displacement, COVID, child marriage) are usually counted by algorithms as negative even if the message itself is not. GPE consistently monitors inbound messages with negative sentiment, and nothing of note besides the appeal launched by advocacy organizations targeting GPE, GEM Report and other education actors demanding attention to the situation of children out of school in Tigray region, Ethiopia, which GPE understands is a very important issue.