SEMESTER 1 2022
CORPORATE RISK UPDATE

Finance and Risk Committee Meeting
April 28-29th, 2022
TOWARDS AGILE RISK MANAGEMENT AT GPE

Outcome 1:
Risk framework is an effective internal management tool, aligned with the Workplan & Budget exercise.

Outcome 2:
Risk framework supports FRC and Board in strategic decision making, focusing on critical and emerging risks.

Progress achieved since S2 2021:
- Streamlined, predictive indicators and contextualization to reflect actual levels of risk exposure
- Differentiated level of reporting based on audience (i.e., MT, FRC & Board)
1. GPE Fund Management Risk is very high (i.e., currency exchange risk and liquidity risk, due to significant strengthening of the US dollar, which is partially linked to the conflict in Ukraine. The conflict in turn has elevated risks around future resource mobilization efforts.

4. External factors are driving GPE risk profile up and adding pressure on development assistance and domestic financing for education (e.g., impact of COVID-19 on education, conflict in Ukraine, price surge, inflation, refugees' crisis, etc.).

2. Strategic Risk around ineffective or delayed rollout of the operating model remains high. Managing the risk that partners do not understand, champion, or deliver on the operating model approach towards system transformation remains the focus of the Secretariat.

3. Operational Risk remains overall moderate, linked to the ability to rollout the operating model in a timely fashion resulting in inability to approve and disburse funds in a timely manner to support system transformation.
QUALITATIVE RISK ASSESSMENT & DIRECTION OF TRAVEL

GPE Fund Management Risk

1. GPE’s continued exposure to foreign exchange movement considering 86% of unpaid donor pledges are in non-US dollar currencies (very high risk).
2. Liquidity risk or 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 ability to demonstrate funding need to donors (now moderate and likely to be rise over GPE 2025).

Strategic Risk

1. Risk that partners do not understand, deliver or champion the operating model approach towards system transformation (high risk).
2. Resource mobilization: risk that contributions to the GPE Fund are insufficient (high risk).
3. Domestic financing and risk around the decrease or lack of increase of the share of education spending in national budgets after countries were hit by the COVID-19 pandemic (high risk).
1. Risk around the ineffective or delayed rollout of the operating model resulting in inability to approve and disburse funds in a timely manner (high risk).
2. Risk is around having the tools/processes in place for effective/efficient grant portfolio mgmt. and monitoring (moderate risk).
3. Risk that GPE is not agile enough to adapt to changing conditions/contexts affecting grant implementation, in FCAS (moderate risk).

1. Risk of operating expenses exceeding the target range (high risk).
2. HR risk is moderate to low, with a focus on diversity and inclusion.
3. IT risk is moderate, with the Secretariat limited in its ability to make its own IT decisions under the WB IT requirements.
4. Risk around budget & workplan execution, or lack of alignment between annual workplan and long-term strategic planning (low risk).
GOING FORWARD

NEXT STEPS

- Ongoing refinement of existing risk, control, & performance indicators
- Development of new indicators in risk areas not covered so far (e.g., on gender hardwiring, system transformation, alignment, ITAP performance, GAs performance, Secretariat diversity & inclusion)
- Indicators for quarterly Secretariat budget and workplan execution aligned with risk framework.

GUIDANCE FOR DISCUSSION

- Do you have questions, comments or feedback on the report? On the qualitative risk ratings? On the risk indicators in Annex B?
- Do you have comments or feedback on the different risk mitigation actions undertaken by the Secretariat?
- Do you want to flag specific material risk exposures or risk-related concerns for the other committees or for the Board’s attention?
- Are there risks not identified by the Secretariat that you would like to discuss and to flag for the Board or other Committees’ attention?