MAY 25, 26 AND 28, 2021

MEETING OF THE BOARD OF DIRECTORS

VIA VIDEOCONFERENCE	BOD/2021/05 DOC 12	FOR INFORMATION

SPRING 2021 CORPORATE RISK UPDATE - PAPER

Please note: Documents are deliberative in nature and, in accordance with the GPE Transparency Policy, are considered to be public documents only after their appraisal by the relevant governance instance. It is understood that members will circulate documents among their constituency members prior to consideration for consultation purposes, with the exception of documents that are confidential.

Key issues for consideration:

- The biggest immediate risks to successful delivery of GPE 2025 are (1) having a successful financing campaign and summit, (2) ensuring a timely rollout of the new operating model (OM) including incorporating any lessons learned from the pilots to inform the main rollout of the OM. It is also critical that (3) the new governance arrangements are efficient, effective and focus on achieving the intended objectives of the governance review, and that (4) the Secretariat has the resources necessary to support timely implementation of the strategy.
- With regards to existing risk indicators, GPE's risk profile has increased, with 5 of the Top 10 Risks being high or very high. The average of risk scores across the taxonomy corresponds to a moderate risk rating against an average low risk rating six months ago. However, it is important that Board members do not read too much into the indicators presented in this report as many of them relate to the final months of GPE2020[1] and the old operating model, with targets to be achieved under "pre-covid" circumstances.
- The ongoing risks posed by COVID-19 are far more complex to mitigate but will have a significant and ongoing impact on our work given the economic and education impact on partners, and the practical complications of working in this environment
- The issue of risks related to domestic financing was identified by the FRC as likely to be much higher in light of the impact of COVID then reflected in the indicators in the report, and the Secretariat agreed with this assessment noting the impact will be seen as more information comes in.

[1] GPE 2020 is the strategic plan for the Global Partnership for Education covering 2016 to 2020.

Objective

1. The purpose of this report is to provide the Board with information on the current status of risk management across GPE. Members are invited to examine major strategic risks that could derail achievement of GPE's mission and to review the risk mitigation plans proposed in the full report to consider appropriateness, and suggest additional mitigation actions.
2. The full report, called "Spring 2021 – Corporate Risk Update" is available here.

Background and overview

3. The Spring 2021 Corporate Risk Update is the fourth risk update using the methodology approved by the Board in June 2019[2]. It discusses the most important risks that could potentially have an impact on the ability of the GPE to achieve its mission and strategic goals. This current report is a transitional report that straddles the end of GPE2020 and the start of the new strategic plan GPE2025. The Fall 2021 Update will be focused on GPE2025. It will reflect the outcome of the GPE Financing Summit in July 2021 on GPE's financial position and ability to allocate and disburse funds under the new operating model, along with indicators under the new results framework.
4. In the short term, the biggest risks to successful delivery of GPE 2025 that can be mitigated are (1) having a successful financing campaign and summit, (2) ensuring a timely rollout of the operating model (OM) pilots and related pieces of work, and incorporating any lessons learned to inform the main rollout of the OM following the financing summit in July. It is also critical that (3) the new governance arrangements are efficient, effective and focus on achieving the intended objectives of the governance review, and that (4) the Secretariat has the resources necessary to support timely implementation of the strategy. As expected, the ongoing risks posed by COVID-19 are far more complex to mitigate but will have a significant and ongoing impact on GPE work given the economic and education impact on partners, and the practical complications of working in this environment.
5. With regards to existing risk indicators, GPE's risk profile has increased, with 5 of the Top 10 Risks being high (4 sub risks) or very high (1 sub risk). The average of risk scores across the taxonomy is 2.6 out of 5 (moderate risk) against 2.3 out of 5 (low risk) in the previous report six months ago.[3] 5 out of the 10 Top Risks from the previous report remain in the current Top 10 Risks. However, it is important that Board members do not read too much into the indicators

[2] This methodology is an internal document that is part of the GPE's Risk Management Framework and Policy; it uses a quantitative approach to risk management using indicators data collected via an online risk dashboard.
[3] Fall 2020 Corporate Risk Update

presented in this report as many of them relate to the final months of GPE2020 and the old operating model on one hand, with targets to be achieved under "pre-covid" circumstances on the other hand. The Secretariat has thus emphasized qualitative (versus quantitative) information across the report where possible and relevant, to better reflect actual levels of risk and the significant impacts of the COVID-19 crisis.

6. The past year has been disruptive for GPE's operating environment with the beginning of the global pandemic in March 2020. With higher inherent and residual risks, mitigating risks have become more complex as well as obtaining assurance over the effectiveness of mitigation actions implemented. The COVID-19 crisis has triggered an education emergency of unprecedented scale, putting years of progress delivering quality education at risk. While uncertainties around the evolution of the pandemic and its impact on education remain, COVID-19 challenges the achievement of GPE's goals and objectives at a time when boys and girls are cut off from schools, sometimes with little or no access to distance learning. COVID-19 impact risk has increased with, for instance, a higher number of COVID-19 related requests for extensions and restructurings that are not visible in the data presented yet. The support provided by GPE has mitigated COVID-19 impacts from the onset of the pandemic protecting the most vulnerable students and laying out the foundations for a rapid recovery at country level. The Secretariat has thus emphasized COVID-19 risk responses and mitigation actions across the report where relevant.

7. Key findings and trends are shown below in Annex A, and a summary of key risks with changes in risk rating is shown in Annex B. The full analysis of all risks can be accessed in the "Spring 2021 Corporate Risk Update – Full report".[4]

Annex A - Key Findings and Trends

Annex B – Summary of key risks with rating changes

[4] See separate document "Spring 2021 Corporate Risk Update – Full report"

Annex A - Key Findings and Trends

1. As mentioned above, in the short term, the financing campaign, new operating model, implementation of new governance arrangements, and GPE Secretariat resourcing are viewed as key risks that are critical for successful achievement of GPE2025, while the impact of COVID-19 continues to cut across many aspects of GPE's work.

2. **Financing campaign:** The "Global Education Summit: Financing GPE 2021-2025" will be co-hosted by UK Prime Minister Boris Johnson and Kenyan President Uhuru Kenyatta on July 28-29, 2021, in London, UK. The centerpiece of the summit will be the opportunity for leaders to make 5-year pledges (US$ 5bn+) to support GPE's work to help transform education systems in up to 90 countries and territories. GPE has officially kicked off its campaign advocacy on domestic finance with strong political support from Heads of State (from Kenya, Sierra Leone, and the Democratic Republic of Congo) and Youssou N'dour, GPE Champion, at the African Union Summit of Heads of State. Various engagements and campaign actions are organized to drive political will and commitments to protect education expenditure and ensure smart investments with resources reach the poorest and most vulnerable. With a major event set against the backdrop of COVID-19, the risks related to the logistics of the event rise considerably and the Secretariat will be working with specialist firms that have experience of successful in-person, remote, and hybrid events to mitigate such risks. Close engagement and flexibility from World Bank corporate functions around travel, events, and procurement will be important.

3. **Operating model:** With regards to the new OM, the roll in roll out (RIRO) project launched in December 2020 across the Secretariat and has been moving along rapidly since. RIRO comprises three teams and ten workstreams developing the plans, content, and infrastructure needed to deploy the model internally and externally. A Leadership Team provides oversight and two project managers ensure the project is moving forward. The content to support deployment is currently being developed by the technical workstreams and is piloted in five countries - Nepal, Kenya, Uganda, the Democratic Republic of Congo, and Tajikistan. Lessons learned from those pilots will then inform revisions to materials and processes, and a broader roll-out will begin in late August/early September 2021, after the financing summit. The Secretariat is already restructuring itself to meet the changes needed and there will be further adaptation if required as lessons are learned.

4. At the onset of the project, a risk assessment was conducted within each workstream and identified several risks which could prevent the successful delivery and outcomes of RIRO. Major areas of focus to mitigate the risks include

weekly management meetings to oversee progress, a dedicated clearing house to review consistency of documentation and faithfulness to what the Board has approved, and investments in internal and external communication products and trainings.

5. **Governance**: Governance risk exposure has increased from low to moderate in the past six months, given the ongoing governance reform. In March 2021, the GPE Board of Directors approved a set of governance reforms that include a clarification and codification of the role of the different governance tiers (Board, Committee, Secretariat), a streamlined committee structure (reducing the number of committees from five to three) and decision-making pathways to support the new, Board-approved, Operating Model. These reforms will serve to tackle some of the main challenges that have marred governance operations in the past including burdensome decision-making process on grant applications, low participation, and uneven workload of committees. A key risk mitigation strategy will be to ensure compliance from governing officials in taking part in the mandatory orientation at the very start of their term. The orientation serves to build a solid understanding of members' roles and responsibilities and provides them with the necessary information and support to fulfill their role. As a collective, the new Board and Committees will need to develop a solid working relationship and the discipline to act strategically and in the best interests of GPE. A Board retreat is planned for the new Board term.

6. The Protection from Sexual Exploitation and Abuse and Sexual Harassment (PSEAH) draft policy was discussed with the FRC and GEC in March 2021. The policy is expected to be presented to the Board at its May 2021 meeting for decision.

7. **Secretariat resources**: Human resources (HR) risk has remained high over the past six months. GPE staff have been strained by the COVID situation, with 38% indicating that the home-based work situation negatively impacts their overall mental and physical health to a moderate or a great extent. With the roll out of the new GPE strategy and operating model, in addition to conducting business-as-usual operations, workload is heavy, and the risk of burnout has been discussed by the Management Team. The use of extended consultant contracts has helped mitigate workloads, but it is only a temporary solution as consultants have maximum limits on the duration of contracts and the continued reliance on them for core recurrent tasks poses a business continuity risk. In order to successfully deliver GPE2025 and in particular roll out the new operating model in a timely manner, investment in the Secretariat will be required. A longer-term approach to budget and staffing is being proposed to ensure resources are appropriate to deliver against the ambitions of the new

GPE 2025 Strategy and to provide greater predictability to both the Board and Secretariat on resources.

8. **COVID-19:** The global pandemic has triggered an education emergency on an unprecedented scale. In lower-income countries, which were already facing a learning crisis before the pandemic, 126 million children were cut off from schools. The economic and education related impacts are likely to be felt for some time.

9. COVID-19 has had a large disruptive effect on Ministries of Education within GPE partner countries. Teacher training activities were severely impacted because of the restriction of mass gathering and limitation on domestic travel. This led to the proportion of teachers actually trained compared to planned, falling to 77%. Disbursement data show that COVID-19 much affected grant implementation, with only 32% of ESPIGs in 2020 being rated as on-track in cumulative disbursement, down from an average of 58% from 2016-2019. Restructurings and extensions have also risen, with grant revisions taking place in 23 of the 62 active ESPIGs since April 2020. COVID-19 also significantly affected sector monitoring, including the number and quality of JSRs undertaken. An independent review of COVID's effects on ESPIGs commissioned by GPE will be reporting later in Spring 2021.

10. To help GPE partner countries mitigate the impact of the pandemic on children's learning and build the resilience of education systems, GPE has funded COVID-19 accelerated funding (AF) grants in 66 partner countries since April 2020. These grants, ranging from US$0.75 million to US$20 million in grant amount, helped countries implement mitigation and recovery strategies related to education, with an implementation period of between 12 and 18 months. Over $500 million was approved in total including the Initial support through UNICEF for COVID response plans, and another $25 million for a global grant to UNESCO, UNICEF, and the World Bank to help ESPIG-eligible countries adopt evidence-based strategies and measures to respond to the pandemic. A formative evaluation of GPE's support for the COVID-19 crisis is currently being undertaken. GPE also facilitated the extension of ESPIG application deadlines on the final round of the existing funding model to the end of Q1 2021 and facilitated a large number of restructuring and extension requests.

Annex B – Summary of key risks with rating changes

1. The current risk framework and report is still based on GPE2020 indicators and targets that were set pre-COVID. Qualitative (vs. quantitative) information was emphasized across the report where possible and relevant, to better reflect actual levels of risk and impacts of the COVID-19 crisis. The summary of the key changes is below, including two visuals that present the risk overview (page 11) and the Top 10 risks with direction of travel (page 12). The full analysis of all risks can be accessed in the Spring 2021 Corporate Risk Update – Full report.[5]
2. **GPE fund management risk category:** GPE's cash balance rose at year end due to a number of large donor contributions and the need to reserve funds for large grant disbursements in Q1 2021 which have now been made. Due to this temporary increase in cash levels at the end of December 2020, GPE Fund Management Risk exposure increased from low to moderate risk, with investment and liquidity sub risks moving to very high and high risk ratings. This is a temporary timing issue and these risk levels should reduce significantly in the next report. The Secretariat continues to work closely with the Trustee and the World Bank treasury on a new and viable FX management solution to help mitigate the substantial currency exchange risk. The FRC was updated on progress in March 2021. Further technical details are expected to be available in May 2021.
3. **Strategic risk category:** While overall strategic risk exposure has remained low in the past six months, its risk rating has increased from 2.1 to 2.4. This is due to an increased risk exposure for two out of five sub risks: governance risk (covered above) from low to moderate risk exposure, and value for money risk from very low to moderate risk exposure. Financing risk, Impact risk and Mutual Accountability risk have remained stable, with a low risk exposure for the first two and a moderate risk exposure for the last one.
    a. Exposure of **value for money risk** has increased due to increased risk exposure of the indicator on teachers' training (very high) while the indicator on active grant portfolio administrative costs has remained at a high risk exposure. Evidence shows that grant performance in teachers' training was affected by COVID-19 in varying degrees (as described above).

    With regards to grant management and administration costs, a maximum cap of 7% is in place for GAs agency fees, and supervision/direct management costs are reviewed in detail prior to each grant approval. Costs have experienced a small rise from 10.1% previously to 10.4% due to slightly higher proportional costs for the smaller-scale COVID-19 grants

[5] See footnote 4.

(which were further validated following previous preliminary reporting in the last risk report) and a greater share of funds to UN agencies and International NGOs which tend to have higher agency fees compared to development banks and bilateral development agencies.

b. **Financing risk** exposure has decreased from very high a year ago to moderate risk six months ago to low risk currently, as grant allocations have significantly increased with a record year of grant approvals in 2020, and outstanding maximum country allocations for the current financing period are very small. The Secretariat is focused on monitoring grant implementation and on the roll out of the financing campaign to secure new funding. Expressions of Interest (EOIs) to access the Multiplier also exceeded the 2020 goal which shows strong evidence of demand for GPE funding.

4. **Operational risk category**: Operational Risk exposure has remained low in the past six months with a risk rating of 2.6 out of 5. Risk exposure to access to funding risk and grant management compliance risk have decreased to low from moderate and high respectively. Conversely, risk to context appropriate sector plans and ESPIG performance risk have both increased from low to moderate risk exposure, which is likely a consequence of the COVID-19 crisis.

   a. **Context appropriate sector plans risk** is the highest sub risk in the operational risk category with a moderate risk exposure and a risk rating of 3.3 out of 5. Risk exposure is driven by the indicator on the quality standard on achievability. Achievability has consistently been the most challenging standard for ESPs to meet. The quality standard "achievable" reviews the extent to which the sector plan reflects key considerations for its implementation as related to the financial framework, the implementation capacity, the monitoring tools and the action plan. Progress has been inconsistent through the years. The standard "Achievable" has frequently been the standard most GPE partner countries with new ESPs are unable to meet. At baseline, this standard was met by 25% of ESPs followed by a strong increase in 2016-2018 at 68% and dropping again to 45% in 2019-20. As part of the new operating model, the Requirements Assessment methodology as well as the accompanying policy dialogue for Compact development are intended to recenter and align country actor's attention and resources to resolve the broken link between planning and implementation in a context-sensitive way.

   b. **ESPIG performance risk** exposure has increased from low to moderate. This is due to an increase of the percentage of active ESPIGs extended by more than twelve months in comparison to original closing date from 9% to 14%. While the share of grants with extensions beyond twelve months is increasing, it remains at a relatively low level. Due to the relative limited size of the portfolio, increases are driven by a small number of grants. Current increase is related to two additional grants that have been extended beyond twelve months. The increase in the percentage of grants which have been extended is mostly related to a maturing portfolio, as longer extensions are often related to restructurings beyond midpoint. As the active portfolio matures, a further increase is expected, also considering the impact of COVID-19 and related school closures on program implementation.

c. While exposure to **sector dialogue and monitoring risk** has remained low according to the risk indicators presented in this report, it appears to be an area where the negative impacts of COVID-19 were severe at country level. The COVID-19 Accelerated Funding grants implemented in 66 partner countries have helped mitigate these risks. COVID-19 significantly affected sector monitoring, including the number and quality of JSRs undertaken in 2020, disrupting the upward trend seen in the previous year. Mitigation measures to support sector monitoring going forward are embedded in the OM which now includes systematic review of basic enabling conditions for monitoring (e.g., results frameworks, current operational plans, annual implementation reporting) and contextualized analysis of persistent challenges. Likewise, for sector dialogue, due to the pandemic, the convening of stakeholders as well as coordination and consultation modalities changed considerably to online formats. Going forward under the new OM, sector coordination will be a new requirement area. This also includes a new funding window in the System Capacity Grant (SCG) to support sector coordination.

d. **ESPIG design risk** exposure has remained moderate and is driven by the performance indicator on the proportion of grants using project or sector pooled funding mechanisms (36%), which is rated high risk. The Multiplier has been one of the main tools to incentivize more co-financed programs in recent years, given the requirement that the co-financing should, in principle, be used for the same program as the GPE funding and using the same modality as the program to be funded (or a common funding mechanism). As part of GPE 2025, the Multiplier will now be expanded to be available to all system transformation grant-eligible countries, with the intention to make up to 20% of grant funds available for the Multiplier. This will further support alignment and harmonization of international funding and incentivize additional co-financed or pooled programs.

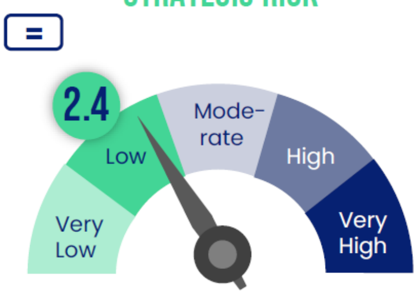
e. **Grant management compliance risk** exposure has decreased the most in the past six months, from high to low risk exposure. Decrease in risk exposure is driven by the percentage of ESPIG completion reports received on time (i.e., within six months after the end of the program) from 57% six months ago to 100%. However, 69% of audit reports were submitted late (i.e., one month after the deadline), a figure that has remained constant since the previous risk update. The Secretariat monitors the timely delivery of these reports from Grant Agents and monitoring of late delivery has now become part of the disbursements and approvals task force, chaired by the DCEO.

5. **<u>Secretariat business continuity risk category:</u>** Secretariat Business Continuity has remained low. HR risk (see above) and workplace risk have the highest risk exposure in this category, with a high risk rating.

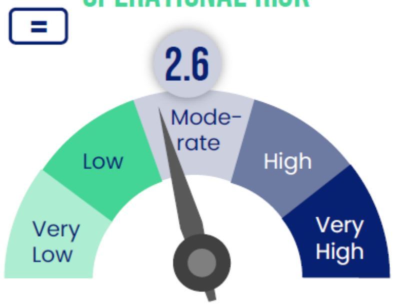
   a. **Workplace risk** exposure increased from moderate to high. In March 2020, the World Bank announced that all HQ staff would transition to full time home-based work to protect their health, their families and to curb the COVID-19 pandemic. This has resulted in changes to the working arrangements of GPE staff who have now been based at home for more than a year and may continue to work at home, in some capacity, for the foreseeable future. The extent and implications of the return to the office are still to be determined and await further direction from World Bank on potential policy changes. A "Back to Office" team is looking at workspace at HQ in Washington, D.C., both in terms of COVID-19 precautions and ahead of the expiration of the GPE lease in July 2021.

6. **<u>Visual 1: Risk overview</u>**

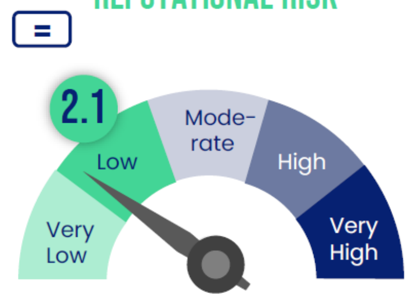
STRATEGIC RISK



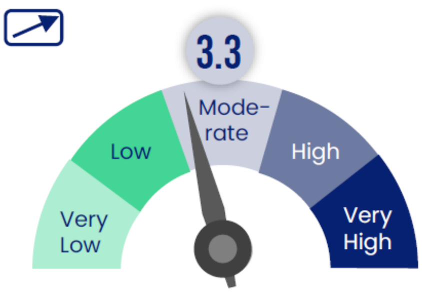
OPERATIONAL RISK



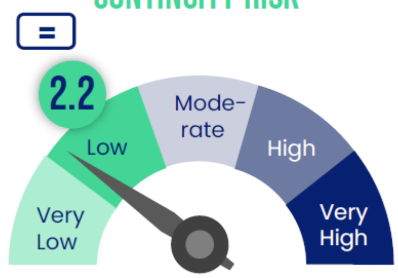
REPUTATIONAL RISK



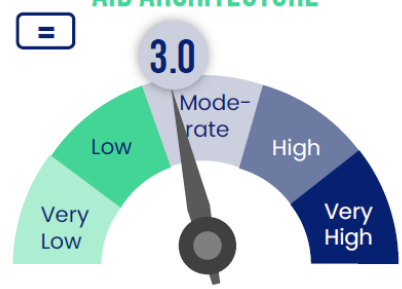
GPE FUND MANAGEMENT RISK



SECRETARIAT BUSINESS CONTINUITY RISK



FRAGMENTED GLOBAL AID ARCHITECTURE



OPERATIONAL RISK	PRR	CRR	DOT
Access to funding risk	2.5	2.3	↘
Risk to context appropriate sector plans	1.8	3.3	↗
Risk to sector dialogue and monitoring	2.2	2.3	=
Risk to ESPs financing	2.9	2.9	=
ESPIG design risk	3.0	3.0	=
ESPIG performance risk	2.0	2.5	↗
Risk of doing harm	1.5	2.3	=
Risk of fraud and misuse	3.2	2.8	=
Grant management compliance risk	4.0	2.3	↘

FUND MANAGEMENT RISK	PRR	CRR	DOT
Liquidity risk	1.0	4.0	↗
Transaction processing risk	1.0	1.0	=
Currency exchange risk	2.5	3.0	=
Investment risk	3.0	5.0	↗

Very Low (0/1-1.49)	Low (1.50-2.49)	Moderate (2.50-3.49)	High (3.50-4.49)	Very High (4.50-5)

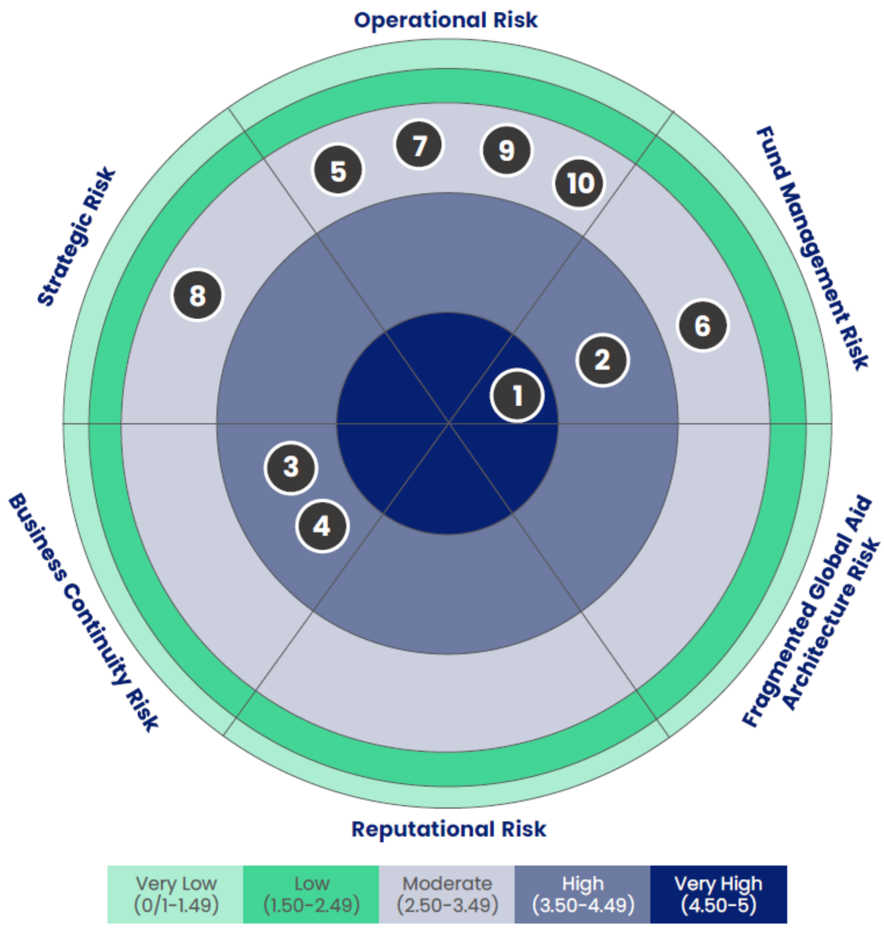
STRATEGIC RISK	PRR	CRR	DOT
Financing risk	2.2	1.7	=
Governance risk	1.9	2.7	↗
Mutual accountability risk	3.0	3.0	=
Impact risk	2.1	1.9	=
Value for money risk	1.4	2.5	↗

BUSINESS CONTINUITY RISK	PRR	CRR	DOT
Operating expenses risk	1.0	2.0	↗
Human resources risk	3.5	3.5	=
Information technology risk	3.0	2.6	=
Workplace risk	3.0	4.0	↗
Integrated processes risk	1.6	1.0	↘
Risk to new projects and strategies	1.2	1.0	=
Secretariat compliance risk	1.5	1.5	=

The **Direction of Travel** (**DOT**) indicates whether the risk level has increased (e.g., from low to moderate), remained similar (e.g., from low to low) or decreased (e.g., from high to moderate) compared to the previous reporting exercise. The DOT does not consider changes of risk scores (e.g., changes from 1.6 to 2.3 shows "remained similar").

PRR = Previous Risk Rating **CRR** = Current Risk Rating

7. **Visual 2: Top 10 risks and direction of travel since Fall 2020**



#	Risk	PRR	CRR	DOT
1	**Investment risk**	3.0	5.0	↗
2	Liquidity risk	1.0	4.0	↗
3	**Workplace risk**	3.0	4.0	↗
4	**Human resources risk**	3.5	3.5	=
5	Risk to context appropriate sector plans	1.8	3.3	↗
6	Currency exchange risk	3.2	3.0	=
7	ESPIG design risk	2.5	3.0	=
8	**Mutual accountability risk (country level)**	3.0	3.0	=
9	**Risk to sector plan financing**	3.0	2.9	=
10	Risk of fraud and misuse	2.9	2.8	=

PRR = Previous Risk Rating CRR = Current Risk Rating DOT = Direction of Travel
In bold characters: risks or sub risks that were already flagged as Top 10 Risks in Spring 2020 Corporate Risk Update