BOD/2018/06 DOC 13- Attachment 2
Meeting of the Board of Directors
June 12 – 14, 2018
Brussels, Belgium

ATTACHMENT 2

OPERATIONAL RISK FRAMEWORK

For Information

Please note: 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. 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 to be informed of progress on the implementation of the Operational Risk Framework, based on the Secretariat's analysis, and inputs and recommendations from the Grants and Performance Committee (GPC) and the Finance and Risk Committee (FRC).

2. EXECUTIVE SUMMARY

2.1. In March 2018 the Secretariat completed the third assessment of operational risk across the portfolio of ESPIGs as part of its annual risk update. As before, data from the Portfolio Review and Results Framework country analytics were used in conjunction with the Operational Risk Framework to determine risk levels. Overall, 65 countries/federal states were assessed for sector risk and 45 ESPIGs were assessed for grant risk. The findings are as follows:

- Of the 65 countries/federal states assessed for sector risk, roughly a quarter are assessed as high or critical sector risk and three-quarters are assessed as low or medium. Looking at the change in sector risk in the contexts that were assessed in both 2017 and 2018, overall sector risk has decreased across the group. Sector risk has decreased in 12 countries (Bangladesh, Benin, Burundi, CAR, Gambia, Kyrgyz Republic, Mozambique, Niger, Nigeria, Rwanda, Uganda, and Yemen) and increased in 6 countries (Guinea, Mauritania, and the four OECS countries – Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines).

- Given the Operational Risk Framework is forward-looking, 31 ongoing ESPIGs that are active as of June 1, 2018 have been assessed for grant risk. Additionally, 14 new grants are included: grants[1] that were approved by the Board of Directors between September 2017 and February 2018 as well as grants[2] that are currently in their Final Readiness Review -phase (February 2018 application round). Of the 45 grants assessed, 87% are rated as low or medium in their overall grant risk. Just five grants are identified as having high overall grant risk (Afghanistan, DRC, Guinea-Bissau, Malawi, and Nigeria), and one grant as having critical overall grant risk (Yemen). Of the six grants with high or critical overall grant risk, all but one is in a Fragile and Conflict Affected country.

2.2. In 2018, seven contexts are identified as key focus contexts for GPE Secretariat support, because of either high grant risk or critical sector risk in the key areas of GPE's work. They are the following: Afghanistan, DRC, Eritrea, Guinea-Bissau, Malawi, Nigeria, and Yemen. The number of key focus contexts has decreased from 9 in 2017 to 7 in 2018. In two out of these nine contexts, grants have closed or are closing by June 1, 2018 (Somalia Federal and South Sudan). In three contexts, grant or sector risk levels have decreased so they are not considered key focus contexts anymore (Bangladesh, Guinea, Uganda). Conversely, three grants are included due to high grant risk (Afghanistan, Guinea-Bissau, Malawi). Out of the seven contexts considered as key focus contexts, six are Fragile and Conflict Affected (all but Malawi).

2.3. GPE's risk mitigation measures are focused on the six sub-risks identified for the operational risk framework. GPE does not seek to impact context risk, since factors contributing to this are largely exogenous. GPE's risk mitigation measures for sector and grant risks include a variety of upstream and downstream measures. For sector risk, the measures include investing in the Local Education Group (LEG) and in relationships with the Coordinating Agency (CA) and Grant Agent (GA), sharing appropriate guidance and examples of best practice, and providing timely technical feedback on Education Sector Analyses (ESA) and Education Sector Plans (ESP). For grant risk, measures include guiding partners on meeting the requirements for the fixed part of the ESPIG and quality assuring the ESPIG application and supporting materials.

2.4. Two factors played a major role in lowering overall sector risk: First, in nine cases the country is in the process of developing, assessing, and endorsing an ESP, TEP, or the implementation plan of an ESP. Second, the cohesion and improved workings of the LEG played an important role in in two contexts. In two contexts, commitment to increasing domestic financing has increased, in one case thanks to improved data availability. In the six contexts where overall sector risk has increased, the reasons relate to domestic financing being at risk because of the security situation, challenges around the ESP's or implementation plan's quality, or difficulties around sector dialogue and coordination. For countries with high sector risk, detail on the risk assessment and mitigation measures are included in Annex 4.3 (ii).

[1] Liberia, Burkina Faso, Tanzania – Zanzibar, Cambodia, Cote D'Ivoire, Gambia, Guinea-Bissau, and Madagascar.

[2] Afghanistan, Cabo Verde, Chad, Comoros, Sierra Leone, and Somaliland.

2.5. In the five contexts where overall grant risk has decreased, one of these grants is closing soon and is on track to meet objectives (Bangladesh) and two were restructured to address implementation challenges and allow sufficient time to attain grant objectives (Guinea, Sudan). In one case (Lesotho), external factors that were previously judged to potentially affect implementation finally did not have any negative impact on the program. Finally, in one case (Nigeria), the decrease is due to good progress in implementation in the past year and the fact that the Grant Agent has increased its technical support. Conversely, in the group of five ESPIGs where grant risk has increased, four grants have increased from low to medium. Factors driving increased risk relate to implementation challenges (Burundi, Lao PDR, OECS) which will likely require restructuring, and discussions related to a potential extension in a fourth (Zambia). In one case (Malawi), risks need to be addressed through stronger oversight of grant implementation.

2.6. As to next steps, the Secretariat will continue implementing risk management plans and use the enhanced quality assurance process to capture the risks of grants in the pipeline. Revisions to the operational risk assessment methodology will be finalized and presented to the Board based on the outcome of the external review of GPE risk policies and practices carried out by Oliver Wyman Ld., which is aimed at identifying gaps and areas for improvement. As part of this process, the Secretariat will continue to strengthen ways to link data from the Portfolio Review and Results Framework country analytics with the Operational Risk Framework. The Secretariat will continue reporting on operational risk to the Board on an annual basis.

3. CONTACT

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4. ANNEX AND ADDITONAL INFORMATION

4.1. Operational risk framework update

4.2 Risk Assessment per country

4.3 Risk assessments and mitigation plans for:
- (i) Key focus contexts
- (ii) High sector risk contexts
- (iii) Contexts no longer considered as Key focus

4.4 Risk assessment of Civil Society Education Fund (CSEF) grant

4.5 List of acronyms

ANNEX 4.1: OPERATIONAL RISK FRAMEWORK UPDATE

Background

The Secretariat's Operational Risk Framework is primarily a management tool to ensure that Secretariat resources are aligned to mitigate key risks, and therefore it does not duplicate Grant Agents' own risk assessments or risk mitigation activities. The Secretariat continues using a risk-based approach to its Quality Assurance of incoming ESPIG applications and draft Education Sector Plans.

In June 2016 (BOD/2016/06-10), the Board endorsed the Operational Risk Framework (as presented in BOD/2016/06 DOC 13 Annex 3). In this first version of the Operational Risk Framework, the sector risks are not related to overall achievement of outcomes and impact with regard to learning outcomes, equity, and systems building, but rather key GPE-agendas such as the quality of the sector plan and domestic financing.

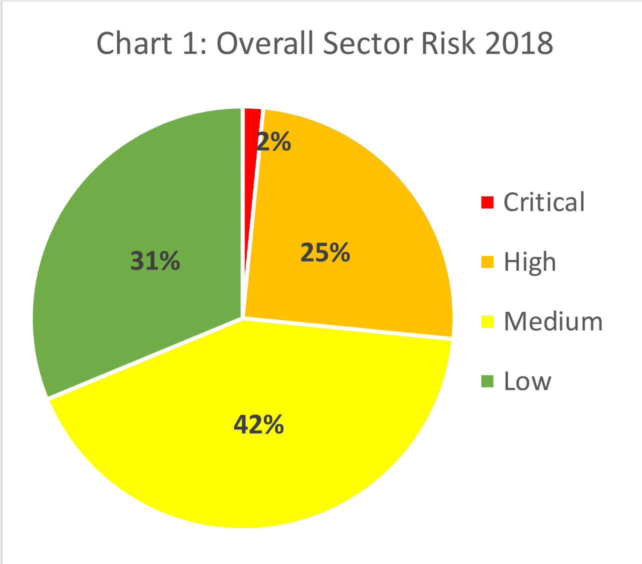
The Secretariat completed the first risk assessment of GPE's grant portfolio for the Board's meeting in December 2016 and the second for the Board's meeting in December 2017. As approved by the Grants and Performance Committee in November 2017, this risk update has moved to the first half of the calendar year, in order to be sequenced better with the Portfolio Review and Results Framework analytics. In March 2018, the Secretariat completed the third assessment of operational risks across the portfolio of ESPIGs as part of its annual risk update. In this third assessment, the Secretariat made further strides in using data from the Portfolio Review and Results Framework country analytics in conjunction with the Operational Risk Framework to determine risk levels. Overall, 65 countries/federal states were assessed for sector risk and 45 ESPIGs were assessed for grant risk. The findings are the following:

Sector and Grant Risk Assessment

The overall sector and grant risks are calculated by considering six sub-risks, three for sector and three for grant. This section shows the overview of sector and grant risk levels across the GPE portfolio. Annex 2b shows the full list of countries with their respective assessments for sector and grant risk in both 2017 and 2018.

Sector risk

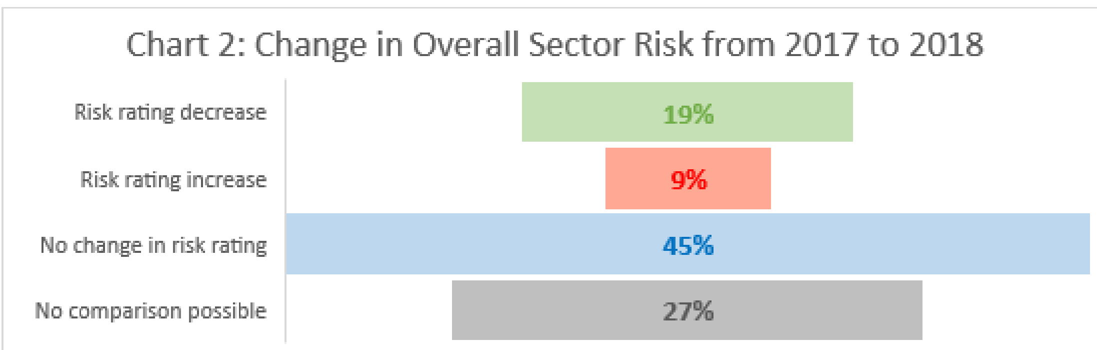
In the current assessment, 65 countries/federal states were assessed for sector risk in three key areas of GPE's work. All countries/federal states with either active ESPIGs or ESPIGs in the pipeline for the next 12 months have been assessed for sector risk. Chart 1 shows the distribution of overall sector risk levels across the countries/federal states assessed. Of the 65 contexts assessed, roughly a quarter are rated as high or critical and three-quarters are rated as low or medium in their overall sector risk. 2% of countries/federal states have critical risk, 25% have high risk, 42% have medium risk, and 31% have low risk. Of the countries/federal states with high or critical sector risk, 75% are Fragile and Conflict Affected (FCAC) countries (11 out of 14 countries).



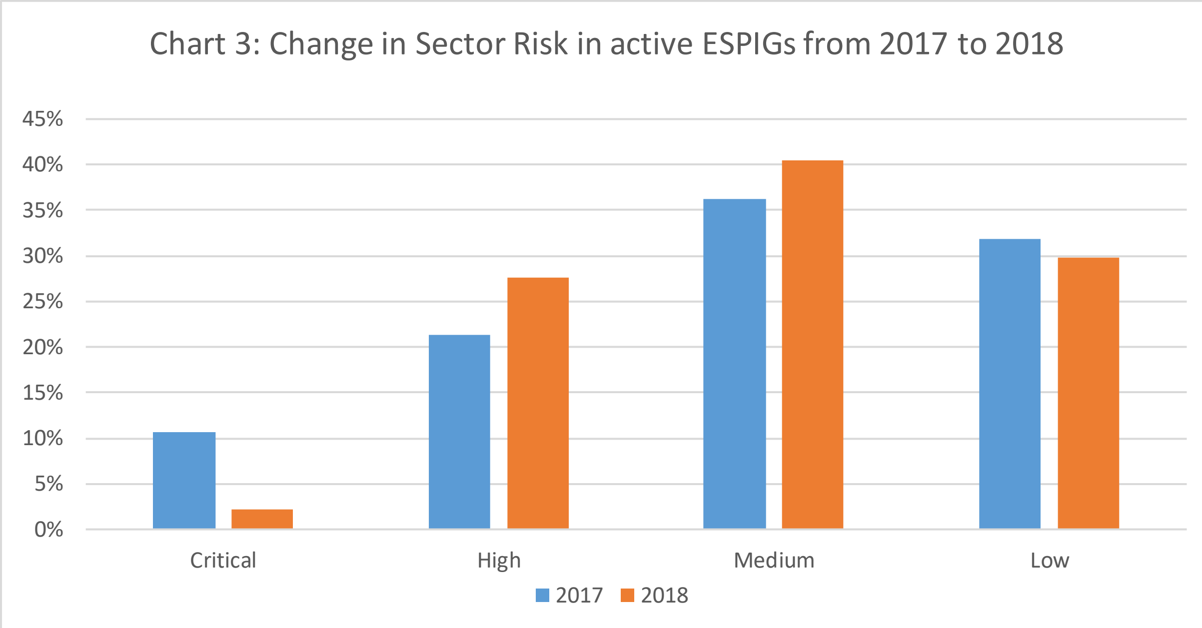
<u>Sector sub-risks that make up the overall assessment</u>

- The risk that the Partnership does not leverage its capacities to support the production of quality ESPs (Corporate Risk 1.2.1)
- The risk that the Partnership does not support planning, financing, and monitoring (including ability to capture reliable data) during ESP implementation (Corporate Risks 1.2.2 and 2.4.1)
- The risk that GPE Developing country partners which apply for an ESPIG fail to increase their public expenditure on education or maintain expenditure at 20% or above (Corporate Risk 1.2.3)

Chart 2 shows the overall change in sector risk in the countries/federal states that were assessed in both 2017 and 2018. Overall sector risk has decreased in 19% of the contexts assessed, has increased in 9% of the contexts assessed and has not changed in 45% of the contexts assessed. 27% of countries/federal states were not assessed in 2017 as they had no active ESPIGs, hence no comparison is possible. In this third assessment, all countries/federal states with ESPIGs in the pipeline during the next 12 months were assessed.



Looking at the change in sector risk in the contexts that were assessed in both 2017 and 2018, overall sector risk has slightly decreased across the group. For example, there is only one country/federal state with critical sector risk, compared to five in 2017. The share of high risk contexts has however increased from 21% in 2017 to 28% now. The share of medium risk contexts has also increased from 36% in 2017 to 40% in 2018. There has, however, been movement in both directions within the group. Sector risk has increased in 6 countries (Guinea, Mauritania, and the four OECS countries – Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines) and decreased in 12 countries (Bangladesh, Benin, Burundi, CAR, Gambia, Kyrgyz Republic, Mozambique, Niger, Nigeria, Rwanda, Uganda, and Yemen). Overall, 70% of countries continue to have medium or low sector risk. The change across the group is demonstrated in Chart 3.



In the 12 contexts where overall sector risk has decreased, nine had lower probability that the Partnership does not leverage its capacities to support the production of quality ESPs, four had lower probability that the Partnership does not support planning, financing, and monitoring during ESP implementation, and seven had lower probability that the public expenditure on education is not maintained at 20% or above. Two factors played a major role in lowering these probabilities. First, in nine cases the country is in the process of developing, assessing, and endorsing an ESP, TEP, or the implementation plan of an ESP. Second, the cohesion and improved workings of the LEG played an important role in in two contexts. In two contexts, commitment to increasing domestic financing has increased, in one case thanks to improved data availability.

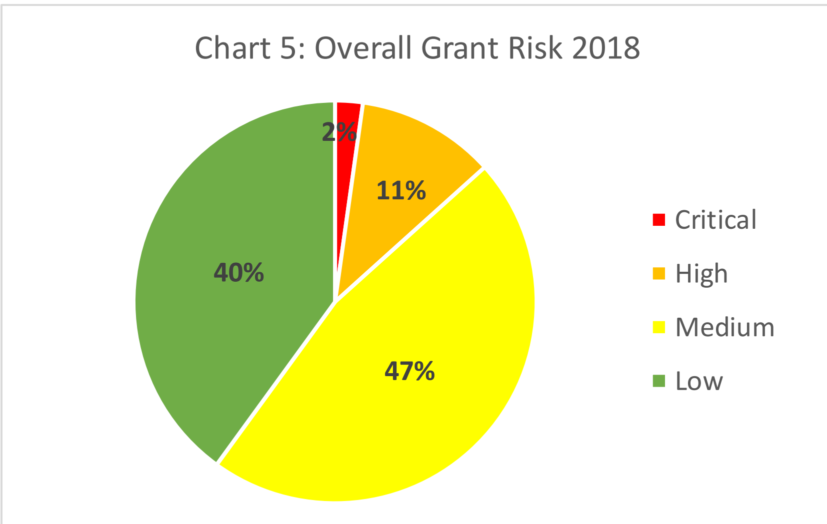
In the countries where overall sector risk has increased, the reasons relate to domestic financing being at risk because of the security situation, challenges around the ESP's or implementation plan's quality, as well as difficulties around sector dialogue and coordination. For countries with high sector risk, detail on the risk assessment and mitigation measures are included in Annex 4.3 (ii).

Secretariat mitigation measures for each of the three sector sub-risks are considered individually for each context, but some broad mitigation procedures include:

- Sharing GPE normative guidelines and international good practices in country level Partnership dialogue and at the global level;
- An emphasis on partnership and collaboration through an active and inclusive LEG and the organization of annual JSR;
- Supporting sound ESA and ESP/TEP development and appraisal processes;
- For countries with a Maximum Country Allocation (MCA), the funding requirements countries must meet to be eligible for an ESPIG include: 1) a credible and endorsed ESP; 2) commitment to sector financing; 3) availability of sector data, or a plan to make this available.

Grant Risk

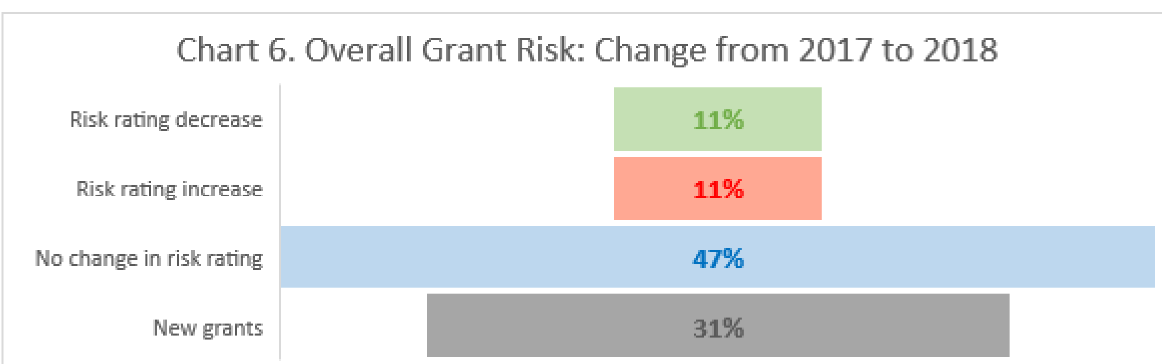
Given the Operational Risk Framework is forward-looking, 31 ongoing ESPIGs that are active as of June 1, 2018 have been assessed for grant risk. Additionally, 14 new grants are included: grants[3] that were approved by the Board of Directors between September 2017 and February 2018 as well as grants[4] that are currently in their Final Readiness Review phase (February 2018 application round). Chart 5 shows the distribution of overall grant risk levels. Of the 45 assessed grants, 87% are rated as low or medium in their overall grant risk. Just five grants are identified to have high overall grant risk (Afghanistan, DRC, Guinea-Bissau, Malawi, and Nigeria), and one grant to have critical overall grant risk (Yemen). Of the five grants with high or critical overall grant risk, all but one is in a Fragile and Conflict Affected country.



<u>Grant sub-risks that make up the overall assessment</u>

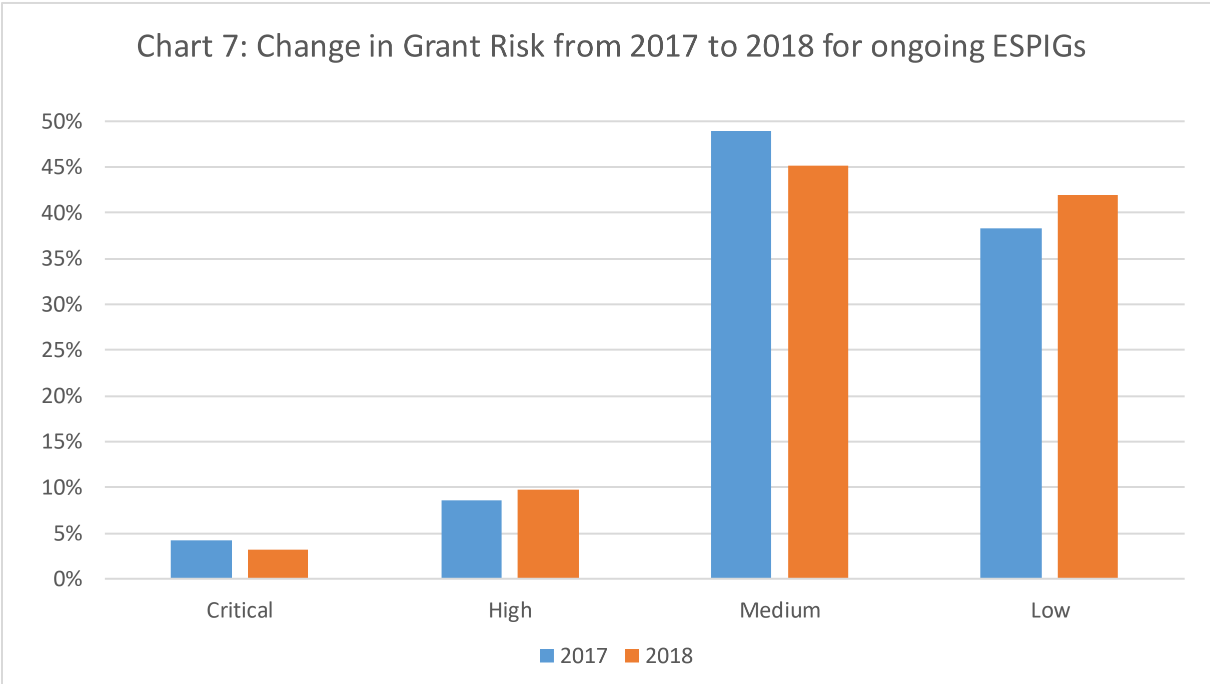
- The risk that Grant Agents are not always providing effective oversight. (Corporate Risk 2.3.1)
- The risk that grant objectives are not achieved within the expected implementation period. (Corporate Risk 2.3.2)
- The risk that significant GPE funds are diverted from their intended purpose through fraud or other forms of misuse. (Corporate Risk 3.2.1)

Chart 6 shows the overall change in grant risk in the countries/federal states that were assessed in both 2017 and 2018. Overall grant risk has decreased in 11% of the contexts assessed, has increased in 11% of the contexts assessed and has not changed in 47% of the contexts assessed. 31% of countries/federal states assessed are new grants, thus no comparison is possible with 2017.



[3] Liberia, Burkina Faso, Tanzania – Zanzibar, Cambodia, Cote D'Ivoire, Gambia, Guinea-Bissau, and Madagascar
[4] Afghanistan, Cabo Verde, Chad, Comoros, Sierra Leone, and Somaliland

Looking at the change in grant risk in the group of 31 ongoing ESPIGs, overall grant risk has slightly decreased. In 2017, the share of ESPIGs with low or medium risk was 87% and the share of ESPIGs with high or critical risk was 13%. While the distribution between low or medium, and high or critical grant risk remains the same in 2018, the share of medium risk contexts has decreased (from 49% to 45% in 2018) while the share of low risk contexts has increased (from 38% to 42% in 2018). The main direction of movement in grant risk has been down since September 2017. The change across the ESPIG portfolio is demonstrated in Chart 7.



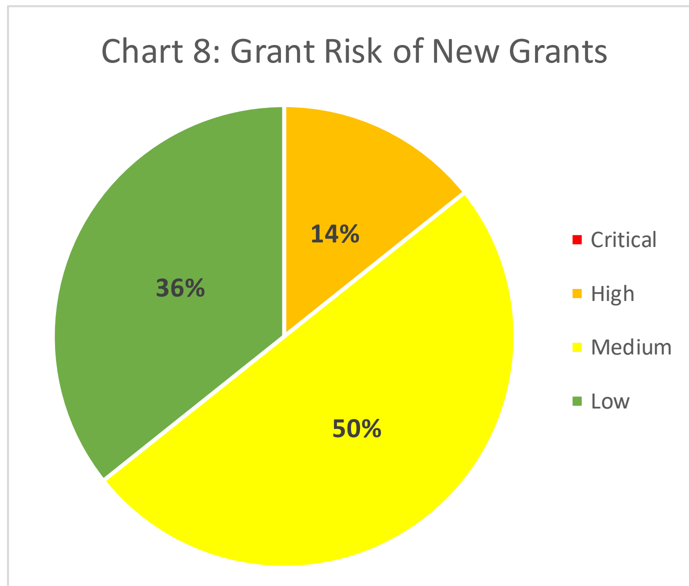
Looking at the group of 5 ESPIGs where grant risk has decreased, one of these grants is closing soon and is on track to meet objectives (Bangladesh) and two were restructured to address implementation challenges and allow sufficient time to attain grant objectives (Guinea, Sudan). In one case (Lesotho), external factors that were previously judged to potentially affect implementation finally did not have any negative impact on the program. Finally, in one case (Nigeria), the decrease is due to good progress in implementation in the past year and the fact that the Grant Agent has increased its technical support.

In the group of 5 ESPIGs where grant risk has increased, four grants have increased from low to medium. Factors driving increased risk relate to upcoming restructuring to address implementation challenges (Burundi, Lao PDR, OECS) and discussions related to a potential extension in a fourth (Zambia). In one case (Malawi), risks need to be addressed through stronger oversight of grant implementation.

In terms of grant risk mitigation, each context is considered separately but the core Secretariat mitigation measures for each of the three grant sub-risks were described in the Secretariat's paper to the Board in December 2016. Grant Risk mitigation begins during the ESPIG grant application phase and includes: sharing and explaining GPE ESPIG guidelines and methodologies as well as a three-part Quality Assurance Review. This is in addition to the Grant Agents' own risk assessment and mitigation measures, which are assessed as part of the Secretariat's quality assurance process. Upon approval of an ESPIG grant, Grant Agents assume the role of program management, program monitoring, and fiduciary oversight for all active ESPIG grants. Risk mitigation at the Secretariat becomes broadly focused on:

- Regular communication with the Grant Agent, including the review of monitoring materials such as monitoring reports, annual progress reports and annual audit reports, with follow up where necessary;
- Supporting the Grant Agent with specific items for enhanced monitoring upon Grant Agent request e.g. providing technical assistance on a specific component of the grant or aspect of project management;
- In cases where a grant requires restructuring or extension, explaining and sharing GPE's guidance on the process, and supporting the submission of materials to the Secretariat grant review committee or Grants and Performance Committee, depending on the level of changes;
- In the case of misuse of funds, engaging with the Grant Agent to ensure that all funds are returned.

Chart 8 shows the distribution of grant risk levels across the 14 new grants assessed (including grants that were approved by the Board of Directors between September 2017 and February 2018 as well as grants that are currently in their Final Readiness Review -phase). Of the 14 assessed grants, 86% are rated as low or medium in their overall grant risk. Two grants are identified to have high overall grant risk: Afghanistan and Guinea-Bissau. Both are Fragile and Conflict Affected (FCAC) countries.

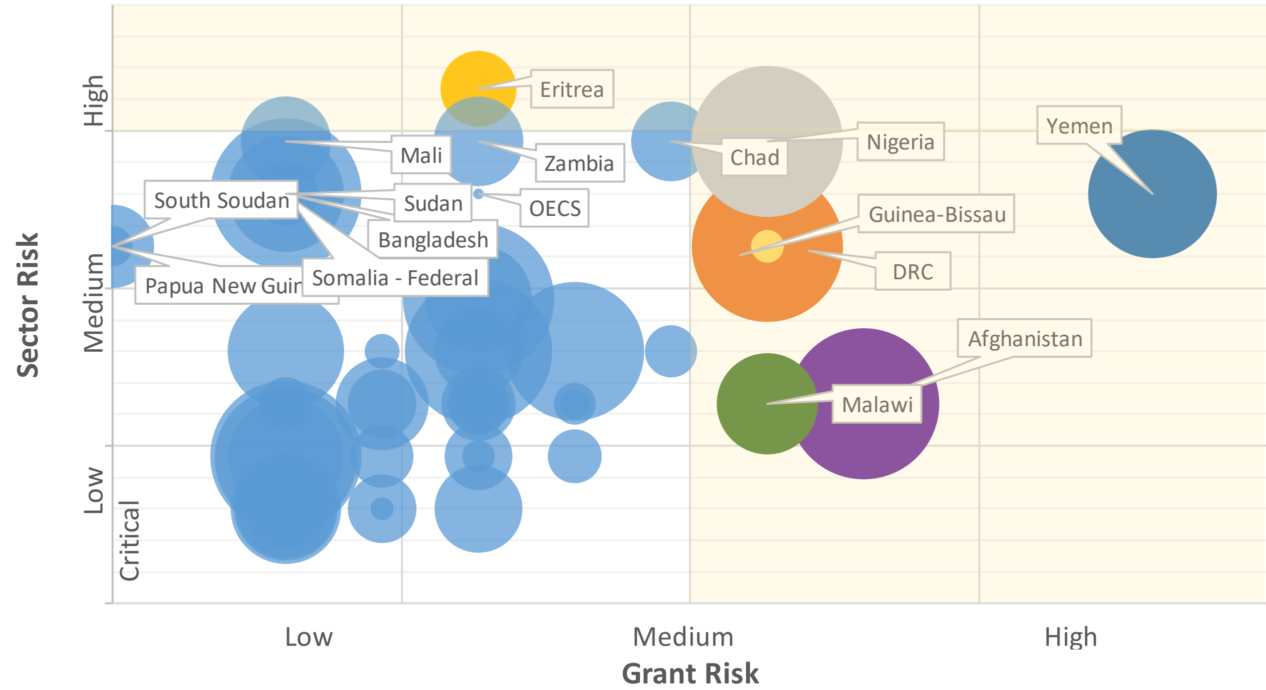


Key focus contexts for GPE Secretariat support

Chart 9 visualizes the combined sector and grant risk of all assessed countries/federal states. The size of the bubble denotes the amount of the current ESPIG in that country. Overall, 7 contexts are assessed as a key focus for GPE Secretariat support, because of either high grant risk or critical sector risk in the key areas of GPE's work. They are the following (in alphabetical order): Afghanistan, DRC, Eritrea, Guinea-Bissau, Malawi, Nigeria, and Yemen.

The number of key focus contexts has decreased from 9 in 2017 to 7 in 2018. In two out of these nine contexts, grants have closed or are closing by June 1, 2018 (Somalia Federal and South Sudan). In three contexts, grant or sector risk levels have decreased for them not to be considered at present key focus contexts (Bangladesh, Guinea, Uganda). Conversely, three grants are included due to high grant risk (Afghanistan, Guinea-Bissau, Malawi). Out of the seven contexts considered as key focus, six are Fragile and Conflict Affected (all but Malawi). Afghanistan and Guinea-Bissau were both part of the Key focus group in 2016 while their previous grants were still active.

Chart 9: Risk Overview of GPE Portfolio 2018



ANNEX 4.2: RISK ASSESSMENT PER COUNTRY

	Context Risk		Sector Risk			Grant Risk		
Countries	**Context Risk**	**FCAS**	**Dec-17**	**Jun-18**	**Change**	**Dec-17**	**Jun-18**	**Change**
Afghanistan	Critical	Yes		Medium			High	*New grant*
Bangladesh	Medium	No	Critical	High	Decrease	Medium	Low	Decrease
Benin	Medium	No	Medium	Low	Decrease	Medium		*Pipeline*
Burkina Faso	Low	No	Low	Low	No change	Medium	Medium	*New grant*
Burundi	Critical	Yes	Medium	Low	Decrease	Low	Medium	Increase
Bhutan	Low	No		Low				*Pipeline*
Cabo Verde	Low	No		Low			Low	*New grant*
Cambodia	Medium	No		Low			Medium	*New grant*
Cameroon	Medium	Yes	Medium	Medium	No change	Low	Low	No change
CAR	Critical	Yes	High	Medium	Decrease	Medium	Medium	No change
Chad	High	Yes		High			Medium	*New grant*
Comoros	Medium	Yes	Low	Low	No change	Medium	Medium	*New grant*
Cote D'Ivoire	High	Yes		Medium			Medium	*New grant*
Djibouti	Medium	Yes	Medium	Medium	No change	Medium	Medium	No change
DRC	High	Yes	High	High	No change	High	High	No change
Eritrea	High	Yes	Critical	Critical	No change	Medium	Medium	No change
Ethiopia	Medium	Yes	Low	Low	No change	Low	Low	No change
Gambia	Medium	Yes	High	Medium	*Decrease*	Low	Low	*New grant*
Ghana	Low	No		Medium				*Pipeline*
Guinea	High	No	Low	Medium	Increase	High	Low	Decrease
Guinea-Bissau	Critical	Yes		High			High	*New grant*
Guyana	Medium	No	Medium	Medium	No change	Low	Low	No change
Haiti	High	Yes	Medium	Medium	No change			*Pipeline*
Kenya	High	No	Low	Low	No change	Medium	Low	No change
Kyrgyz Republic	Medium	No	High	Medium	Decrease	Medium	Low	No change
Lao PDR	Medium	No	Medium	Medium	No change	Low	Medium	Increase
Lesotho	Low	No	Low	Low	No change	Medium	Low	Decrease
Liberia	High	Yes		Medium			Medium	*New grant*
Madagascar	Medium	Yes	Low	Low	No change	Low	Low	*New grant*
Malawi	Medium	No	Medium	Medium	No change	Medium	High	Increase
Maldives	Medium	No		Low				*Pipeline*
Mali	High	Yes	High	High	No change	Medium		*Pipeline*
Mauritania	High	No	Low	Medium	Increase	Low	Low	No change
Mozambique	Medium	Yes	Medium	Low	Decrease	Low	Low	No change
Multi-country Pacific	Medium	No		Low				*Pipeline*
Myanmar	High	Yes		Medium				*Pipeline*
Nepal	Medium	No	Medium	Medium	No change	Low	Low	No change
Nicaragua	Medium	No	Low	Low	No change	Low		*Pipeline*

Niger	High	Yes	High	Medium	Decrease	Medium	Medium	No change
Nigeria	Critical	Yes	Critical	High	Decrease	Critical	High	Decrease
OECS - Dominica	Low	No	Low	High	Increase	Low	Medium	Increase
OECS - Grenada	Low	No	Low	High	Increase			
OECS - St Lucia	Low	No	Low	High	Increase			
OECS - St Vincent	Low	No	Low	High	Increase			
Pakistan - Balochistan	High	Yes	Medium	Medium	No change	Medium	Medium	No change
Pakistan - Punjab	High	Yes		Medium				*Pipeline*
Papua New Guinea	Medium	Yes		High				*Pipeline*
Rwanda	Low	Yes	Medium	Low	Decrease	Medium		*Pipeline*
Sao Tome and Principe	Low	No		Medium				*Pipeline*
Senegal	Low	No	Low	Low	No change	Low		*Pipeline*
Sierra Leone	High	Yes	Low	Low	No change	Low	Low	*New grant*
Somalia - Federal	Critical	Yes	High	High	No change	High		*Pipeline*
Somalia Puntland	Critical	Yes	Medium	Medium	No change	Medium	Medium	*No change*
Somalia - Somaliland	Critical	Yes		Medium			Medium	*New grant*
South Sudan	Critical	Yes	High	High	No change	High		*Pipeline*
Sudan	Critical	Yes	High	High	No change	Medium	Low	Decrease
Tanzania - Mainland	Medium	No	Medium	Medium	No change	Medium	Medium	No change
Tanzania - Zanzibar	Medium	No		Low			Low	*New grant*
Timor Leste	Medium	No		Medium				*Pipeline*
Togo	Medium	Yes	Low	Low	No change	Medium	Medium	No change
Uganda	High	Yes	Critical	Medium	Decrease	Medium	Medium	No change
Uzbekistan	High	No	Medium	Medium	No change	Medium	Medium	No change
Yemen	Critical	Yes	Critical	High	Decrease	Critical	Critical	No change
Zambia	Low	No	High	High	No change	Low	Medium	Increase
Zimbabwe	High	Yes	Medium	Medium	No change	Low	Low	No change

ANNEX 4.3: RISK ASSESSMENTS AND MITIGATION PLANS

(i) Key focus contexts –

Country	Sector Risk Rating	Summary of Sector Risk	Mitigation measures in the next 12 months	Grant Risk Rating	Summary of Grant Risk	Mitigation measures in the next 12 months
Afghanistan	Med	Key opportunities and challenges in the coming years will be to monitor the implementation of NESP III, with a greater focus on systemic reforms, capacity building, planning and financing. Afghanistan will remain highly dependent on external aid, with a constrained fiscal space that includes high levels of required spending on defense and security. Fostering a stronger program-wide approach around sustainable country systems and education outcomes will be a priority.	Monitoring implementation of the program. Beyond the DLI, the expectation in terms of reporting is to have the ESP annual implementation report. The program will provide a lot of RBF to the regular national budget, and there will be close monitoring of the budgeting process and monitoring of domestic financing. The modality chosen is appropriate for the monitoring of domestic financing and is going to focus the attention of the GA.	High	The Grant Agent has mobilized considerable resources, both technical and financial, to provide effective oversight. GPE funds are contributing to this, as well as IDA and ARTF donors. The new approach through results based financing offers strong opportunities for structural reforms and results. The implementation environment in Afghanistan is complex and the program challenging.	The Secretariat will work with the Grant Agent to facilitate appropriate measures to enhance program effectiveness, particularly around oversight and capacity building. A focus on reactiveness and flexibility to adequately respond to a complex and changing environment will be a key aspect of this.
DRC	High	The ESP 2016-2025 endorsed in January 2016 meets the quality required by GPE but the political context, including increased insecurity, may undermine the government commitment to implement the sector plan as well as the monitoring of activities and education sector performance.	The Secretariat will continue close monitoring of the country situation and participate in the Joint Sector Review to understand challenges faced by the country and its partners. It will discuss with the Local Education Group on strategies to prevent the reduction of the education budget and encourage the involvement of development partners and civil society in the monitoring of the implementation of strategies around equity, learning outcomes, and efficiency.	High	The new grant became effective in September 2017 and activities planned for 2018 have been launched. However, the increased insecurity may slow down the implementation of activities, in particular in provinces where the population has started to flee because of violence. The insecurity puts at risk also the implementation of activities such as Performance Based Funding.	The Secretariat will monitor risks and constraints through exchange with the Grant Agent and review of progress reports. It will maintain close vigilance on fiduciary risk in consultation with the Grant Agent. The Secretariat will also participate in joint monitoring missions and provide support to the Coordinating Agency to ensure the involvement of the Local Education Group in the monitoring of the variable part.

Eritrea	Critical	The Ministry has a high degree of ownership and planning regarding the Education Sector Analysis and Plan. The education sector in Eritrea does not enjoy a robust presence of development partners. As a result, sector dialogue is weak. Public spending is not adequate, which is reflected in the conditions of schools, and financing cannot be fully assessed due to lack of data.	The Secretariat will review the Education Sector Plan that was recently developed by the country. It will continue supporting the country to develop strategies for better data in the sector, including through missions. The Secretariat will also continue dialogue around better financing data in the context of the country's next ESPIG application.	Med	The program, which was restructured twice, is expected to achieve results by the closing date of December 2018. There have not been any indications of misuse of funds in the project and the Grant Agent maintains adequate oversight of the program.	The Secretariat will continue the frequent reporting arrangement to stay up to date on implementation progress and resolve any issues.
Guinea Bissau	High	The ESP 2016-2025 was endorsed by the Local Education Group and meets GPE quality standards. However, its implementation is compromised by political tensions. In particular, the government's commitment to increase the education budget is at risk due to lack of leadership. The international community's sanctions may also limit dialogue with the government.	The Secretariat will provide support to the Coordinating Agency to discuss strategies to ensure the monitoring of the implementation of the Education Sector Plan, including on the collection and analysis of data on the education budget.	High	The Grant Agent has hired staff based in the country to ensure close monitoring of the new project and participation of the Grant Agent in sector dialogue. The number of monitoring missions will be increased at the beginning of the project. The effectiveness date of the new grant may be delayed because of sanctions imposed by ECOWAS to politicians of Guinea Bissau. However, the Grant Agent is looking for a solution to ensure that negotiation with the government can continue and the agreement can be signed. The fiduciary risk remains high because of the challenging context, including weak capacities and leadership and the high turnover of authorities.	The Secretariat will continue to monitor the country context. If necessary, it will support the Grant Agent to request an extension of the new grant effectiveness date. It will also share the GPE grant management policy and participate in the monitoring missions.

Malawi	Med	The current fiscal constraints in Malawi may force the government to cut expenditures in social sectors including the education sector. This will seriously impact the implementation of the Education Sector Implementation Plan II (ESIP II). There has been significant improvement in sector level coordination in the country and it is expected that this will result in effective implementation of the current ESIP II and the development of the next Education Sector Plan.	The Secretariat will continue close coordination and will provide technical guidance to the government and development partners in the development of next Education Sector Plan along with continued advocacy for higher domestic financing to the education sector.	High	Limited capacity in planning and executing results-based financing, and absence of sufficient fiduciary safeguards are key risks associated with the implementation of the GPE grant in Malawi. These risks need to be addressed through stronger oversight of grant implementation. MoEST and development partners have signed an MoU to establish a Common Financing Mechanism (CFM) to strengthen MoEST's capacity in financing management and procurement. The CFM will be implemented along with the GPE ESPIG.	Regular reviews and discussions will be carried out with MoEST, the Grant Agent and development partners to ensure timely implementation of grant activities including capacity development measures at MoEST.

Nigeria	High	Nigeria needs to develop a comprehensive EMIS with reliable data at the national level, which would include data from the states. It is important that there is a comprehensive plan for education investment supported by reliable data, which is missing at this moment. Coordination within the Partnership at country level could be improved.	The Secretariat will monitor the production of Education Sector Plans in the States, following the guidelines on comprehensive ESPs. While it is still not decided as to which states might apply for an ESPIG, the Secretariat is working with the Universal Basic Education Commission to ensure that the state ESPs are in line with IIEP-GPE guidelines. The states have not yet applied for any ESPDG. In absence of development partners' support to the States, technical support will be provided by consultants organized by the World Bank. Measures are under way to provide this support. There is an ongoing dialogue between the Government and development partners with technical support from the Secretariat to revamp the EMIS.	High	The Grant Agent is providing effective oversight, and has taken more responsibilities to provide technical support to the States in the absence of development partners. There has been remarkable progress in implementation in the past year, with many end targets being met within two years of implementation. However, the interface between the States and the Federal entities vis-a-vis the project is still problematic. In the meantime, less progress has been observed in the areas of EMIS, learning assessment and teacher training. The World Bank has put in place an elaborate risk mitigation plan to tackle fiduciary risks, particularly in view of the dispersed places where funds will be used. Still, monitoring the funds will be a huge challenge in Nigeria where corruption is believed to be widespread.	Enhanced supervision from the Grant Agent is being put in place after discussion with the Secretariat. The Grant Agent is in the process of hiring consultants to provide technical support in specific areas as the states need. The Secretariat has provided targeted support in the areas of monitoring and evaluation, and the development of EMIS. It has shared experience from other countries with regards to learning assessments, participated in all the missions and provided inputs to each of the areas. The discussion will continue and the Secretariat will continue to monitor the development in close collaboration with GA and provide inputs as necessary.

Yemen	High	Since January 2015, Yemen has been facing a high level of violence due to armed conflict. The conflict has adversely affected the education system with an estimate of more than 2 million children out of school. The country has recently started the work on the development of the Transitional Education Plan (TEP). Despite the conflict, approximately 90% of schools are still functioning. However, very limited learning is taking place. In many areas it is reported that schools are operational only for two hours a day as teachers search for other income generating activities. GPE supported the organization of Local Education Group (LEG) meetings outside Yemen to keep partners engaged in the planning and monitoring of the situation.	The Secretariat will continue to work closely with the Local Education Group (LEG) and Ministries of Education in Aden and Sana'a in the development of the Transitional Education Sector Plan (TESP) for Yemen. In addition, the Secretariat will increase its advocacy efforts with the Ministry of Education in Aden to ensure that public sector teachers are being paid on a regular basis.	Critical	The on-going conflict in Yemen requires responsiveness from GPE in order to respond to the immediate needs on the ground. The Grant Agent has closely monitored the GPE funded ESPIG to Yemen. However, there is a need for further review and strengthening of M&E systems, especially related to financial management and procurement to ensure proper utilization of GPE resources, including avoiding diversion of resources for political purposes.	The Secretariat will continue engagement with the Grant Agent and partners to ensure effective implementation of GPE funding to Yemen. This includes continuing close coordination with the Grant Agent on oversight mechanisms, working with partners to review the situation and discuss needs for reprogramming, and continuing to ensure that adequate fiscal safeguards are in place related to the use of GPE resources. In addition, the Secretariat will continue consultations with the Grants and Performance Committee (GPC) in mitigating actions.

(ii) High sector risk contexts

Country	Sector Risk Rating	Summary of Sector Risk	Mitigation measures in the next 12 months	Grant Risk Rating	Summary of Grant Risk	Mitigation measures in the next 12 months
Bangladesh	High	Compared to the situation six months ago, the mission in November 2017 sensed that sector risks have decreased. This is due to the statement of the Ministry of Primary Education to make efforts to develop a comprehensive Education Sector Plan as well as the reactivation of the Local Education Group around the Rohingya crisis response. However there has been no change to the risk of not meeting the domestic financing targets.	Following communication of the recently approved MCA, the Secretariat is set to engage with the Local Education Group including government, to encourage them to apply for an ESPDG to support the development a comprehensive ESP. As part of the discussions around a new ESP, the Secretariat will advocate for regular sector monitoring with wide participation of partners. The Secretariat will continue highlighting the 20% benchmark in its dialogue with the government throughout the process of ESP development and next grant application, recognizing the MCA of USD 53.9 million is very low relative to the Bangladesh context. The Secretariat will also continue advocacy for support and financing to the education of Rohingya children and youth.	Low	The latest progress report indicates Satisfactory progress towards achievement of the project development objective. Out of 59 disbursement-linked indicator targets, 54 have been met. The Grant Agent is monitoring the grant closely and the risk of funds diversion or misuse is considered low.	The program is closing in June 2018. As 8 million has been reallocated to education of Rohingya children, the risk in that program will need to be assessed during program development. The Secretariat will continue close vigilance on fiduciary risk in consultation with the Grant Agent.

Chad	High	The sector risk is high given the significant sector divergence from the current transitional sector plan. The particular area of concern has been government decisions, taken a level higher than that of the line ministries, that commits the sector to a much higher wage bill than the transitional plan projected, thereby exacerbating the effects of the precipitous decline in oil prices in 2014. The new transitional plan endorsed in 2017 aims at addressing several issues cited above such as lack of follow-through on JSR preparatory activities, education sector spending, etc.	The Secretariat will maintain a high level of support to the Local Education Group in Chad, with particular attention to LEG coordination, coordination between the education sector ministries and ministries of finance and planning. Support to analysis of potential material deviations from ESP in real-time will build on work that the Secretariat has already done in the context of the current transitional plan. Specific support for budget analysis and budget alignment with the ESP will be provided. The Secretariat will conduct quarterly missions to monitor progress and support improvements to sector monitoring (including the JSR process) as well as greater alignment on national systems.	Med	The use of two Grant Agents in Chad has in the past been a vector for inefficiency in some cases as coordination and common reporting has been a challenge. Both grant agents have taken steps to improve coordination and management for the new program. The modalities used for supporting the sector are "defensive" and provide for a smoother implementation than other projects that are more aligned on national systems.	The primary mitigation measure will be to ensure that the new GPE-funded program is appropriately adapted to the country and sector context. Secondary measures will be occasional Secretariat participation in Grant Agent monitoring activities, more frequent (quarterly) missions to the country and mobilization of other Secretariat staff as necessary.
Mali	High	Sector risk remains high since the sector is still struggling to come out of the cycle of conflict following the 2012 coup d'état and ensuing civil war. The current TESP was not endorsed by Development Partners and its implementation is not well-monitored. The JSR does not meet the Partnerships minimum standards recommendations. Work continues on a new 10-year sector strategy and this will likely contribute to a lower risk if successful.	The Secretariat will provide comments on the draft ESP. The Country Lead will participate in the JSR and in the dialogue with government and development partners on more comprehensive sector reporting. The CL will also support to LEG & MoE's capacity to conduct analyses of the national budget to determine its alignment with the ESP financing framework and multiyear action plan, before and after parliamentary vote as well as at the final budget expenditure stage.	n/a	The previous grant closed in December 2017 and the next ESPIG application is expected in 2019. The last progress report shows that nearly all targets were met by the program. The completion report, due in June, will provide a full picture of the previous grant's performance and lessons learned.	The Secretariat's quality assurance process will be used to capture the risks of the next grant. The Secretariat will ensure that lessons from the previous program feed into the preparation of the next one.

OECS - Dominica	High	There are challenges in OECS relating to robust sector planning as well as sector coordination and monitoring. Development partners are dispersed around the region, making regular meetings difficult. The overall economic outlook is also challenging for the region and needs to be monitored.	Since the Local Education Group (LEG) is not active, the Secretariat is encouraging the Grant Agent to support the OECS Commission to activate the LEG at the regional level. The Secretariat is also encouraging the OECS Commission to conduct the mid-term review of the Education Sector Plan 2012-21 to look at progress in the sector and adjust implementation accordingly. While GPE's leverage on financing is limited given small grants and the targeting of only four states in the region, it could explore links with other sources of financing to leverage a joined-up strategy of support for the region.	Med	Overall, grant risks in this country are low given the relatively moderate size of the grant and the strong oversight of OECS and Grant Agent. Despite the recent hurricane, the implementation of the ESPIG is relatively unaffected. It seems that some targets, however, need to be adjusted and the Grant Agent plans to seek a restructuring.	The Secretariat will continue reviewing progress reports and communicating regularly with the Grant Agent. The Secretariat will review the restructuring request once received.
Papua New Guinea	High	PNG is in the process of updating the ESP; however, limited DPs interest and support has led to considerable delay. Further, there is a need to closely monitor PNG's expenditure on education.	Close advisory, technical support and monitoring will be carried out by the Secretariat to ensure timely completion and endorsement of ESP.	n/a	The country's ESPIG application is expected in August 2018.The previous program closed in December 2015.	The Secretariat's quality assurance process will be used to capture the risks of the next grant.
Somalia-Federal	High	While the Federal Government has been able to organize joint sector reviews and data is improving, the sector still has limited reach. Moreover, domestic financing to education remains very low. There are numerous issues around sector risks, related to coordination, capacity, implementation, and financing. High dependence on external funding, including that of GPE, is a risk in the sector.	The Secretariat will continue to encourage better accountability for domestic Education Sector Plan financing commitments. It will review the forthcoming revised operational plan as well as the ESPIG grant application, which is expected to include support to sector coordination.	n/a	The previous grant closed in December 2017 and the next ESPIG application is expected in May 2018. Lessons learned from the previous program have informed the design of the next one through discussions between the Grant Agents. The completion report of the previous grant, due shortly, will provide a full picture of the previous grant's performance.	The Secretariat's quality assurance process will be used to capture the risks of the next grant.
South Sudan	High	The new Education Sector Plan has been endorsed by the Local Education Group. The sector	The Secretariat will review that the Education Sector Plan meets quality standards. To address the risk of	n/a	The current grant is closing in May 2018 and the next ESPIG application is expected in August 2018. The final	The Secretariat's quality assurance process will be used to capture the risks of the next grant.

		continues to have significant risk of fragmented support and monitoring. While a Joint Sector Review was held in October 2017, sector coordination continues to be challenging, not just between education development partners in the Local Education Group but also with regards to humanitarian partners. Domestic finance remains low and the recent pledge to increase it needs to be monitored.	fragmentation in the sector, the new GPE funded program will likely include a component on sector coordination. The Secretariat will monitor domestic financing developments very closely.		evaluation of the current program took place in early 2018 and concluded that the GPE-supported program has delivered results at national, state, and school levels in South Sudan and that to date it has met the majority of its intended output and outcome targets. Lessons learned from the current program have thoroughly informed the design of the next one.	
Sudan	High	Financing with very little external support. The only major support is from GPE. Besides, conflict, reconstruction and humanitarian activities keep the focus away from education. Investment in education has been quite low, only about 10.7% in 2016. While the Government pledges to increase it to 20.5% by 2020, the odds are against the country unless major support comes from development partners	As the country prepares for its next ESPIG, the Secretariat will continue the dialogue on Joint Sector Reviews, domestic education financing, meeting the requirements, and looking at opportunities for support for other donors. Both the World Bank as Grant Agent for the current grant and UNICEF as Coordinating Agency have been actively involved in the preparation of the ESA and ESSP. The Secretariat had several meetings with GA, CA, LEG and the Government representatives both from the state and federal governments on the substance and processes for ESSP.	Low	The grant program is on track to exceed all targets and project objectives.	The grant has recently been extended to February 2019 to help the Government achieve additional targets with its own resources. The Secretariat will undertake at least two missions to oversee the implementation progress.
Zambia	High	Decline in economic growth leading to low domestic allocation to the education sector and withdrawal of funding by key partners including DFID will have major impact on sector performance. In addition, frequent change in key government personnel during the	The Secretariat will continue its engagement with the Ministry of General Education and partners to ensure timely completion of the next ESP and to maintain current level of expenditures.	Med	The Grant Agent, together with the GPE Secretariat, is closely monitoring the implementation of the DFID/GPE Sector Budget Support to Zambia to ensure proper use of DFID/GPE resources. Following the fiduciary risk assessment, the Grant Agent has commissioned additional work	As communicated by the Grant Agent (DFID), the Secretariat will work with the current GA on the closure of ESPIG and the process to approve the transfer of funds to another agency willing to work as the GA. In addition, the Secretariat will closely follow up with the Government of Zambia on the

		development of the ESP has led to considerable delays.			which has raised concerns on funds utilization. Zambia's Auditor General is currently conducting a forensic audit on the education sector and there is a likelihood that this will be followed by an external forensic audit by the Grant Agent. In addition, the Grant Agent has communicated that it will not be able to continue the role as Grant Agent and will transfer the responsibility to another agency.	outcomes of the Auditor's General's forensic audit of the education sector to ensure that there is no misuse of GPE funds.

(iii) Contexts no longer considered as Key focus

Country	Sector Risk Rating	Summary of Sector Risk	Mitigation measures in the next 12 months	Grant Risk Rating	Summary of Grant Risk	Mitigation measures in the next 12 months
Uganda	Med	The country is developing a new Education Sector Analysis and Education Sector Plan, beginning in March 2018. There is still a challenge around sector harmonization due to many activities from new stakeholders.	The Secretariat will support the development processes around the Education Sector Analysis and Education Sector Plan. It will continue dialogue with the new development partners active in Uganda and keep tracking the domestic financing allocation with the help of the Local Education Group.	Med	Oversight arrangements by the Grant Agent have improved. The grant was restructured and now is likely to be completed in time: from communication with the Grant Agent and Ministry, activities seem to be on track.	The Secretariat will participate in the forthcoming implementation support mission and maintain regular contact with the Grant Agent to monitor that activities are completed on time by December 2019.

Guinea	Med	Sector risks are lower than in some comparable countries given the relative political stability and the strong sector planning and monitoring tradition in Guinea. A high level of persistent poverty is a vector of risk. The competing priorities for government spending coupled with elements of civil unrest are the main vectors of sector risk.	The Secretariat will comment on the draft sector plan. The Secretariat has extensively engaged with the Local Education Group on the quality of the annual ESP implementation report, and will follow up on the annual ESP implementation report and participate in the Joint Sector Review. The Secretariat reviewed the GPE financing requirements during its February 2018 mission together with the Local Education Group, and will work with the LEG on the development of the GPE requirements matrix.	Low	The pooled fund arrangement of the grant enhances efficiency and efficacy of monitoring. The recent extension of the program brings the implementation path in line with the new closing date of August 2019.	The Secretariat will participate in the Joint Sector Review and assess the extent to which GPE-funded activity reporting is integrated in government reporting. The Secretariat will also participate in a monitoring mission, which involves review of progress with the Grant Agent.

ANNEX 4.4: RISK ASSESSMENT OF CIVIL SOCIETY EDUCATION FUND (CSEF) GRANT

Grant name: **CSEF**

Grant Agent	GCE
Current Grant amount (US $)	28,769,442

1. GPE Secretariat Operational Risk Assessment

Grant risk rating	Medium
Summary of grant risks	Grant risk is assessed as medium for the following reasons. The design and implementation arrangements make CSEF III inherently risky, as this grant provides small amounts as sub-grants to national education coalitions in more than 60 countries and the GCE is a first-time grant agent for GPE. Notwithstanding, there are mitigating measures which reduce the level of risk to an acceptable level. Internal audit arrangements have been strengthened at both GCE level and national levels. An Internal Auditor recruited by GCE has championed initiatives such as roll out of internal audit charter, annual internal audit plans, and ToRs for National Coalition Audit Committees. Fiduciary oversight has also been strengthened by the involvement of audit committees of national coalitions and Regional Financial Management Agencies. Additionally, progress reports and communication with GCE indicates that the CSEF III program objectives are likely to be achieved.

2. GPE Secretariat Risk Management Plan

Summary of measures to be taken to mitigate grant risk	Continue to closely engage with the Grant Agent to ensure prompt communication around any significant issues concerning implementation arrangements. Ensure relevant information related to internal control mechanisms (including audit reports and management letters, implementation status reports and expenditure forecast) are provided in a timely manner, and that matters arising are appropriately managed, and escalated in the event of any delays in receipt of information. Conduct missions to meet with and provide necessary support to Grant Agent, regional coalitions and regional fund management agencies (RFMAs). Follow up on findings and recommendations of CSEF III evaluation report.

ANNEX 4.5: LIST OF ACRONYMS

ASA	Advocacy and Social Accountability
CA	Coordinating Agency
CL	Country Lead
CSEF	Civil Society Education Fund
DCP	Developing Country Partner
DGP	Developing Partners Group
DLI	Disbursement Linked Indicators
DRC	Democratic Republic of Congo
ECW	Education Cannot Wait
EMIS	Education Management Information Systems
ESA	Education Sector Analysis
ESP	Education Sector Plan
ESPDG	Education Sector Plan Development Grant
ESPIG	Education Sector Program Implementation Grant
FCAC	Fragile and Conflict Affected Countries
FFF	Financing and Funding Framework
FRC	Finance and Risk Committee
GA	Grant Agent
GEC	Governance and Ethics Committee
GPC	Grants and Performance Committee
HR	Human Resource
IFFED	International Financing Facility for Education
JSR	Join Sector Review
KIX	Knowledge and Innovation Exchange
LEG	Local Education Groups
MCA	Maximum Country Allocation
MDB	Multilateral Development Bank
ORF	Operational Risk Framework
PS/F	Private Sector and Foundations Strategies
QAR	Quality Assurance Review
RBF	Results Based Financing
SIC	Strategy and Impact Committee
TEP	Transitional Education Plan
ToR	Term of Reference
CAR	Central African Republic