

DECEMBER 4-5, 2024 - MEETING OF THE BOARD OF DIRECTORS

EMIRATE OF DUBAI – BOD/2024/12 DOC 04 - FOR INPUT

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 considered the corporate risk update at its October meeting. Members raised their concerns related to the risk of **domestic financing** and the challenges in raising the level of domestic financing in partner countries and noted the Secretariat's clarification on the recent data which indicated that the Covid-related drop in domestic financing has now stabilized but is still below pre-Covid levels.
- Members also raised concerns related to **increased alignment risks** and **gender mainstreaming**, highlighting that positive results in this area would enable GPE in a better position in the upcoming replenishment campaign.
- Members flagged the risks related to **mutual accountability**, in particular on grant agent selection processes, **sexual exploitation, abuse and harassment, the low number of reported misuse of funds cases, fragmented global aid architecture** and noted the clarification provided by the Secretariat.

Objective

1. The Board is invited to review the corporate risk update and determine if additional risks could affect GPE's ability to deliver on GPE 2025.

Background

2. GPE operates in a volatile global environment, continuously adapting to external factors that affect its risk profile. Since the COVID-19 pandemic, ongoing conflicts and/or political crisis have affected several GPE partners. Donor and partner countries are facing challenging economic conditions, inflation, high debt levels, and rising demands for security and climate change spending, which strain education financing and development assistance budgets. In this external environment, combined with sustained demand for GPE funding, resource mobilization remains the most significant strategic risk (high risk). Successfully delivering on GPE 2025, alongside upcoming key Board decisions on GPE 2030 and the Financing and Funding Framework, will play a critical role in shaping the next financing campaign.
3. Improving system-wide education outcomes remains a top priority for GPE. As the next strategy and financing period approaches, GPE's main priority is delivering demonstrable, evidence-based results at the system level. Greater effort and support from all partners are required to demonstrate impact. Ensuring all partner countries report on SDG Indicator 4.1.1 on a consistent basis is critical to demonstrate results. A proposal to strengthen this approach under GPE2030 through Top Ups is set out in the Strategic Parameters for GPE 2030 Funding document (BOD/2024/12 DOC 11).

4. Co-financing risks remain very low, with targets exceeding expectations and demonstrating strong demand for GPE's innovative financing mechanisms and potential for scaling up. US\$3.6 billion has been leveraged under GPE 2025, surpassing the US\$3 billion goal ahead of schedule. Despite several Board-approved funding increases, demand for the Multiplier continues to outpace supply. Following the Board decision in [June 2024](#) to scale up approaches, including the Multiplier, under GPE 2030, the Secretariat has engaged consultants to conduct technical analysis and consultations to present recommendations to the Finance and Risk Committee (April 2025) and Board (June 2025).
5. Risks related to mutual accountability remain high, despite more country partners providing evidence of monitoring their reform commitments as set out in partnership compacts. Partner engagement, including strong government leadership, plays a crucial role in reform implementation. GPE's grant agent selection process has also posed challenges to mutual accountability, and proposals to strengthen the process further were considered and recommended by the Executive Committee for Board decision (BOD/2024/12 DOC 08).
6. The risk of gender not being hardwired into GPE 2025 implementation remains moderate. Addressing gender-related risks requires coordinated action across the partnership to achieve shared goals. Under GPE 2030, there is an opportunity to strengthen GPE's approach by considering options for the Girls' Education Accelerator and broaden integration of gender equality and inclusion across all interventions.
7. Regarding risks related to the operating model, 67 out of 71 strategic parameters have been completed, and grant approvals have increased significantly, with most remaining applications expected to be finalized by mid-2025. While the time required for countries to navigate the systems transformation approach and secure an approved grant has improved compared to the previous strategy, it remains longer than originally targeted under GPE 2025. This is an area that should be improved upon under GPE 2030 as countries will use their mid-term reviews to drive future grant applications building off existing work rather than having to repeat the full process.
8. Grant approvals have risen significantly, and with most strategic parameters completed, approval levels are expected to increase further in the coming months, with pending approvals expected by mid-2025. The impact is already apparent, with over US\$1 billion disbursed between July 2023 and June 2024.
9. Risks to GPE's overall financial position decreased in the past six months, driven by higher disbursement levels, reduced cash balances, and less pressure from Foreign Exchange (FX) rate volatility. Operating expenses (OPEX) as a percentage of disbursements were 5.6% in FY24 and 6.9% cumulatively for GPE2025, below the targeted 7% ceiling. Value-for-Money risk, Secretariat's budget risk and Liquidity risk have all been positively impacted.
10. Alignment risk has escalated from moderate to high, with country-level dialogue not being sufficiently elevated or strategic to foster alignment, and challenges in the grant agent selection process in some contexts. The Secretariat will strengthen staff capacity, and improvements to the grant agent selection process should help mitigate this risk.

11. Grant performance risk has decreased from high to moderate, due to a significant increase in actual and projected utilization for major grants. Additionally, increased responsiveness to at-risk grants has enhanced overall performance.
12. The risk level for PSEAH (Protection from Sexual Exploitation, Abuse, and Harassment) remains moderate. Compliance with GPE's PSEAH policy continues to face challenges with a small number of grant agents currently unable to report to GPE due to their own internal policies limiting disclosure externally. Two of these agencies (ADB and IDRC) have committed to an action plan to update their procedures to address this, while the World Bank has tentatively endorsed a solution, pending further discussions.
13. Human Resources risk remains moderate. The process to locate more of GPE's technical and operational staff closer to partners through regional hubs in Paris and Nairobi is ongoing and offers a strategic opportunity to improve delivery and efficiency. A significant emphasis is being placed on supporting affected staff through this transition.
14. See **Annex A: Semiannual Corporate Risk Update**, October 2024, for detailed information.