Semiannual Corporate Risk Update – October 2024

Introduction

1. GPE's Risk Framework is designed to serve as both an effective internal management tool and a support mechanism for the Finance and Risk Committee and the Board in making informed strategic decisions. The report highlights the key risks that may affect the successful delivery of GPE 2025, building upon the previous report presented to the Board in June 2024. Where relevant, connections are made to findings from the Monitoring, Evaluation & Learning Framework, the Results Report, and other evaluations or reviews.

2. The report is structured in accordance with the risk taxonomy which includes risk, control, and performance indicators under GPE 2025. Relevant indicators developed under GPE 2020 continue to be monitored. Both qualitative and quantitative data are presented to provide a comprehensive context for the analysis, ensuring a more accurate reflection of perceived risk levels. Additionally, the qualitative assessment incorporates the potential impacts of external factors and how these influence GPE operations.

3. The rating is determined using a scale outlined in the 2019 Board-approved methodology based on both quantitative and qualitative assessments. It includes an estimate of potential impacts (i.e., projected consequences should the risk materializes), and, where applicable, the direction of travel. The risk rating at the category level is derived from a collective qualitative assessment by the Secretariat's designated risk owners. The main section of the report highlights key findings and trends focusing on outlier business management risks and matters requiring future attention. An update on relevant risk areas discussed in the previous report is also provided. The annexes contain comprehensive data and detailed information, including mitigation plans.

Key Findings and Trends

I) Strategic risk exposure remains moderate

4. **Resource mobilization, or the risk of insufficient contributions to the GPE Fund, remains a critical strategic risk as the replenishment period approaches and demand for GPE funds remains strong (high risk).** GPE operates in a volatile global environment, facing external factors that continuously affect its risk profile and require constant adaptation. Since the COVID-19 pandemic, several ongoing conflicts combined with political instability are impacting several major GPE partner countries. Donors and partner countries are grappling with high levels of inflation, debt, and pressure to increase spending on security and address climate change. Major elections, with 3 billion people expected to vote by 2026, further heighten uncertainty around future policy priorities. In

this challenging landscape, GPE is refining its donor advocacy strategies to secure existing pledges and expand its donor base, while factoring in political and economic conditions. Delivering on GPE 2025 combined with important decisions the Board will take on the GPE 2030 and the Financing and Funding Framework will shape the next financing campaign, which will build on the lessons from GPE 2025.

5. **Improving system-wide education outcomes remains a top priority for GPE. As the 2026 replenishment approaches, GPE's main priority is delivering demonstrable, evidence-based results at the system level to sustain and strengthen donor commitments.** GPE's value can be demonstrated through three outcome tiers: sector-level education outcomes where GPE contributes, education system reforms facilitated by GPE, and GPE grants to track and enhance impact, often through co-financing. Mid-term reviews at the system reform level provide an opportunity to track reform progress, to which GPE contributes, and identify bottlenecks to the delivery of those reforms. Early evidence indicates that partner countries are making progress in implementing the actions needed to support the system reforms, particularly with respect to domestic financing. These actions were identified through the GPE operational model processes. However, greater effort and support from partners are required to drive and demonstrate GPE's broader impact at the sector level. Achieving the goal of children learning remains difficult unless the education sector improves data collection and reporting practices. To address this gap, subject to Board decision, the Secretariat proposes a specific top-up trigger in the Strategic Parameters for GPE 2030 Funding document (PILC-FRC/2024/10 DOC 03) that would allocate 10% of new System Transformation and Multiplier grants in the 2026-2030 periods based on improving reporting to the UNESCO Institute of Statistics. This approach incentivizes data collection and reporting, strengthening evidence-building at the sector level, with ongoing capacity support from GPE and partners. The June 2025 Results Report will assess reporting challenges and establish a baseline for future progress.

6. **Co-financing targets have significantly exceeded expectations, demonstrating strong interest in GPE's innovative financing mechanisms and potential for scaling up.** GPE's innovative financing mechanisms have successfully leveraged $3.6 billion under GPE 2025, exceeding the $3 billion initial co-financing goal well ahead of schedule. Demand for GPE funding remains very high and the Board has taken decisions in both December 2023 and June 2024 to reallocate available resources to both the Multiplier and the Girls' Education Accelerator, enabling additional applications to receive funding.

7. **The success and scalability of GPE's innovative financing mechanisms present significant strategic opportunities for the GPE 2030 Financing and Funding Framework.** Building on the Multiplier's achievements and guided by analysis and consultations with

Board constituencies, the Board reaffirmed in June 2024 its commitment to significantly increase the share of grant resources for the 2026-2030 financing period through mechanisms, including the Multiplier, designed to mobilize additional finance for education. An external firm has been contracted to support the next phase of technical analysis, with findings to be presented to the Board in June 2025. These recommendations, informed by further consultations, will focus on enhancing current approaches and introducing new instruments to leverage more resources for education, including fostering synergies with complementary sectors and to build on existing initiatives such as the Climate Smart Education technical assistance initiative and the efforts to mobilize co-financing from the climate sector through the Building the Climate Resilience of Children and Communities through the Education Sector (BRACE) initiative. Achieving measurable results through both GPE funds and leveraged co-financing will be essential for advancing GPE's strategic priorities, helping to respond to the education financing challenge, while increasing the attractiveness for donors to invest through GPE.

8. **The risk of gender not being hardwired during the implementation of GPE 2025 remains moderate. Progress in addressing gender-related risks requires coordinated action across the partnership to achieve GPE 2025's goals.** Achieving gender integration involves systematically addressing gender at every stage, from compact development through implementation, via quality assurance and dialogue with country partners. The Secretariat is working to ensure that progress at the concept note stage translates into successful program implementation. Enhanced communication about GPE's gender strategy and the establishment of the Gender Hub within the Secretariat have improved countries' integration of gender equality in grant development. Several System Capacity Grants, especially in later cohorts, now support gender capacity by generating data and insights to inform program design. The focus is shifting to measuring the effectiveness of gender mainstreaming during implementation, including mid-term reviews, acknowledging that building capacity and expertise is a gradual process.

9. **Under GPE 2025, gender considerations were already strongly embedded in grant programs. Going forward, GPE will continue to prioritize gender equality as a cross-cutting issue.** GPE 2030 offers an opportunity to sharpen efforts to reach the most educationally marginalized communities under the 'Leave No One Behind' agenda, further embedding gender equality and inclusion through the system transformation approach while reducing fragmentation and transaction costs. Based on FRC input, the Secretariat will develop options for the Girls' Education Accelerator, while seeking to broaden integration of gender equality and inclusion across all interventions.

10. **Domestic financing risk remains high as government education spending remains insufficient to close the learning gap exacerbated by the pandemic, while development assistance for education is declining.** National budgets are strained by economic slowdowns, rising debt, and shifting priorities among donors and governments. [Aid to education fell by 7% from 2020 to 2021], and education received only 7.9% of sector-allocable development assistance in 2022, its lowest historical share. GPE continues to focus on not only increasing the volume of funding but also improving equity and efficiency in domestic spending to maximize resources for the most marginalized. Of the 25 countries with top-up trigger, all have at least one linked to domestic finance, accounting for US$ 307 million, or 82% of the total top-up allocation. Sixteen countries focus on equity and/or efficiency, while seven target a mix of volume, equity, and efficiency. Progress toward will be evaluated during mid-term reviews. Initial monitoring shows that most countries are on track to complete actions related to domestic financing during their first year of implementation. The context-specific triggers have enhanced country-level dialogue, emphasizing efficiency and equity as critical factors, particularly where volume growth is constrained. Expanding their role as a strategic parameter for GPE 2030 financial allocations is proposed (see Strategic Parameters document).

11. **Risks related to mutual accountability remain high, despite an increasing percentage of country partners providing evidence of monitoring their commitments to implement reforms in priority areas.** Partnership compacts focus country-level partners on identifying and advancing reforms that can address bottlenecks and drive system reforms, creating a robust framework for mutual accountability. Regular monitoring allows countries to track progress and make necessary adjustments. While 91% of partnership compacts include specific mechanisms to review progress in priority areas, only 71% have fully operational monitoring systems to support these commitments. As partnership compacts continue to serve as a catalyst for mutual accountability, the Secretariat is developing tools to guide the assessment of reform implementation. This is particularly important as country-led mid-term reviews will form the basis for setting strategic parameters for the next funding round, as directed by the Board in [July 2023]. These reviews will assess progress in priority reform areas and enabling factors, enabling course corrections, and reinforcing partner commitments to achieving key reforms. The Secretariat will continue to engage partners, recognizing that system transformation is a gradual process that takes time. While the immediate impact may be limited, the results of initial investments in partnership and convening around reform priorities will become evident over time as change progresses incrementally.

12. **In the current global context of shrinking education financing and increasing competition for funds, GPE's grant agent selection process presents challenges and risks to mutual accountability.** Mutual accountability relies on shared goals, responsibilities, and ownership of outcomes. Although the grant agent selection process is based on principles of collaboration, fairness, alignment, and transparency, a March 2024 review by independent consultants identified instances of potentially inappropriate behavior, such as lobbying or disregard for selection committee recommendations, by partner agencies and, in some cases, governments. The findings were shared during a grant agent workshop and partner country meeting in May 2024, where participants recommended annual meetings for grant agents and more exchanges between agencies. In response, and in consultation with the Executive Committee, the GPE Secretariat took immediate steps to safeguard process integrity and reduce pressure on governments by becoming more proactive when concerns arise or when selection committee recommendations are not followed. While the risk of inappropriate behavior is small and cannot be fully eliminated, both its probability and impact can be further reduced by strengthening the selection process under GPE 2030. A proposal will be presented for Board decision in December 2024.

II) Operational risk exposure decreased from high to moderate

13. **The risks associated with the operating model -the time taken for countries to progress through key stages of the system transformation approach is now less relevant given most partners have completed their strategic parameters and the volume of grant approvals has significantly increased.** Under GPE 2025, partner countries take an average of 25 months to complete the process of developing their partnership compact, securing board approval of strategic parameters, and then eventual grant approval. This compares favorably to 39 months under GPE 2020. This improvement is due to several adaptations by the Secretariat, including Board-approved changes introduced in July 2023, which streamlined processes and reduced costs, while preserving GPE's commitment to country-led transformation. It should be noted though that this timeline is still longer than initially targeted, particularly the first phase of securing approval of strategic parameters. The timeline however no longer represents as much of a risk given 67 out of 71 countries have now completed their strategic parameters and are well on track for grants to be approved by mid-2025. Furthermore, future allocations under GPE2030 will be based on the outcomes of the mid-term reviews of partnership compacts that have already been developed. Therefore, timelines should be quicker with fewer transaction costs under GPE2030 as countries can build on the work, they're undertaken under GPE2025 rather than having to repeat the process or start a new one.

14. **The second phase of grant application development has progressed faster, with most applications expected to be approved by mid-2025, well before the end of the current financing period.** Despite this progress, the average timeline increased from 7.7 to 9.1 months due to issues such as problematic grant agent selections requiring Secretariat review and/or additional partner dialogue, or quality concerns in proposals that necessitated resubmissions or clarifications. External factors, such as elections, also caused delays in some countries. The Secretariat has implemented mitigation measures, including earlier agent selection, kick-off meetings to align expectations, and holding grant agents accountable to initial deadlines. Despite initial delays, the Secretariat remains confident in the system transformation approach, viewing it as a critical shift that will fulfill its promises, with nearly all eligible countries expected to have approved system transformation grants well before the end of GPE 2025.

15. **While the indicator for the risk that contributions to the GPE Fund are not allocated in a timely manner remains technically high (just 0.4% points from moderate), due to initial delays in approvals at the start of GPE 2025, it is also less of a concern given the increasing number of grant approvals and disbursements.** The large number of strategic parameters approved (67 out of 71) is driving a significant rise in grant applications, with more than US$ 1 billion in grants projected to be approved by the end of 2024 and remaining approvals expected to be completed by mid-2025. In 2024, 13 system transformation grants have been approved, doubling the number of countries or entities accessing their STG allocation. 19 Multiplier expressions of interest worth US $364 million have been approved, generating further applications in the next year. Countries are increasingly utilizing system capacity grant resources, expanding funding access. The trend of lower-than-expected disbursements early in GPE 2025 has reversed, with US $1.052 billion disbursed in FY2024 and high disbursement levels anticipated for FY2025.

16. **The increased approval of new grants, along with a significant rise in actual and projected utilization for major grants, has positively impacted the disbursement rate, which, in turn, has positive repercussions on other risks.** Operating expenses (OPEX) have fallen below the targeted ceiling of 7% of disbursements for the first time since early 2022, driven by higher disbursements, prudent financial management, and effective resource allocation, despite inflationary pressures and heavy workloads. OPEX positively affects Value-for-Money risk and Secretariat's budget risk directly. Additionally, the increase in disbursements has improved liquidity risk (view GPE Fund Management risk).

17. **Alignment risk has increased from moderate to high, largely due to country-level dialogue not being sufficiently elevated or strategic to foster alignment.** In FY2024, the proportion of GPE implementation grants strongly aligned with country systems fell from

53% to 49.9%. Although this change is minor, early warnings from incoming grants under GPE 2025 suggest further declines in alignment. Despite GPE 2025's focus on alignment, country-level dialogue has not consistently been elevated or strategic enough to promote it. Additionally, increased competition from development partners for GPE grants has, in some cases, led to greater fragmentation and reduced alignment. To address these challenges, stronger Secretariat engagement and enhanced dialogue on alignment and aid effectiveness are critical. The Secretariat will seek to increase capacity of country facing staff in this area through targeted training. Strengthening the grant agent selection process may also bring benefits (see Mutual Accountability Risk).

18. **With regards to grant performance, the risk of grants not achieving results within their intended timeframe has decreased from high to moderate.** This improvement is attributed to a significant increase in actual and projected utilization for major grants. Additionally, increased responsiveness to at-risk grants has enhanced overall performance. Of the 29 grants identified as off-track in implementation or underutilizing resources at the end of FY23, 23 are now on track in implementation, and are also on-track in utilization (13), fully implemented and closed (2), or have spent at least 15% of their resources in FY24. 15 grants have caught up in both implementation and expenditure, while 8 others are on track and poised for upgrade. The Secretariat is working closely with grant agents to identify bottlenecks and address persistent implementation challenges.

19. **Grant management compliance risk remains moderate, according to qualitative assessment.** While compliance from grant agents is critical, the risk level has been downgraded, as delays in submitting progress and completion reports are generally minor and have minimal operational impact. Most delayed reports are submitted within one month of the deadline, causing no significant disruption to the reporting cycle. The Secretariat continues to follow up on longer delays, ensuring key information is conveyed through portfolio reviews, even if formal reports are late. Risk exposure is driven by the high percentage (72%) of late audit report submissions. The Secretariat has proactively engaged with grant agents, providing a list of expected audit reports for FY25, with ongoing follow-ups to improve collection rates. Changes to the audit review approach are also under consideration.

20. **Fraud and misuse risk has remained low following a qualitative assessment, as grant agents are promptly addressing incidents of misuse of funds.** Of the six cases reported to the GPE Board in May 2024, one experienced significant delay in completing the investigation. As of September 2024, the investigation has concluded, and the grant agent has taken appropriate actions. The Secretariat acknowledges that, while it can actively monitor and collaborate with grant agents to ensure reported cases are properly

addressed, there remains a risk that some cases may not be identified or reported in a timely manner, hence the need for continued vigilance from all partners on this risk.

21. **The risk level for PSEAH (Protection from Sexual Exploitation, Abuse, and Harassment) remains moderate.** Compliance with the GPE PSEAH policy continues to be challenging, with three grant agents currently unable to report individual SEAH cases should they occur due to their own internal policies. This creates a potential risk of underreporting to GPE. Senior management from GPE and the World Bank are exploring options to allow the sharing of SEAH incident information on GPE-funded programs. A tentative solution has been endorsed but requires further discussions. At present, the World Bank cannot meet GPE's reporting requirements due to confidentiality and its survivor-centered approach. Similarly, the Asian Development Bank (ADB) and the International Development Research Centre (IDRC) are unable to report individual cases but are committed to updating their procedures. Following GPE's PSEAH assessment, action plans with realistic timelines have been agreed upon, with IDRC and ADB expected to complete actions by December 2024 and July 2025, respectively. The GPE Secretariat takes the risk of potential underreporting seriously and is committed to enhancing its capacity in this area. A consultant will be hired to support PSEAH efforts, while the Gender Hub will lead country-level work, focusing on risk assessment and mitigation measures.

22. **The risk associated with GPE's efforts to strengthen capacity—by connecting expertise, innovation, and knowledge to support partner countries in enhancing their education systems—remains very low.** Initially focused on the Knowledge & Innovation Exchange (KIX) and Education Out Loud (EOL), this risk now includes GPE's broader technical assistance initiatives. These initiatives are positioned to address critical cross-sectoral challenges impacting equitable learning, such as climate change, malnutrition, school-related violence, gender discrimination, and the digital divide, while driving education system transformation. In June 2024, the Board confirmed the allocation of US$13 million to support GPE's Technical Assistance Initiatives. Ongoing external evaluations of KIX and EOL will inform the Board's decisions on the continuation and strategic direction of these programs, ensuring alignment with the GPE 2030 strategy and the Financing and Funding Framework. The strategic direction of GPE climate initiatives will also be tackled in the Financing and Funding Framework.

III) GPE fund management risk exposure has remained moderate

23. **Liquidity risk exposure has decreased from moderate to low risk as a result of higher levels of disbursement.** With 16.9 months' worth of disbursements held in cash, GPE's cash balance is approaching the target range of 12-15 months for disbursement coverage. The cash balance is expected to further decrease as disbursements rise and donor contributions decline, aligning with the trend identified in the previous risk report of lower liquidity risk in the later years of the strategic plan. The cash balance has yielded stronger-than-anticipated investment returns, given the high-interest rate environment. **GPE's exposure to foreign exchange (FX) risk has remained moderate over the past six months. The amount subject to FX risk has steadily decreased, with exchange rate fluctuations becoming less pronounced.** The proportion of non-USD contributions to total GPE 2025 replenishment resources has continued to decline as donors fulfill their commitments, reducing FX risk exposure. Non-USD contributions represent 33% of total donor pledges for GPE 2025, from 40% six months ago, lessening the impact of FX volatility.

24. **GPE's overall financial position has strengthened over the past six months, driven by higher disbursement levels and reduced pressure from FX rate fluctuations.** However, even minor movements in the US dollar can still have a significant impact, as nearly all grant expenditures are in USD, while roughly 90% of the remaining contributions for the replenishment period are in non-USD currencies. The June 2023 Foreign Exchange Framework will help mitigate this risk with the currency hedging pilot formally launching in May 2024 following the signing of amended contribution agreements by all donors. This allowed several planned donor contributions in non-USD currencies to be hedged. The effectiveness of currency hedging in mitigating FX risk remains limited unless more donors convert their pledges into multi-year contribution agreements, a topic the Secretariat will actively engage donors on as the next financing campaign approaches.

IV) GPE business continuity risk remains moderate

25. **The Secretariat's budgeted expenditures remain within the Board-approved limits, with operating expenses (OPEX) falling below the targeted ceiling of 7% of disbursements for the first time since early 2022.** This reduction has been achieved through increased disbursements and prudent financial management, despite a heavy workload and inflationary pressures. Actual expenditures are slightly below forecast due to deferring the multiyear IT investment from FY2024 to FY2025, which does not pose any significant impact. Expenditures remain within approved limits. The OPEX ratio has declined from 7.4% to 6.9% in the past 6 months on a cumulative basis for GPE2025 (5.6%

on an annual basis for FY24), demonstrating a strong commitment to budget discipline and strategic resource allocation to maximize operational efficiency.

26. **Human Resources risk remains moderate. The relocation of technical and operational staff closer to partners offers a strategic opportunity to improve delivery and efficiency, especially given current financial constraints.** In June 2024, the Board approved an increase in the staffing ceiling within existing budget limits, following a review of the FY25-27 staffing plan. A key aspect of the plan involves moving more GPE staff closer to partner countries by expanding operations in Paris and establishing a new regional hub in Nairobi, aimed at improving operational effectiveness and ensuring timely, impactful interventions. This initiative, known as GPE Forward, affects 39 existing staff positions through changes in roles and/or locations. Acknowledging that change is unsettling, a dedicated GPE Forward team, supported by external change management experts, is implementing mitigation measures to support affected staff while service to partner countries continues to be prioritized. The Secretariat is confident that the risks associated with these organizational changes are being effectively managed through comprehensive risk and change management strategies, with support from World Bank Human Resources. This shift aligns with a broader sector trend toward decentralization, bringing operations closer to the field to enhance service delivery and impact.

27. **Risks related to GPE's technological environment remain elevated due to potential limitations in current systems to support the organization's strategic goals in the coming years.** Launched in 2022, the GPE Digital Transformation Project mitigates this risk by investing in modern, integrated IT solutions designed to enhance efficiency and foster innovation. However, the introduction of new IT systems through external contractors presents additional risks. The project is in the system design phase, following the successful procurement and onboarding of the IT vendor, with the implementation phase scheduled for early 2025. The Secretariat is confident the associated risks are being well managed, noting considerable progress despite the remaining high risk level.

V) Reputation risk remains moderate

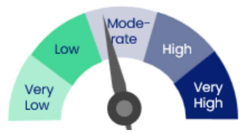
28. **GPE's reputation risk remains moderate, with GPE's most significant reputational risk hinging on its ability to achieve its goals effectively and efficiently, demonstrating its value as a catalyst for system transformation**. As GPE approaches the Replenishment, it is well-positioned to have all GPE 2025 grants approved by mid-2025. The key priority remains advancing disbursement on existing grants and showing tangible results from the system transformation approach to reaffirm GPE's added value. If donors begin to question GPE's ability to deliver, resource mobilization efforts may be hindered, and its

policy influence could diminish. However, management remains confident in GPE's capacity to meet its objectives and of the value of the system transformation strategy. While the probability of a reputational risk remains unchanged, the Secretariat acknowledges that its potential impact has increased as GPE approaches its replenishment cycle. Although greater media attention and visibility are beneficial, they also raise the risk of negative opinions and criticism. Should a reputational issue arise, it could adversely affect fundraising efforts during the replenishment process.

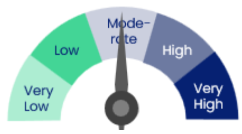
Annex: Risk levels, scores, and indicators

Annex 1: Overall risk levels per risk category

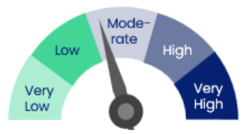
STRATEGIC RISK



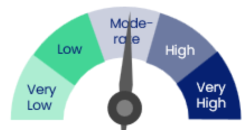
OPERATIONAL RISK



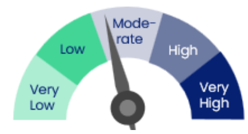
GPE FUND MANAGEMENT RISK



SECRETARIAT BUSINESS CONTINUITY RISK



REPUTATION RISK



Annex 2: Risk levels and risk scores per category and sub-category and direction of travel in the past six months

STRATEGIC RISK	S1 24	S2 24	DOT
Overall category	2.83	2.83	=
Financing risk and resource mobilization	4.00*	4.00*	=
Financing risk and co-financings	1.00	1.00	=
Domestic financing risk	4.00*	4.00*	=
Mutual Accountability risk	4.00*	4.00	=
Governance risk	1.00	1.00	=
Gender Equality Risk	3.00*	3.00*	=

SECRETARIAT BUSINESS CONTINUITY RISK	S1 24	S2 24	DOT
Overall category	2.62	2.87	=
Operating expenses risk	1.00	1.00	=
Human Resources (HR) risk	2.50*	3.49*	=
Information Technology (IT) risk	3.50	3.50	=
Diversity Equity and Inclusion risk	3.50	3.50	=

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").

The **Star (*)** next to the risk score indicates when the risk level was reviewed (i.e., elevated or lowered) as the result of a qualitative risk assessment, following the quantitative assessment.

FUND MANAGEMENT RISK	S1 24	S2 24	DOT
Overall category	3:00	2:50	=
Liquidity risk	3:00	2.00	▼
Currency exchange risk	3.00	3.00	=

OPERATIONAL RISK	S1 24	S2 24	DOT
Overall category	3.50*	2.59	▼
Operating model risk	3.49*	2.50*	=
Access to funding risk and approvals	4.40	3.50	=
Access to Funding Risk and Multiplier	1.49	1.00	=
Alignment	2.50*	3.50	▲
Access to Funding Risk and Value for Money	3.49*	2.50	=
Grant Performance Risk	3.70	3.00	▼
Grant Compliance Risk	3.49*	3.49*	=
Risk of Fraud and Misuse	2.49*	2.49*	=
PSEAH Risk	3.00*	3.00*	=
GPE's Support to Strengthen Capacity Risk	1.30	1.00	=

REPUTATION RISK	S1 24	S2 24	DOT
Overall category (hybrid risk, with no sub risk)	2.50*	2.50*	=

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)

Annex 3: Detail on risk indicators, per risk category

GPE Strategic Risk: the risk that GPE is not able to achieve its goals and objectives.

Top Risk(s):
1. Financing Risk & Resource Mobilization or the risk that contributions to the GPE Fund are insufficient (high risk)
2. Mutual Accountability Risk or the risk that partners at the country level do not take accountability for their commitments in the compact (high risk)

Risk Area	Risk Indicators & Trends (when applicable)	Risk level, Impact & Direction of Travel (when applicable)	Context & Specific Countermeasures
1. Financing risk and resource mobilization: the risk that contributions to the GPE Fund are insufficient impeding GPE's abilities to fund its programs	• Total amount pledged versus US$5 billion target: **US$ 4.202 billion or 84%** (using the FX rates at the time the pledges were made) • Data for S1 2024: US$ 4.052 billion or 81% -------------------------------- • % of pledges converted into payment versus target (cumulative): **US$ 2.327 billion or 87%** (using June 30th, 2024, FX rate) • Data for S1 2024: n/a *(new indicator)*	• **High risk** (elevated after qualitative assessment) • High Impact • Direction of travel: ↔	• The funding landscape remains particularly challenging, with donors shifting their priorities towards areas such as peace and security, and climate change adaptation and mitigation, all within a strained global economic and political context. There has been positive movement regarding donor pledges, with increases from Spain (€5 million), Japan (US$860,000), and the LEGO Foundation (US$10 million), and, despite earlier discussions of potential budget cuts, the United States announced a US$130 million contribution for the fourth year of its commitment to GPE 2025. However, two donors have indicated a reduction in their initial pledges. • The demand for the Girls Education Accelerator (GEA) has exceeded supply, and the initial fundraising target has not been reached. The June 2024 Board decision to reallocate $45.4 million to the GEA or allow eligible donors to reallocate a portion of their pledge moves the Secretariat closer to the target and allows additional applications to be funded, prioritizing low-income countries. GPE 2030 provides an opportunity to further enhance the gender hardwiring approach, focusing on gender and inclusion across all GPE partner countries through GPE's core funding mechanisms,.

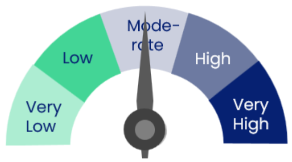
2. Financing risk and co-financings: the risk that co-financing targets are not reached impeding GPE's abilities to co-finance its programs	• % of total co-financing mobilized per calendar year versus target: **US$ 3,845 billion against a US$ 1,562.5 billion target or 246%** • Data for S1 2024: US$ 2,256 billion or 180%	• **Very Low risk** • Moderate Impact • Direction of travel: ↔	• Co-financing targets remain significantly ahead of schedule with strong interest and growing demand for the Multiplier and diversification of co-financers. The challenge has shifted towards securing sufficient funding to meet the sustained demand and managing heightened expectations. • The June 2024 Board decision to reallocate US$42 million to the Multiplier has allowed a small number of applications to be funded. The Board also approved several measures to help countries increase access to the Multiplier, such as reallocating indicative STG allocations, canceling unused funds from underperforming ESPIGs, or utilizing targeted donor funding. The Secretariat has actively engaged partners to communicate GPE decisions and explore opportunities that maintain the Multiplier as a catalytic financing tool, while also planning strategically for the 2030 cycle. • The success and scalability of these co-financing efforts raise important considerations for GPE 2030's strategic direction and the future Financing and Funding Framework, as discussed in Key Findings & Trends section.
3. Domestic Financing Risk: the risk is that Partner Countries do not make progress towards GPE benchmarks in terms of domestic financing volume during implementation	• % of GPE countries or states persistently below GPE benchmarks for DF volume: **31%** • Data for S1 2024: 29%	• **High risk** (elevated after qualitative risk assessment) • High impact • Direction of travel: ↔	• Education financing patterns take time to emerge. Despite some progress this past year, government spending in partner countries remains insufficient to address the pandemic-exacerbated learning gap, particularly amid current global economic challenges. As a result, the risk assessment remains elevated. • GPE 2025's system transformation grant (STG) top-up mechanism has seen increased use. All 25 countries with top-up triggers have at least one tied to domestic financing, representing 82% or US$ 306.8 million of the total allocation. Sixteen countries focus on equity and efficiency of domestic financing, seven on a combination of these factors and only two on volume. Triggers on volume focus on increasing the availability of funds for teacher salaries. Teachers are at the center of numerous triggers, with conditions such as increasing the availability of quality teachers and deploying them to areas of greatest need. Triggers tackling inefficiency of spending focus on repetition, teacher absenteeism and increasing management capacity of school leadership. Triggers targeting equity focus on implementing or improving school capitation formulas for more equitable distribution of funds and integrating trained teachers equitably across schools.

			• Advocacy efforts to enhance domestic financing for education are ongoing, with GPE playing a key role in driving education outcomes at high-profile international events. These include the G7 Education Ministerial, the Education International World Congress, the United Nations General Assembly, the African Finance Ministers' meeting at the United Nations Economic Commission for Africa, the Financing for Development Conference (FfD4), the African Development Bank Annual Meetings, and other forums.
4. Mutual Accountability Risk: the risk that partners at the country level do not take accountability for their commitments in the compact, impeding GPE's ability to mobilize global, and national partners and resources for sustainable results	• % of partnership compacts that include specific commitments by country-level partners or a specified monitoring mechanism in the prioritized reform area: **90%** • Data for S1 2024: **89%** ----------------------------- • % of partnership compacts where agreed monitoring mechanism is implemented by country-level partners: **71%** • Data for S1 2024: 56%	• **High risk** • Moderate Impact • Direction of travel: ↔	• The first indicator evaluates 50 partnership compacts, including 13 new compacts, focusing on the commitments of partners to monitoring reform progress. The results indicate a low risk level and reaffirm the trend identified in the previous risk report, which highlighted strong foundations for mutual accountability. The GPE Secretariat notes that more recent compacts are clearer than earlier ones in defining what to monitor and how to do so, with more detailed and structured monitoring sections. This improvement reflects changes in the Secretariat's guidance provided to countries during the compact development process. • The second indicator reviews 17 partnership compacts, assessing the implementation of partner countries' commitments. While the sample size has increased, and the assessment shows a positive improvement over the past six months (from 56% to 71%), indicating a higher proportion of compacts with evidence of monitoring practices, the risk level remains very high. The assessment highlights a critical phase between the finalization of compacts and the preparation for mid-term reviews (MTRs), where maintaining momentum for compact and reform implementation is decisive. The Secretariat has made solid progress in developing guidance for MTRs, and a few countries have undertaken (El Salvador) or started to prepare their respective MTRs (Tajikistan, Kenya, Tanzania-Mainland). MTRs will be key in supporting regular monitoring and checkpoints for fostering mutual accountability for partnership compact and reform implementation, learning, and adaptation.
5. Governance Risk: risk that	• % of Board decisions approved without	• **Very Low risk**	• This indicator assesses the effectiveness of Board decision-making, based on the principle that decisions approved "as is," i.e., without major

the systems by which GPE makes and implements decisions in pursuit of its goals and objectives are not fit for purpose	modification (i.e., approved "as is") out of all Board decisions in the last 12 months: **97%** • Data for S1 2024: 97%	• Moderate Impact • Direction of travel: ↔	amendments are clear, comprehensive, and aligned with GPE's mission for prompt execution. In Fiscal Year 2024, the Board approved all presented recommendations, with only three decisions requiring minor revisions. • The very low risk rating reflects the Board's ability to operate strategically and in GPE's best interest, supported by the Secretariat's clear, focused decision language and comprehensive documentation, which facilitates informed decision-making, as well as efforts to create a conducive environment for decision-making at Board meetings. • The appointment of Mrs. Christine Hogan as GPE Vice-Chair in June 2024 is expected to strengthen governance risk management by supporting the GPE Chair in fulfilling their responsibilities, ensuring the Board operates effectively and meets its obligations.
6. Gender Equality Risk: the risk that gender equality is not hardwired during the implementation of GPE 2025	• % of programs that on track at an early stage of the program design (QAR1 stage) in hardwiring gender equality: **71%** • Data for S1 2024: 70% • % of grants (weighted by value) that integrate interventions with gender equality as an objective: **91%** • Data for S1 2024: n/a *(new indicator)*	• **Moderate risk** (elevated after a qualitative assessment) • High impact • Direction of travel: ↔	• As of July 2024, a total of $114.9 million in GEA-funded programs has been approved for six countries, with forecasts indicating that 100% of remaining available resources will be approved by July 2025, despite the initial fundraising target not being met. • The number of concept notes reviewed increased from 23 to 35 over six months, with a consistently high percentage showing alignment with GPE's gender equality approach. This demonstrates strong engagement from partner countries and grant agents in embedding gender equality within GPE 2025. Clear communication of GPE's gender strategy has improved countries' understanding of expectations, enabling early integration of gender equality in program development. • To ensure progress observed at the concept note stage translates into approved grants and implementation, a new risk indicator for active grants was introduced. Reported for the first time, it reflects GPE's commitment to tracking gender equality integration across active grants. The 2023 analysis, covering 110 implementation grants, used GPE's gender score methodology from the 2023 Results Report. While 91% of grants integrated gender equality objectives, some missed opportunities, largely due to being developed before GPE 2025, under different standards. Although not enough GPE 2025-approved grants were active in 2023 for separate analysis, the low risk indicates gender considerations were already

			embedded. Continued efforts are essential to ensure gender equality remains a priority and delivers results during implementation.

GPE Operational Risk: the risk that GPE is not able to deliver on its country-level objectives.



Top Risks:

1. The risk around access to funding and approvals, or the risk that contributions to the GPE Fund are not allocated timely impeding GPE's abilities to implement its programs (high risk)

2. Alignment Risk: the risk that GPE grants insufficiently use government systems for implementation and thus increase transaction costs and limiting an enabling factor to support system transformation (high risk)

Risk Area	Risk Indicators & Trends (when applicable)	Risk level, Impact & Direction of Travel (when applicable)	Context & Specific Countermeasures
1. Operating Model Risk: the risk that Partners are unable to progress through key stages of the system transformation approach in an effective manner	a) % of applications approved within 24 months of cohort start date (actuals, including pilot countries): **39%** (Data for S1 2024: 63%) ------------------------------ b) % of applications on track to have strategic parameters approved within 16 months of cohort start date (actuals and projections): **22%** (Data for S1 2024: 25%) c) % of applications on track to have GA selected, grant	• **Moderate Risk** (lowered after a qualitative assessment) • High Impact • Direction of travel: ↔	• Although the percentage of applications approved within 24 months is lower than expected the pace of grant approvals under GPE 2025 is faster than under GPE 2020, averaging 25 months from compact development to approval, compared to 39 months under GPE 2020 from education sector plan to approval. GPE remains on track to approve all applications by June 2025. The adaptations to the operating model have successfully streamlined the process, with some acceleration observed in phase 1 for cohorts 4 and 5, while challenges remain in phase 2. • In 2024, a record 27 strategic parameters were approved. For STG-eligible countries, all but 8 have been approved, with 4 more expected for Board approval in September. Despite the strong approval numbers, the average time to approve strategic parameters remains slightly over 16 months, with cohorts 4 and 5 averaging around 17 months. With only a few strategic parameters pending, the associated risk has lessened, and forward-looking risks are now guided by indicator C. • The percentage of applications submitted within 8 months of strategic parameter approval has decreased, with the most recent 12 countries

	developed, QA completed, and approval made within 8 months of approval of strategic parameters (actuals and projections): **22%** (Data for S1 2024: 64%)		averaging 9.1 months, compared to 7.7 months for the first 12. The time has slightly extended as "faster countries" were processed earlier, with some countries having shorter approval times as GPE provided additional financing to an existing program while more challenging applications are now going through the process. The timing of grant agent selection continues to be a key factor in delays for this step, particularly in countries with highly formal processes, notably in francophone countries in West Africa. To mitigate this risk, the Secretariat encourages earlier initiation of the selection process where feasible. In-depth reviews are conducted to resolve disputes swiftly, and clear, proactive communication of timelines is crucial for timely application submissions. Deadline extensions for grant agent selection, granted by the GPE CEO, should remain exceptional to avoid setting a precedent. The revised grant agent selection process, to be presented in December 2024, should help further resolve issues. Additionally, an increase in requests requiring revisions to meet quality standards has contributed to further delays.
2. Access to funding risk and approvals: the risk that contributions to the GPE Fund are not allocated timely impeding GPE's abilities to	• Cumulative % of funds approved under GPE 2025 versus targets: **US$ 1.587 billion against a US$ $ 1.993 billion target or 79.6%** • Data for S1 2024: 78% (US$ 809.3 million against a US$ 1.031 billion target) under a different methodology[1]	• **High Risk** • Very High Impact • Direction of travel: n/a	• This risk is directly tied to the "Operating Model Risk" and stems from it. While the risk level remains high due to initial backlog at the start of GPE 2025, grant approvals are on track for a record year in FY25, projected to exceed $1 billion by the end of 2024, with the remaining approvals expected by FY25-end. So far in 2024, 12 STGs have been approved, doubling the number of countries/entities accessing their STG allocations. The record number of strategic parameters approved in 2024 is anticipated to result in a significant increase in applications. • Among the many applications the Secretariat expects to receive in the coming months are several significant ones, including those from Chad, Madagascar, South Sudan, Mozambique, and various provinces in

[1] The Secretariat flags a methodological change to calculate this indicator, which became necessary for two reasons. First, the Secretariat recognizes that the original indicator was based on the incorrect assumption that partner countries would apply for the Multiplier simultaneously with their STG application. This assumption proved inaccurate. Secondly, in 2023, the rule governing access to top-up funds was amended to allow countries to program resources upfront. While this adjustment raised the target for fund

implement its programs			Pakistan. Additionally, Burkina Faso and Niger are now back on track to submit applications in the first quarter of 2025. As a result, all remaining applications from cohort 2 (Burkina Faso, Fiji), cohort 3 (Niger, Chad, Benin, Pacific Islands), and cohort 4 are projected to be approved by the March 2025. With the exception of Nigeria, Bangladesh, and Yemen, all above US$ 50 million allocations should be approved by March 2025.
3. Access to Funding Risk and Multiplier: the risk that partners do not, or are not able to, apply for GPE Multiplier funding, impeding GPE's ability to implement its programs	• % of Multiplier envelope allocated (= EOIs approved) per calendar year versus target **US$ 940 million against the target of US$ 468.75 million or 200%** • Data for S2 2024: US $588 million or 157%	• **Very Low Risk** • Moderate Impact • Direction of travel: ↔	• This indicator is closely tied to the "Financing Risk and Co-financing" sub-risk within the Strategic Risk Category. • Interest and demand for the Multiplier remain high, despite available funds being exhausted. The Board's June 2024 decision to reallocate $42 million to the Multiplier has enabled the funding of a limited number of applications. Additionally, the Board approved several measures to enhance access, including reallocating indicative STG allocations, canceling unused funds from underperforming ESPIGs, and utilizing targeted donor funding. The Secretariat has actively communicated these measures to partners and explored options for sustaining the Multiplier as a catalytic tool, including planning for the 2030 funding cycle. The depletion of funds has elevated reputational risk, while positively underscoring the large demand and the critical need for increased resources in GPE 2030.
4. Alignment Risk: the risk that GPE grants insufficiently use government systems for implementa-tion and thus	• % of GPE grants (i.e., ESPIG, STG/GEA, Multiplier) in volume that is aligned out of total grant funding: **49.9%** • Data for S2 2023: 53% • % of countries that effectively implement a	• **High Risk** • Moderate impact • Direction of travel: ↑	• Regarding the first indicator, also covered in the Results Report, the GPE Secretariat acknowledges that annual fluctuations may occur as the sample of active grants changes; these variations may not necessarily reflect a long-term trend. However, evidence suggests an increased risk related to alignment, including through insufficient dialogue and prioritization by partners, including through some grant agent selection processes. • Reported for the first time, despite a small sample size, the second indicator aims to improve the monitoring of alignment opportunities and

access, the rule was mistakenly applied to countries that had previously only accessed their base allocation. For instance, although the Democratic Republic of Congo (DRC) was not permitted to program its top-up at the time of application, the methodology still treated this as part of the target. This error has now been rectified.

increase transaction costs and limiting an enabling factor to support system transformation	majority of GPE 2025 grants using country systems, out of countries where use of country systems is expected: **60%** • Data for S2 2023: n/a *(new indicator)*		risks in GPE 2025 grants. Among the 25 countries identified by the Secretariat with high alignment expectations, five had new active implementation grants in FY24. Of these, despite the small sample, 3 are using strongly aligned modalities. In the 2 countries where alignment fell short, the shift in grant agents resulted in selecting grant agents less predisposed to using country public financial management systems. • Moving forward, scoping studies will be rolled out in relevant countries to proactively anticipate and create favorable conditions for alignment over the medium to long term, in preparation for GPE 2030.
5. Access to Funding Risk and Value for Money: the risk that GPE investments do not demonstrate Value for Money	• Active grant portfolio as of the FY-end*: **10.7%** • Data for S1 2024: 10.1% • Operating expenses (OPEX) as a % of total GPE Fund transfers: **6.9%** • Data for S1 2024: 7.4% *Active grant portfolio administrative costs represent all agency fees, supervision allocations, and management costs as a % of the total active grant portfolio.	• **Moderate Risk** (lowered after a qualitative risk assessment) • High Impact • Direction of travel: ↔	• Administrative costs increased to 10.7%, up from 10.1%, due to several factors. Inflationary pressures raised operating costs for grant agents, and the benchmark for the indicator scale has not been updated since 2018. Additionally, more of the active grant portfolio has shifted toward grant agents (UN agencies and INGOs) that tend to have higher administrative costs than development banks and bilateral development agencies. The proportion of the portfolio in fragile contexts remained steady, indicating that fragility is not a factor for the current period. This rise in costs does not indicate reduced value-for-money but reflects the unfavorable economic environment and the strategic focus on diversifying grant agents. • Operating expenses (OPEX) have fallen below the Board-defined ceiling of 7% of disbursements for the first time since early 2022, driven by increased disbursements, prudent financial management, and effective resource allocation despite inflationary pressures and a heavy workload. The OPEX ratio has steadily decreased from 7.4% (moderate risk) six months ago to 6.9% (low risk) on a cumulative basis for GPE2025, as forecasted. This demonstrates strong budgetary control, ensuring expenditures align with strategic objectives while maximizing efficiency despite the impact of inflation. The OPEX ratio is expected to remain below the 7% targeted ceiling for GPE2025.
6. Grant Performance Risk: the risk	• % of system transformation grants and Multiplier grants	• **Moderate Risk** • High Impact	• The time to effectiveness has significantly improved, and responsiveness to at-risk grants has increased, reducing the overall risk level from high to moderate. In terms of effectiveness, although half of the programs

that GPE grants do not achieve results in the intended timeframe	effective within targeted approval date (GPE 2025): **45%** • Data for S1 2024: 36% --- • % of active grants on track with implementation* (GPE 2020): **81.8%** • Data for S1 2024: 88.1% --- • % of active grants on track with implementation* (GPE 2025): **85.7%** • Data for S1 2024: 83.3 --- • % of off-track grants that have shown improvements in the past 12 months: **78.6%** • Data for S1 2024: n/a * These indicators look at grants on track with implementation (as opposed to on track with implementation and utilization).	• Direction of travel: ↓	requested extensions, these were brief, with only four instances where the start date was delayed beyond six months after grant approval. Consequently, the overall time from grant approval to effectiveness has significantly decreased. • The percentage of GPE 2020 grants on track has declined from 88% to 81.8% over the past six months. However, unsatisfactory implementation is limited to 9 active grants. The Secretariat is collaborating with grant agents to address challenges. Of the 9 grants, 7 have progressed, though 3 need faster action to ensure timely completion, and 4 require additional measures to resolve blockages or delays. In 2 cases, implementation is at risk due to issues between the grant agent and the government or the implementing partner. • The percentage of GPE 2025 grants on track has shown slight improvement, which is encouraging. It is important to note that the sample size is small (7 grants), and grants are more likely to remain on track during the initial year of implementation. • A new indicator has been developed to assess the progress of off-track grants showing improvement, based on criteria such as increased utilization over the past 12 months and achievement of milestones. This indicator evaluates responsiveness to implementation issues for at-risk programs. Alongside actions by governments and grant agents, resource utilization serves as a proxy for implementation acceleration. Of the 29 previously off-track or underutilized grants, 23 are now on track in implementation, and are also on-track in utilization (13), fully implemented and closed (2), or have spent at least 15% of their resources in FY24. As a result, 15 grants are no longer underutilized, and 8 are progressing and to be upgraded.
7. Grant Management Compliance Risk: the risk of a breach of the policies and	• % of grants reports (progress, completion, audit) received late: **39.6%** • Data for S2 2024: 38%	• **Moderate Risk** (lowered after qualitative risk assessment)	• While grant agent compliance is crucial for the Secretariat, the risk level is reduced following a qualitative assessment, as delays in submitting progress and completion reports are typically minor and do not impact operations. Most delayed reports are submitted within a month of the deadline, without significantly affecting the reporting cycle. The

procedures on grant management	% broken down as follows: - 20.8 % delayed progress reports (vs. 12%) - 27.3% delayed completion reports (vs. 30%) - 70.8% delayed audit reports (vs. 72%)	• Moderate impact • Direction of travel: ↔	Secretariat follows up on longer delays and ensures key information is provided through portfolio reviews. • The overall percentage of late reports is primarily due to delays in audit submissions. To address this, the Secretariat updated its policies to include requirement for submission of audit reports. The finance team has proactively engaged with grant agents, providing a list of expected audit reports for FY25. This direct communication aims to improve audit submission rates and clarify alignment with agents' internal policies. Potential changes to the audit review process are also being explored to further streamline and enhance efficiency moving forward. • Additionally, the review suggests recalibrating the indicator in the next risk framework revision, as the consistently high-risk rating per the quantitative assessment does not accurately reflect the actual risk nor operational impact.
8. Risk of Fraud and Misuse: the risk of losses due to fraud or misuse in GPE-funded programs	• % of misuse cases satisfactorily addressed within an appropriate timeframe: **83.3%** • Data for S1 2024: 80%	• **Low Risk** (lowered after a qualitative risk assessment) • Low impact • Direction of travel: ↔	• Of the six cases reported to the GPE Board in May 2024, one case experienced significant delays in completing the investigation. However, as of September 2024, the investigation has been concluded, and appropriate actions have been taken by the grant agent. Consequently, the risk exposure for this indicator has been reduced to low following a qualitative adjustment. The Secretariat acknowledges the possibility of underreporting and the challenges around recovering misused funds. • The GPE Secretariat's preventive risk management strategy, including measures to mitigate fraud and misuse, has been effective. Key elements include: 1) ensuring grant agents have strong policies to prevent, detect, and ensure repayment of misuse; 2) assessing fiduciary risk during QAR processes; 3) reviewing progress and audit reports; 4) regularly engaging with grant agents; and 5) reporting all credible misuse cases to the FRC and Board until repayment or resolution, with lessons learned.

9. PSEAH (Protection from Sexual Exploitation, Abuse, and Harassment) Risk: the risk that GPE governance officials, staff and partners involved in grant implementation are not able to prevent, manage the risk of and address SEAH incidents, should they occur in the delivery of GPE programs	• % of SEAH cases where information is provided by grant agents to allow the GPE Secretariat to monitor and track status, and report to the Board accordingly: **100%** • Data for S1 2024: no SEAH case	• **Moderate Risk** (elevated after qualitative risk assessment) • Very high impact • Direction of travel: ↔	• The Board was notified of the closure of the final two SEAH cases in November 2023. Since then, one new SEAH case on a GPE-funded program has been reported by a grant agent. The Secretariat recognizes the risk of potential underreporting by grant agents. • At the May 2024 grant agents' workshop, the PSEAH policy and grant agents' responsibilities were presented, with discussions focusing on policy implementation, existing systems, and reporting structures. Key issues included underreporting and the need for awareness campaigns and staff training to improve reporting. Participants also expressed interest in joint communication efforts. Moving forward, the Gender Hub will lead on country-level PSEAH work, reviewing risks and mitigation measures, while Secretariat Operations will handle GPE staff matters. A budget has been allocated for a consultant to provide technical support. • Compliance with the GPE PSEAH policy remains challenging, as three grant agents currently lack mechanisms to report individual SEAH cases to GPE. GPE and World Bank senior management are exploring options to enable the World Bank to share SEAH incident information related to GPE-funded programs. A potential solution has been tentatively endorsed but requires further discussion before final agreement. Currently, the World Bank's confidentiality policies and survivor-centered approach prevent compliance with GPE's reporting requirements. Similarly, the Asian Development Bank (ADB) and International Development Research Center (IDRC) are unable to report individual cases but have committed to updating their procedures. Agreed action plans are in place, with IDRC and ADB expected to implement changes by December 2024 and July 2025.
10. Support to Strengthen Capacity Risk: the risk that GPE is not able to connect	• Overall % KIX and EOL milestones met in the last FY: **100%** • Data for S1 2024: 95%	• **Very Low Risk** • Moderate Impact • Direction of travel: ↔	• GPE's technical assistance portfolio comprises 7 initiatives, including Knowledge & Innovation Exchange (KIX), Education Out Loud (EOL) and the Climate Smart Education Systems Initiative. In June 2024, the Board confirmed the availability of US$13 million to GPE's Technical Assistance Initiatives. With 100% of KIX and EOL milestones achieved last fiscal year, collaboration between the Secretariat and grant agents has mitigated

expertise, innovation, and knowledge to support partner countries to build stronger education systems	• % of approved country Climate Smart Education Systems Initiative work plans that are on track in their implementation: n/a *(new indicator, to be reported once the sample exceeds the threshold of seven)*		implementation risks. External evaluations will guide the GPE Board's decisions on the programs' continuation and strategic alignment with the GPE 2030 strategy and Financing and Finance Framework. • The Climate Smart Education Systems Initiative is expanding to 22 countries. In June 2024, the Global Coordination Group identified risks to country ownership due to varying local capacities. To address this, proactive outreach is strengthening local education groups, fostering a shared understanding of climate-smart education and areas of opportunity to ensure progress in implementation.

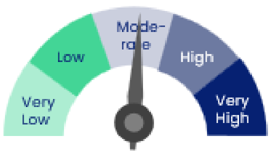
GPE Fund Management Risk: the risk associated with the ineffective or underperforming financial management of the GPE Fund

Top Risk(s): None

Risk Area	Risk Indicators & Trends (when applicable)	Risk level, Impact & Direction of Travel (when applicable)	Context & Specific Countermeasures
1. Liquidity risk: the risk that GPE is unable to ensure that all payment obligations are met when they come due or that excess funds on hand impact ability to demonstrate funding need to donors	• GPE Fund balance within targeted range: **16.9 months expected disbursement held in cash (low risk)** • Data for S1 2024: 23.2 months (moderate risk)	• **Low Risk** • High impact • Direction of travel: ↓	• Cash levels relative to disbursement need have decreased due to higher levels of actual and projected disbursements, consequently reducing liquidity risk. This trend, which was flagged in the previous risk report, confirms the pattern of lower liquidity risk in the later years of the strategic plan as disbursements remain high while donor contributions start to reduce as pledges are fulfilled reducing cash levels to well within the targeted range.
2. Currency Exchange Risk: financial risk when the value of significant amounts of GPE donor	• Value of unhedged outstanding non-USD contributions as a % of total	• **Moderate risk** • High impact	• As donors continue making payments to the GPE Fund and with exchange rates less volatile, the amount of funds exposed to foreign exchange (FX) risk has decreased by 7.1 percentage points over the past six months. GPE's overall exposure to

pledges are subject to change, due to movement in FX rates resulting in uncertainty for financial planning and potential reduction in funds available	replenishment pledges: **33%** • Data for S1 2024: 40.1%	• Direction of travel: ↔	currency exchange risk remains moderate and is expected to decline further as pledges are converted into payment. • In June 2023, the Board approved the Foreign Exchange Framework. The currency hedging pilot has commenced, following the signing of amended contribution agreements by all donors required to facilitate hedging.

GPE Secretariat Business Continuity Risk: the risk that the Secretariat is unable to operate its critical business functions.



Top Risk(s): Risks arising from organizational changes across the Secretariat, including **Information Technology (IT) Risk (high risk)**, due to the large-scale implementation of GPE's hybrid project to ensure IT infrastructure supports critical business functions, and **Human Resource (HR) Risk (moderate risk)**, stemming from the relocation of technical and operational staff closer to partners as part of GPE Forward.

Risk Area	Risk Indicators & Trends (when applicable)	Risk level, Impact & Direction of Travel (when applicable)	Context & Specific Countermeasures
1. Operating Expenses Risk: the risk that GPE's operating expenses are not aligned with needs	• Actual vs. projected Secretariat expenditures overall (%): **93.5%** • Data submitted for S1 2024: 91%	• **Very Low risk** • Moderate impact • Direction of travel: ↔	• Actual expenditures are slightly lower than forecasted due to the deferral of the IT system investment from FY24 to FY25, caused by IT procurement delays that have now been resolved (see IT risk section below). Expenditures remain within the Board-approved limits, and the postponement of the IT budget does not pose any significant impact. • A rigorous annual budgeting process ensures alignment between the budget and the work program, striving for maximum accuracy. All budget holders conduct monthly reviews comparing actual versus planned expenditures, while quarterly reviews with Team Leads and Managers assess budget performance, monitor spending, and reallocate funds as necessary to maintain strict cost control.
2. Human Resources (HR) Risk: the risk that people, culture,	• % of staff (excluding short-term and extended-term	• **Moderate Risk** (elevated after a qualitative risk assessment)	• GPE Forward presents risks with 39 predominantly partner country-facing staff affected by transitions to new roles, and for some different locations. Key risks include short-term disruption to regional portfolios as country focal points change, potential drops in staff productivity and

and governance factors that cause uncertainty in the business environment could adversely affect operations	consultants) currently employed out of the total number of approved positions: **96.6%** • Data for S1 2024: 95%	• High to Very High Impact • Direction of travel: ↔	morale due to uncertainty, and increased attrition, which could lead to a loss of knowledge. To mitigate these, a transparent selection process supported by World Bank HR has been designed to allow impacted staff the opportunity to be offered new roles according to their preferences and subject to their suitability and availability for the roles. A dedicated planning team ensures clear communication and engagement with affected staff. Country portfolio transitions will be managed to minimize disruption to partner countries, and a robust onboarding program is in place for regional managers appointed in July. A comprehensive training program is in development, with multiple support channels for affected staff. An experienced international consulting firm has also been engaged to assist with the process.
3. Information Technology (IT) Risk: the risk that GPE IT systems are not fit for purpose to effectively enable the organization to deliver on its objectives (implementation side/ supply side)	• GPE IT systems are effectively supporting GPE objectives: **Major but manageable adverse impact to GPE's business processes as a result of IT systems unavailability, as the systems may prevent achieving business objectives.** • Data for S1 2024: idem	• **High risk** • High impact • Direction of travel: ↔	• Following the revised bid solicitation issued in May 2024, a technical panel comprising World Bank and GPE staff evaluated bids to ensure alignment with the hybrid IT services model. As a result, the vendor procurement phase concluded in July 2024 with the selection of a highly qualified vendor for the planning, analysis, and design phase. This selection has laid a solid foundation, providing clear and comprehensive design documentation, which significantly mitigates the risks of misalignment, scope creep, and rework during implementation. The GPE IT team, in collaboration with the consultant, is conducting consultations with GPE business owners to fine-tune the design of the new IT systems. The next phase, implementation procurement, is scheduled to start in early 2025. • The GPE IT team has developed a dedicated risk register for the IT project implementation, specifically designed to mitigate the unique risks associated with this initiative. Risk mitigation measures are being actively implemented and reported to the GPE Chief Operating Officer. However, operational risk remains elevated due to the potential inadequacy of the current systems to meet future objectives. • Notably, GPE is the only World Bank-hosted Financial Intermediary Fund operating under a hybrid IT model.

4. Diversity, Equity, and Inclusion (DEI) **Risk:** The risk that the GPE Secretariat is not working in an environment that fosters diversity, equality, and inclusion (DEI)	• Number of DEI areas in which the GPE Secretariat is performing below the benchmark based on the latest staff survey: **3 areas below benchmark out of 7 (and not 6 – change of methodology, as explained in the comment section)** • Data for S2 2023: 3 areas out of 6	• **High risk** • High impact • Direction of travel: n/a	• The methodology for this indicator was revised to further disaggregate safety concerns by distinguishing sexual harassment from other forms of harassment. • Previously, the risk was considered to be high. The rating was based on a May 2023 staff survey. A staff survey is planned before the end of 2024 to provide an updated and more comprehensive assessment. • Since the 2023 survey, several actions have been taken to provide staff with avenues to raise their concerns including the creation an anonymous feedback box, the establishment of DEI advocates, nomination of a Staff Association representative, and ongoing Respectful Workplace Advisor. In addition, three regional managers were hired, improving the diversity of the management team and improving the direct supervision ratio.

GPE Reputation Risk: the risk of threat or danger to the good name or standing of the GPE.

Top Risks: None

Reputational risk is a hybrid risk: it requires special management since reputation is shaped both inside and outside of the organization, and since all risks have the potential to damage GPE's reputation.

Risk Area	Risk Indicators & Trends (when applicable)	Risk level, Impact & Direction of Travel (when applicable)	Context & Specific Countermeasure

The risk of threat or danger to the good name or standing of the GPE	• % negative media coverage out of total GPE media coverage: **5%** • Data for S1 2024: 13% ---------------------- • % of negative coverage in social media: **9.5%** • Data for S1 2024: 10% It is important to note that these two indicators measure a sentiment, which is an imperfect metric since posts or tweets that mention education challenges (i.e., displacement, COVID, child marriage) are usually counted by algorithms as negative, even if the message itself is not.	• **Moderate risk** (elevated after a qualitative assessment) • Very High Impact • Direction of travel: ↔	• GPE's reputational risk management strategy focuses on proactively identifying and mitigating risks upstream to prevent them from materializing, while remaining responsive and implementing further measures if risks occur downstream. Reputational risk is closely tied to the management of the risks identified in this report and is integrated into GPE's overall strategy and planning. All high-probability risks are monitored against specific actions in a detailed mitigation plan. GPE has policies and procedures in place to respond swiftly to minimize the likelihood and severity of reputational damage. These include media monitoring, a crisis response protocol, and targeted mitigation of high-impact risks (e.g., those related to the Policy on Protection from Sexual Exploitation, Abuse, and Harassment, or cases of fraud and misuse). Simultaneously, the Secretariat actively works to enhance GPE's reputation through strategic communication, including GPE leadership's participation in key forums, media engagements, social media, and other communication platforms.