



GLOBAL PARTNERSHIP
for EDUCATION

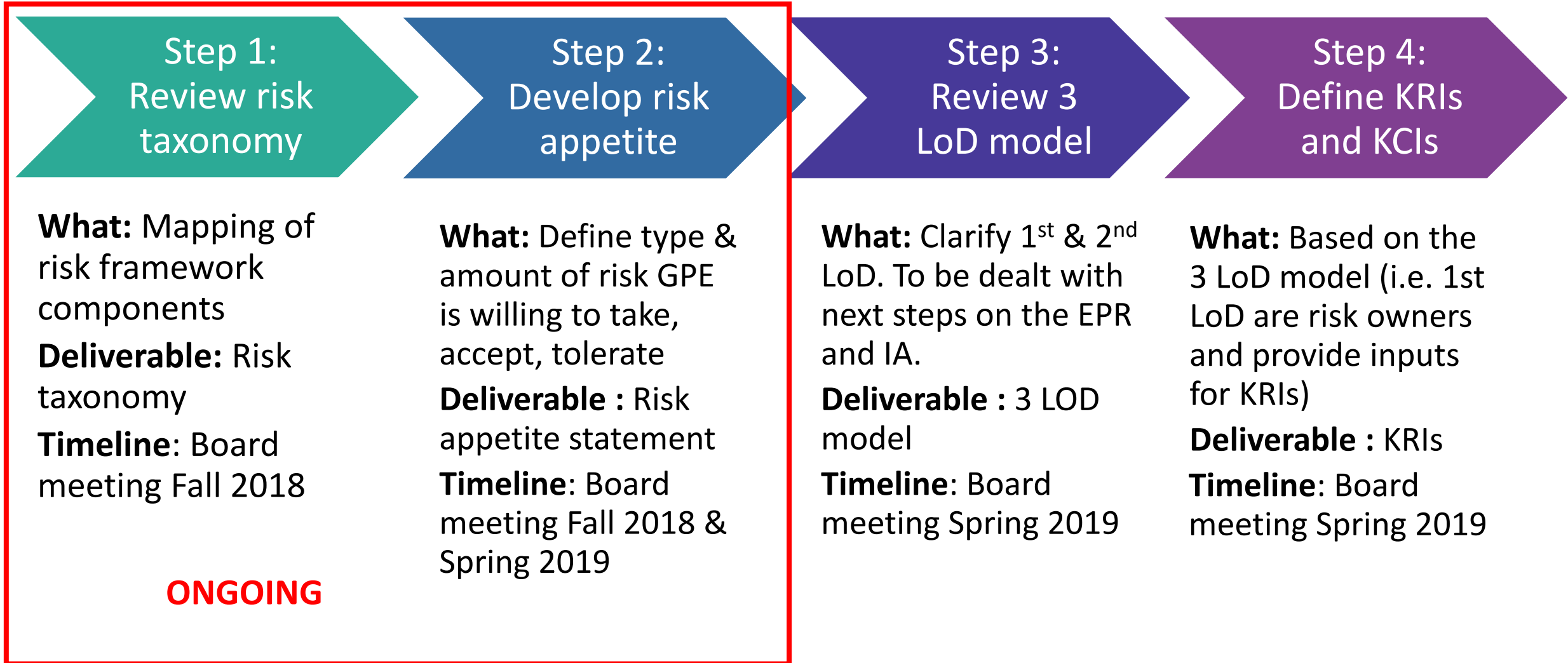
Risk Management

Meeting of the Board of Directors – December 6-7, 2018 – Dublin, Ireland

Purpose of the Session

- Risk taxonomy for decision.
- Risk appetite statement for input (to be finalized in 2019 taking into account the outcomes of Effective Partnerships Review and Institutional Arrangements).
- Corporate Risk Update for information (based on the previous risk taxonomy, update on critical and high risks only, does not yet consider the proposed updates to the taxonomy).

Secretariat Workplan

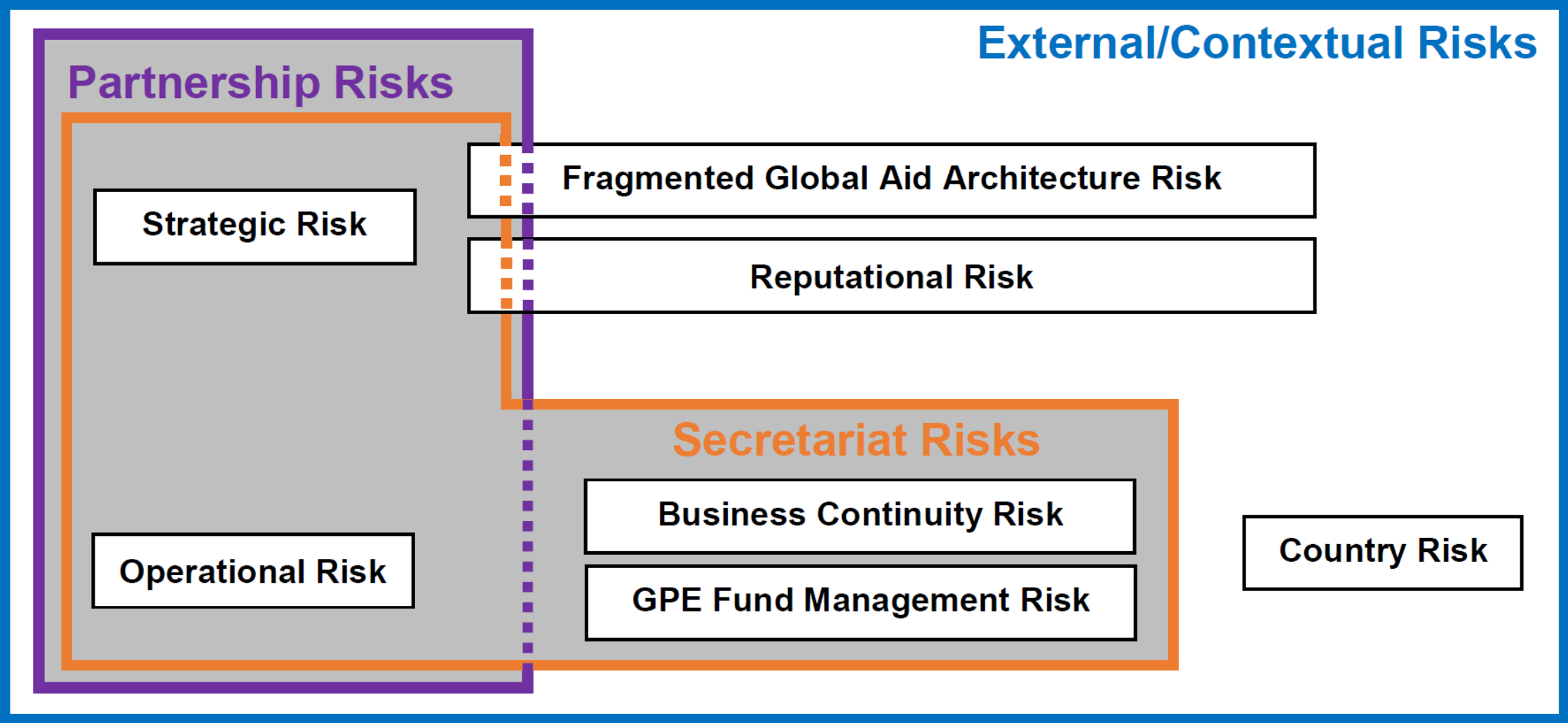


Risk taxonomy Proposal

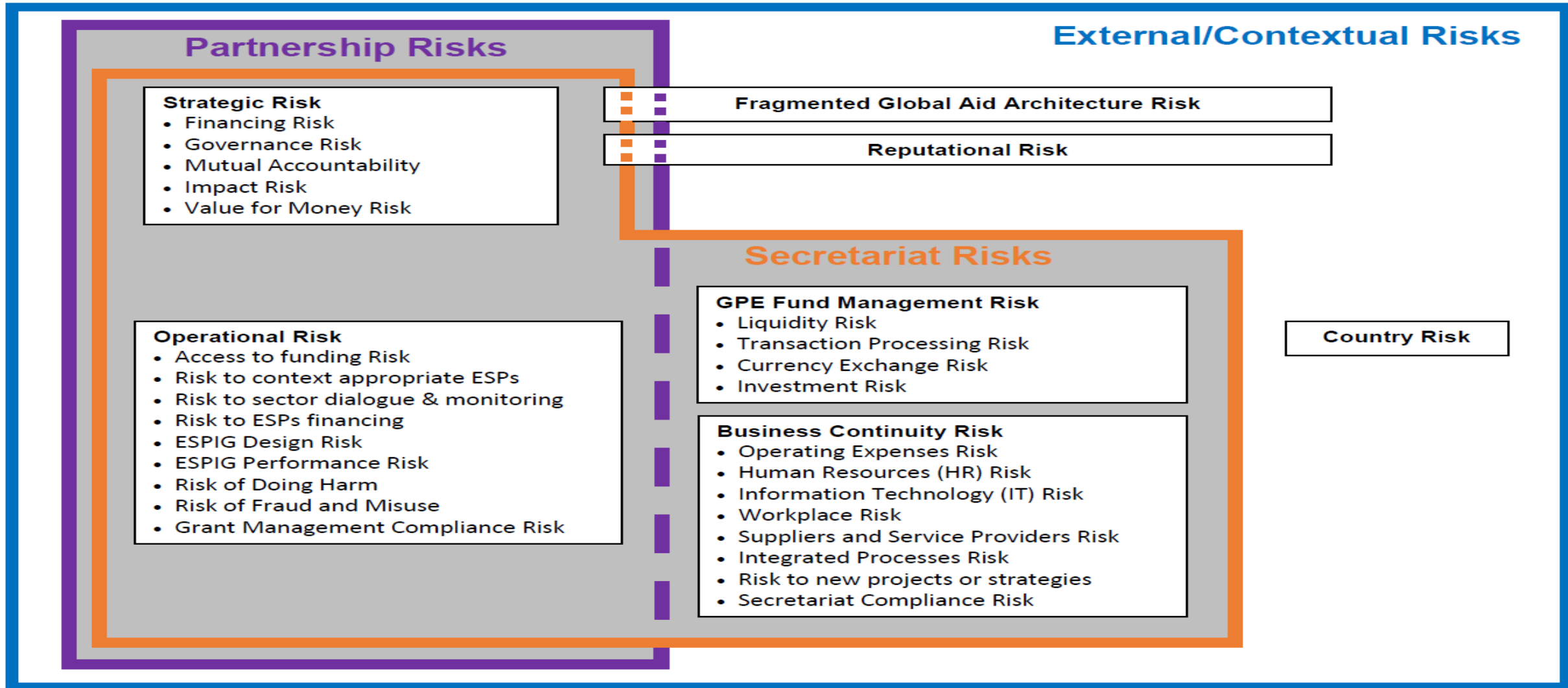
- Risk taxonomy proposal is **aligned with common standards** and **adapted** to the needs of the Partnership (e.g. Mutual accountability sub risk).
- All the **risks from the previous risk matrix are covered** in the risk taxonomy proposal (see reference column in the taxonomy).
- Risk categories and sub risks are **mutually exclusive & collectively exhaustive**: new risk categories added to cover blind spots, cross-check with comparable organizations (e.g. GAVI, Global Fund).
- **Linkages** between risk taxonomy and **GPE Strategy 2020** are demonstrated in the risk appetite statement proposal. Linkages with the **Results Frameworks** indicators will be made through Key Risk Indicators.



Architecture of the Risk Taxonomy



Risk Categories & Sub Risks





Risk Appetite Statements

GPE Risk Appetite Statement

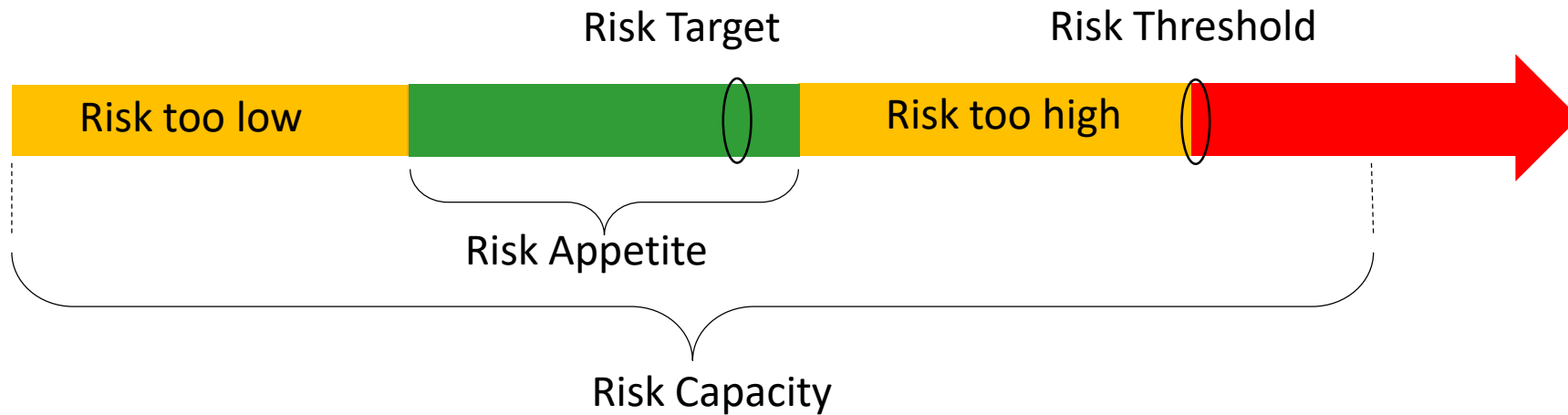
Where we are

- **Risk appetite broadly defined within the GPE's 2014 Risk Management Policy** with an overall moderate risk appetite. (Key finding of external review)

Where we are going

- **Acceptance of some risk is necessary given:**
 - the trade-offs between our mission vs. risks systemic in nature
 - the need to take risks to foster innovation and growth
- **Objective of a Board-approved risk appetite statement:**
 - align and guide stakeholders across the GPE in taking the right amount of risk to deliver on GPE's strategic goals & objectives
- **No risk appetite for each risk/sub risk:**
 - only where trade-offs have to be clarified

Risk Appetite Statement – Key Concepts



Example: Implications of a high vs. low risk appetite

- If GPE has a **low risk appetite to fund programs** which do not sufficiently further its objectives of equity, learning & system strengthening, it may accept that this requires an **appropriately high investment in country support & quality assurance** of programs.
- If GPE has a **moderate to high risk appetite to fund programs** which do not sufficiently further its objective of equity, learning and system strengthening, it may accept a **lighter touch approach to the quality assurance process**.



Corporate Risk Update

Risks to be reviewed by the Board

- The Secretariat has agreed with FRC to provide updates only on critical and high risks as reported to the Board in June 2018, and is giving an update on completion of mitigation actions and new mitigations actions.
- 3 risks that were “**critical**” in the June update as follows:
 - 1.1.6 Complementarity/ alignment with IFFEd (Board-owned)
 - 2.3.3 Program Implementation Modality (GPC-owned)
 - 4.2.2 Secretariat Institutional Arrangement (Board-owned)
- 1 Board-owned risk that was “**high**” in the June update as follows:
 - 4.2.3 Secretariat Capacity (Board-owned)

Education Sector Investment Case (ESIC) Approach: Operationalization

Mandate from GPE Board of Directors

“Agrees to GPE working with countries to develop an Education Sector Investment Case (...) and to the **Secretariat’s active engagement with all relevant partners to achieve greater additionality, coordinated financing, co-financing, and leveraging to crowd in resources to finance the education sector plan.**” *BOD/2017/03-06*

Research

Analogues
and ESPs

What do investment cases do?
How do they work? What is already in ESPs?

DCPs

What is the perspective from the “demand-side”?

Financing
partners

What is the perspective from the “supply-side”?

Country
case study

What does this look like in a particular context?

DCP, Secretariat, FRC
Feedback and Guidance

Development

Inception	Scoping	Draft ESIC Approach	Country Case Study	Final Report
Dec 17 – Feb 18	March – April 18	May – July 18	July – Sept 18	Oct – Nov 18
<ul style="list-style-type: none"> • DCP consultation 1 • Brainstorm Secretariat Staff • Inception Report 	<ul style="list-style-type: none"> • Review of benchmark comparators • Review of ESP financing frameworks • FRC Consultation 	<ul style="list-style-type: none"> • DCP Consultation 2 • Outreach to selected potential “financing partners” • Draft ESIC Approach 	<ul style="list-style-type: none"> • Explore selected practicalities of ESIC approach applied to one country • Lessons to operationalise ESIC at scale • FRC Consultation 	<ul style="list-style-type: none"> • DCP Consultation 3 • Refined ESIC Approach • Process and costs mapping • FRC review of Board paper and decision

Key Challenges

ESIC priorities

“Not enough funds” is systematically identified as top financial challenge
(From both domestic and international sources and for both recurrent as well as capital expenditure)



Scaling up funds from both domestic and international sources

DCPs indicate some disbursement challenges, particularly of international funding
Poor predictability scores highest among reasons for this

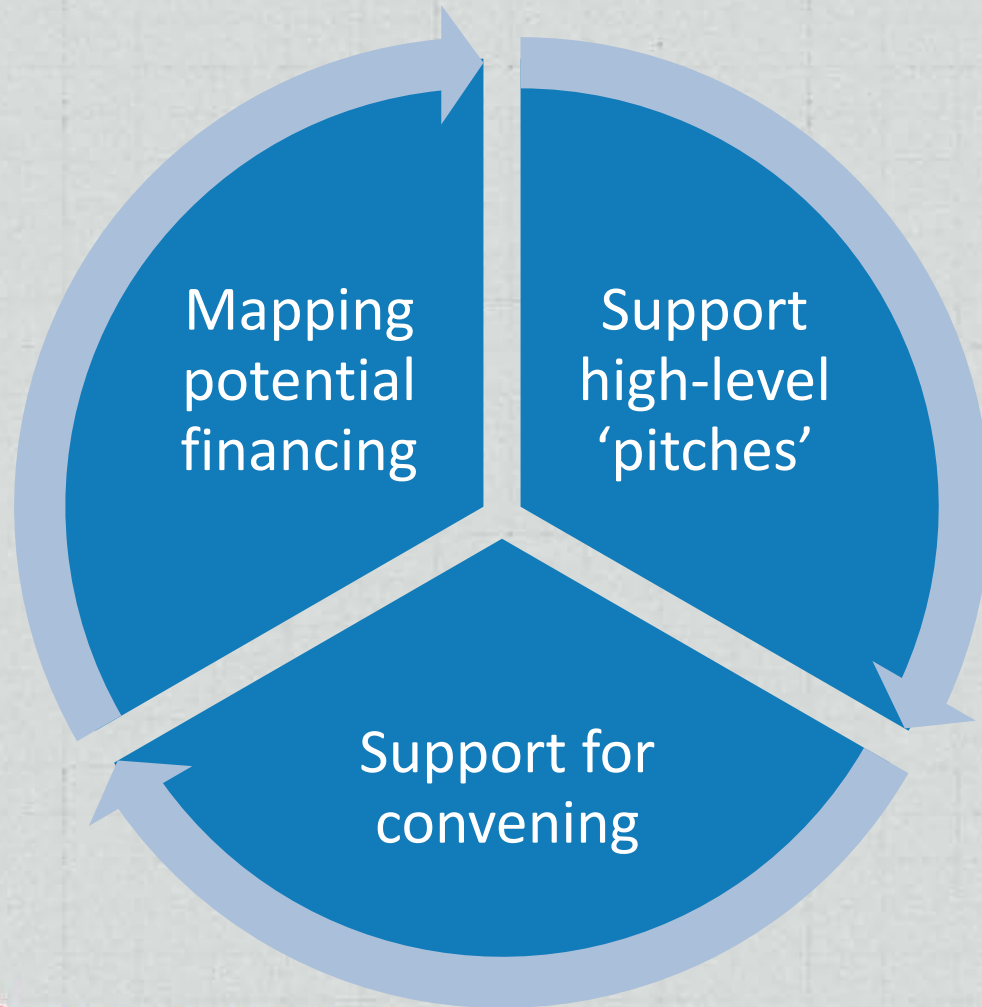


Harmonisation & alignment

Audience

Category	DCPs' prioritization
Ministry of Finance	A priority for almost all DCPs. The dialogue around education financing starts with the Ministry of Finance, both as an audience and as a key partner.
Bilaterals (established in country)	Established bilateral donors remain a key priority for DCPs. They are recognised as an important source of aligned financing but predictability of funding is a key concern.
Bilaterals (new to country)	New bilateral donors are a “moderate” priority. This might be because of the perceived transaction costs of bringing in new development partners.
Regional or Multilateral Development Banks	DCPs note that there is space for making a better case with R/MDBs. These mainly negotiate intersectoral allocations through the Ministry of Finance.
Private foundations or corporate CSR	DCPs indicate the importance of bringing them to the table to improve alignment of existing investments and / or fund specific areas of the ESP such as innovative initiatives or a specific emergency need. These actors typically have more flexible requirements than public funds.

Proposed Approach



- Country-facing support focused on meeting critical gaps: develop bespoke pitches that target specific sources of funding
- Integrate support tightly with existing GPE tools, procedures and timelines, particularly ESP development
- Subject to a critical incubation period with robust monitoring & learning

Example Pitches (Annexed)

Investing in Education: Filling a Critical Human Capital Gap

Investment proposal – 4 pages

- *Primary levels of attainment are low. Government spending on education as a proportion of government expenditure is falling despite growing needs.*
- *Early Childhood Education (ECE) is critically underfunded. There is a growing gap between the number of trained teachers needed and the number available.*
- *Returns to the economy (in terms of higher wages) from an extra year of schooling are amongst the highest in the world, according to a World Bank study.*
- *A few years of early schooling can substantially increase the economic value of a person's skills.*
- *The Ministry of Education has high-quality and politically salient Quality Awareness and Early Childhood Development (ECD) agendas focused on improving basic skills.*
- *We can deliver on this ambitious political agenda by tackling two critical gaps: teacher salaries & training, and early childhood education.*
- *Filling these gaps would cost a modest US\$ 8.1m and US\$ 16.9m per year.*

Early Childhood Education: A Critical Investment Opportunity

Investment proposal – 3 pages

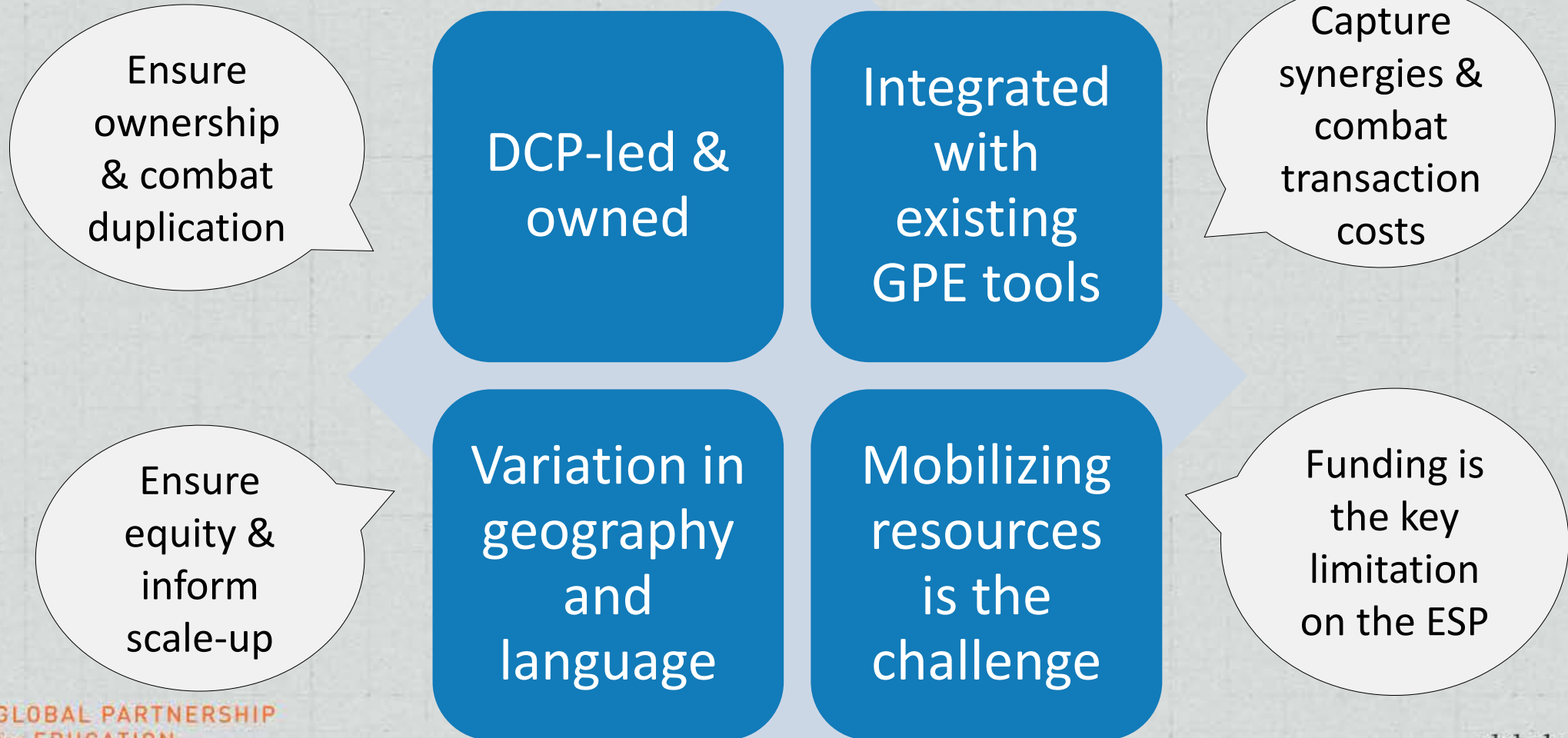
- *Basic levels of attainment are low, and public spending on education as a proportion of total government expenditure falling despite growing needs.*
- *The critical gaps to be filled are teacher salaries and training and early childhood education. Early Childhood Education is critically underfunded, with a growing gap between the number of trained teachers and the number needed.*
- *Filling these gaps could cost between \$8m and \$17m per year. Improving education outcomes would pay off: the World Bank estimates that just one more year of schooling raises incomes by 8%.*
- *The Ministry of Education has a high-quality and politically salient ECE agenda. It focuses on **learning through play** and developing **socioemotional skills**.*
- *Despite clear commitment, investment in pre-school and primary by government is difficult because the payoffs are so distant. **Philanthropic organizations** are in a unique position to complement government efforts in this area.*

- Consultations with funding partners indicates little demand for more extensive analytical reports
- *Pitches* are based on gaps in funding for the ESP and mapping of potential financing partners
- Audience depends on context and opportunities

Operationalization (1/2)

- Incubator period of 18-24 months targeting 4-6 countries
- Housed in the GPE Secretariat
- Building on and integrated with existing processes (ESPs, LEGS and ESPDG)
- Rigorous monitoring and learning to inform future decisions about scaling-up the Approach

Operationalization (2/2)





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Financial Forecast



Key Events Since Last Forecast

- Dollar has continued to strengthen against major GPE contributor currencies over the last six months
- new announcements for funding
- Progress continues to be made in the hedging discussions with the World Bank, although a feasible solution is still sometime away
- Significant progress on the operationalization of the Euro fund has been made
- New investment strategy for GPE Fund to begin soon

RESOURCES FOR FORECASTING

Opening Uncommitted Cash Balance 1 July 2018	374
Balance on Signed Contribution Agreements	704
Donor Pledges (after discounting for uncertainty)	1,183
Projections of Additional Contributions - Secretariat Recommended	236
Projected Carryover from 2018-2020 Approvals (20% of MCA)	399
RESOURCES FOR FORECASTING PURPOSES (A)	2,895





AMOUNT TO BE SET ASIDE

Remaining Commitments to be made on Existing Approved Grants (2013-2018)	(437)
Provisions for other Grants (Plan Development, Program Development)	(50)
KIX	(60)
ASA (including CSEF)	(60)
Multiplier	(300)
Provisions for other costs Agency (\$50m), Secretariat (\$80m), Trustee (\$1m)	(131)
Unallocated (20m indicatively for KIX and 10m for ASA)	45
Provision for Future Commitments based on MCAs for 2018-2020	(1,812)
TOTAL AMOUNT TO BE SET ASIDE (B)	(2,895)

SUMMARY

SUMMARY (USD Millions)

RESOURCES FOR FORECASTING	2,895
AMOUNT TO BE SET ASIDE	(2,895)
PROJECTED SURPLUS / (SHORTFALL)	0

- Unallocated funds of US\$45 million is essentially the projected surplus



New Pledges

- A formal pledge from the Netherlands was made for 100 million Euros.
- US Congress has approved for USFY18 US\$87.5m. This has some remaining steps to be completed for payment
- A formal top up from Germany was made for 9 million Euros.
- Additional Announcements from Denmark and Germany yesterday not reflected in paper.





Update on Currency Hedging

- The GPE Secretariat has been working in close collaboration with the Trustee.
- After reaching out to all contributors on the possibility of modifying their contribution agreements, the Trustee has since informed the Secretariat that they may have flexibility.
- The Secretariat and Trustee will continue to work with contributors on the feasibility of a hedging solution – **latest information from contributors shows solution may be challenging**



Update on Euro Allocations

- The practical implications of a Euro grant have been incorporated into the ESPIG Guidelines and are available on the GPE Website.
- Grants to be approved from 1 January 2019 are able to submit for a Euro allocation
- The process has begun to modify the contribution agreements and financial procedures agreements
- Senegal with AFD as Grant Agent has requested ESPIG/Multiplier in Euro



Update on Investment Strategy

➤ An in-depth cash flow analysis of GPE's expected cash flows is currently underway. Once completed, the investment in Model Portfolio 4 will be made.

Positive progress on mobilizing new donor pledges

FX environment remains challenging (7% Euro depreciation v's USD in 6 months)

Implementation of June Board decisions on hedging, euro fund, investment strategy on track

Overall financial position is stable

Summary



Thank you



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