



Risk Management at IFAD

Alberto Cogliati

Chief Risk Officer – Director of the Enterprise Risk Management Office

September 7th, 2021



IFAD's Enterprise Risk Management Framework

INTERNAL REFORMS + BUSINESS MODEL IMPROVEMENTS + RATING

REQUIRE FOCUS ON OPTIMIZING INSTITUTIONAL EFFICIENCY AND EFFECTIVENESS

**Decentralization
2.0**

**Improved
Business
Model**

**Financial
Architecture &
Credit Rating**

**Control environment,
Compliance,
Accountability**

**Enterprise Resilience,
Delivery,
Effectiveness**

An effective and robust ERMF is supported by

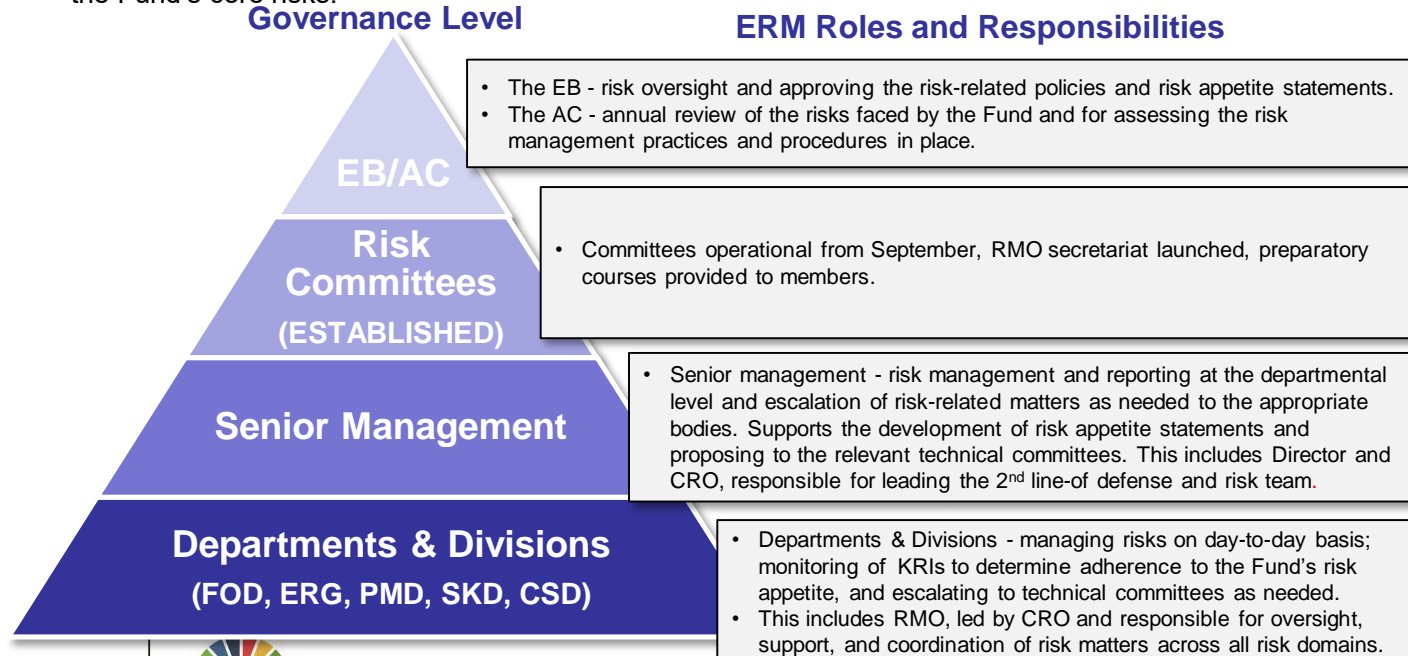
1. Adequate Integrated Policy Framework
2. Generation and maintenance of quality data, metrics, information flows
3. Risk identification, analysis, prioritization, control, mitigation processes
4. A risk management model ensuring well defined risk ownership, effective oversight, escalation, risk-informed strategic decision

Risk Management at IFAD – Optimizing Institutional Efficiency and Effectiveness through Risk Management



Risk Governance, roles and responsibility

Clear roles and responsibilities help to establish accountability across IFAD. IFAD's ERM roles and responsibilities are outlined below and are broken down by governance level. To establish **coordinated risk management efforts**, IFAD further structures the management of risk are each of the Fund's core risks.



IFAD Enterprise Risk Management Framework

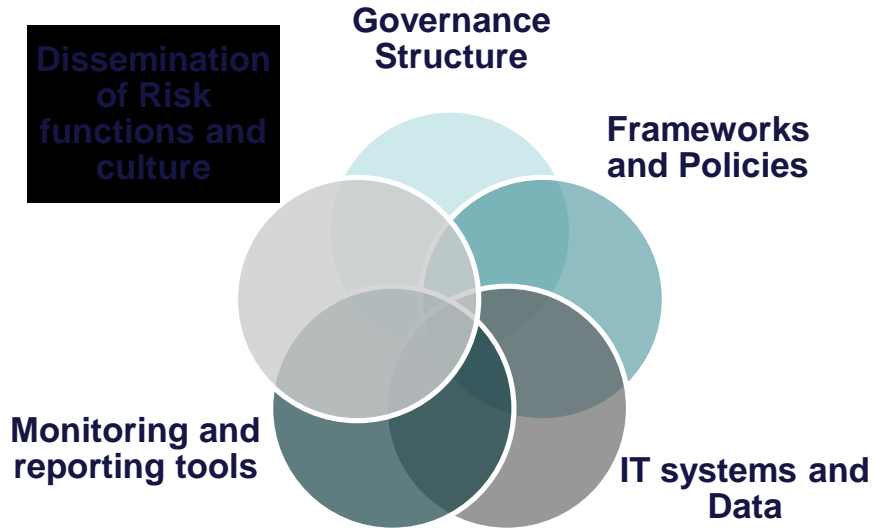
The Office of Enterprise Risk Management (RMO)

The Office of Enterprise Risk Management

- ✓ Forms the second line of defense and is independent from units that originate risk (first line) and units that perform audits;
- ✓ Identifies risks to the Fund's capital and balance-sheet position. It monitors, analyzes, measures, reports, on risks and provides support to management in managing risks through adequate controls and processes, ensuring the achievement of a holistic view on all risks and ensuring that the Fund's rating is not affected;
- ✓ Monitors compliance with internal policies pertaining to risk generating activities, and establishes policies and processes to manage compliance risk.



IFAD Enterprise Risk Management: RMO's focus



ERMF operationalization

Progress to Date

Embedded/ advanced risk management implies carefully assessing institution's maturity, creating conditions and adopting tools conducive to the transition process.

	MAIN NEEDS	MAIN TOOLS	Status in September 2021
1	Development, revision, upgrade of policies	ERM policy, RAF, ORM framework	Policy – EB review and approval; ORM Framework under development
2	Operationalizing Risk Governance	New Risk Committees, RMO positioning	Committees: Preparatory courses provided; RMO Secretariat launched
3	Risk Capacity build up: processes, culture, resources	RMO Staffing, use of WGs, defining strategies and sequencing, budgeting	Staff recruitment in line with capacity build up
4	Refine tools fit for second line oversight	Data quality, frequency, depth, access, adequacy of metrics/tools to measure risks	Update CRD at September AC
5	Relationship building with CR Agencies	Information exchange, embedding of RA considerations in operational strategy	CR Agency surveillance ongoing
6	Defining internal and external information protocols, reporting and info flows	Tools for info exchange (Service Level Agreements), Improving info quality	Improve info quality via revision of data, metrics



CRD - Improvements in communicating about risks

Transitional CRD presented to AC in March 2020

FINANCIAL RISKS

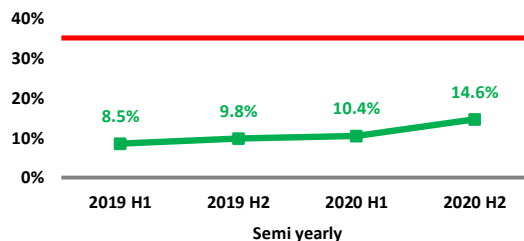
Financial risk is defined as the risk of financial loss resulting from the Fund's ability to efficiently and economically manage financial resources and satisfy financial commitments

Risk 8: [REVISED]							
Leverage and capitalization risk: The risk that the Fund's capitalization or capital position is not adequate to safeguard its ability to continue as a going concern							
Risk owner	FOD						
Key risk indicator	Risk tolerance level	2019 Q1	2019 Q2	2019 Q3	2019 Q4	Trend	
8.1 Debt to equity	35%	6.2%	7.2%	7.6%	8.1%	n/a	
8.2 Deployable available capital	TBD	n/a	n/a	n/a	n/a	n/a	

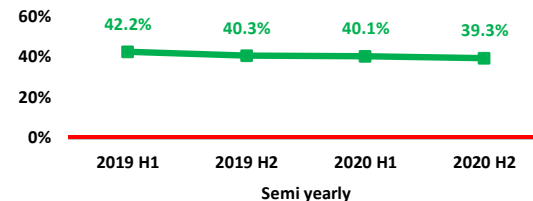
Preview: CRD to be presented to the AC on Q4 2021

Risk	Key Risk Indicator	Department	Indicative Threshold	2019 H1	2019 H2	2020 H1	2020 H2	Status	Trend
Leverage and Capitalization (L2): Commitment capacity (L3)	Leverage: Financial liabilities as a percentage of initial capital available	RMO	<35%	8.5%	9.8%	10.4%	14.6%	●	↑
	Deployable capital: Initial capital available less total resources required and a prudent buffer as a percentage of initial capital available	RMO	>0%	42.2%	40.3%	40.1%	39.3%	●	↓

Leverage: Financial liabilities as a percentage of initial capital available



Deployable capital: Initial capital available less total resources required and a prudent buffer as a percentage of initial capital available



Explanation of tolerance:

- IFAD strives to maintain **no more than 35%** leverage
- Due to nature of the risk, data is only available on a semi-annual basis
- While leverage increased during the second half of 2020, the KRI remains within tolerance

Explanation of tolerance:

- IFAD must have deployable capital **above 0%**
- Due to nature of the risk, data is only available on a semi-annual basis
- While the deployable capital decreased during the second half of 2020, the KRI remains within tolerance



Thank you!

