

Enterprise Risk Management Office (RMO)

Corporate Induction
October 2024

 LIFAD | FIDA



The Office of Enterprise Risk Management (RMO)

The Office of Enterprise Risk Management (RMO) was established in September 2020, with the following functions:

- i. To establish, maintain and implement IFAD's Risk Management Framework – Risk Management Policy – Risk Appetite Statement - Committees
- ii. To improve and oversee the identification and quantification of risks, the implementation of effective controls, the establishment of mechanisms to monitor and report on risks that affect IFAD
- iii. To facilitate the embedding of risk considerations in strategic and operational level decisions thus promoting a risk-aware culture
- iv. To collaborate with stakeholders in the achievement and defence of IFAD's credit rating



Assessing value addition

KPIs: measure progression of implementation against earlier commitments. Quarterly reporting to President, other reports as needed to EMC, ERM.

External and internal assessments: Credit Rating Agencies (RAs) scrutinize effectiveness of risk oversight and rate the risk maturity of the institution. Additional sources of information are IOE and AUO reports, if available, as well as annual assessments by the external auditor.

Positive assessment by RAs: *“We consider that IFAD’s management is adequately embedding risk management in the decision-making process.”* Standard&Poor’s Rating Confirmation Report 2022.

Positive assessment by IOE on the establishment of an independent RMO. EC 2023/123/W.

MOPAN Assessment Report recognizes IFAD has a robust risk management framework.

Evidence of improved risk considerations embedded into decision: Value addition is generally measured through qualitative KPIs or through qualitative assessments by the EB, AC, EMC. RMO produces a semi-annual reporting to the Audit Committee which is discussed extensively at AC sessions.

RMO main work streams

Financial Risk

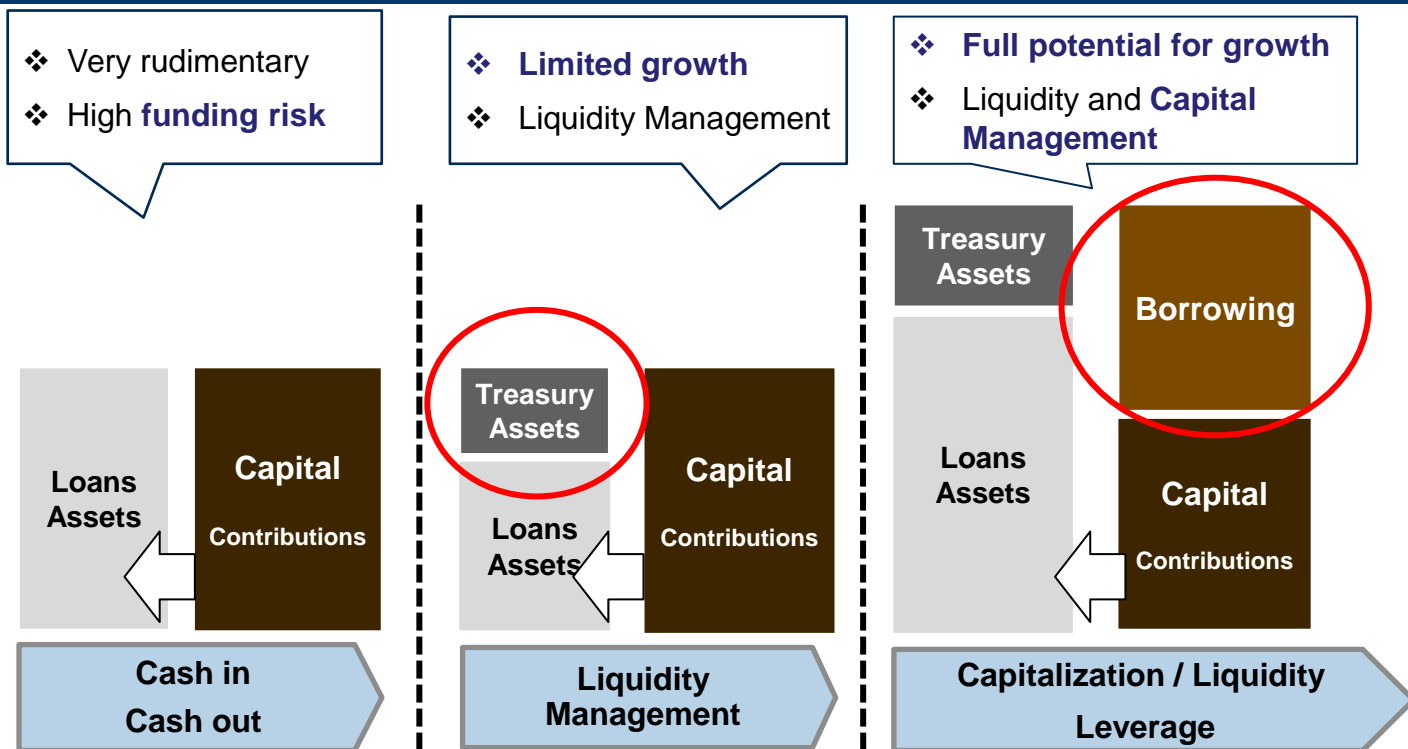
- Oversight of main factors that affect the rating: NPLs, policy implementation, governance, funding...
- Portfolio quality monitoring, BRAM eligibility
- Financial sustainability-related issues
- Risk Governance and enhancing of practices and tools
- Private sector engagement and its implications
- Review of CA, G20 recommendations' related issues



Non-Financial Risk

- Implementation of recently established tools and processes (Incident reporting, Risk Control self-assessment)
- Op Risk and PD Risk KRI review ORCC and PDRC
- Enhancement of monitoring activities at portfolio level including guidance on needed actions to improve risk assessment tools used at the operational level

Evolution of IFAD's financial architecture



IFAD's financial strategy

KEY STRATEGIC DRIVERS

(1) Volume

(PoLG, co-financing...)

(2) Policy choice

(DSF, limited financing to UMICs, commitment to finance LICs, fragile countries...)

KEY FINANCIAL VARIABLES

Concessionality

Replenishments

DSF envelops

Borrowing

Mix of loans
financing

Funding mix

Operational
efficiency & Enterprise profile

Liquidity & Funding

KEY PILLARS

Capitalization

IFAD CREDIT RATING AA+

Thank You

Contact

Dr. Roger A. Fischer
Director, Chief Risk Officer
Office of Enterprise Risk
Management
r.fischer@ifad.org

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