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Timeline for the Review, Update and Strengthening of IFAD's Enterprise Risk Management Covering Strategic, Operational and Financial Risks

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For: Review

Timeline for the Review, Update and Strengthening of IFAD's Enterprise Risk Management Covering Strategic, Operational and Financial Risks

1. As part of the Consultation on the Eleventh Replenishment of IFAD's Resources (IFAD11), Management presented its enhanced business model to deliver impact at scale in support of the 2030 Agenda for Sustainable Development. The enhanced business model reflects changes in the realities of beneficiaries, partners, Member States and donors, which have prompted Management to take stock of the lessons learned and lay out a value proposition that is realistic, bold and innovative.
2. The changes in IFAD's business model include new practices in four dimensions, i.e. resource mobilization; resource allocation; resource utilization; and transforming resources into development results. Concrete examples of ongoing adjustments to the business model are: a critical review of the internal processes for project design, further expansion of country presence, increased delegation of authority to IFAD Country Offices, and diversification of the institution's resource base, including continued exploration of market borrowing.
3. As a result of the ongoing and upcoming adjustments to its business model, IFAD will update the way in which it manages risks. The objective of this initiative is to manage current and emerging risks and thereby increase the likelihood of meeting the goals that have been set forth under the IFAD11 Consultation to more effectively deliver on the Fund's mandate. The update of the IFAD's risk management will include a review of the financial, strategic and operational risks that IFAD faces and the development of mitigation strategies. Additionally, the update will contain a review of IFAD's Enterprise Risk Management function, benchmarking it with comparator organizations, and will strengthen risk reporting.
4. At the Executive Board session in December 2017, Management committed to present a timeline of risk-related processes and milestones, both financial and non-financial, to be submitted to the Board in 2018. The timeline is presented in the annex of this document.
5. The risk-related work processes presented in the annex will be coordinated by IFAD's Enterprise Risk Management Committee and developed in continued consultation with the Audit Committee and Executive Board.

Proposed timeline for 2018*

| Category | Milestone | Jan | Feb | March | April | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | |
|-----------------------------|--|-----------------------------|---|--|--|--------------|------------------------------|------------------------------|------------------|---|------------------------------|------------------------------|--|--|
| Financial risk areas | 1. International Financial Reporting Standard (IFRS) 9 | | | AC 148: Update ¹ | | | AC 149: Update ¹ | | | AC 150/ EB 124: Update ¹ | | | | |
| | 2. Comprehensive Independent Financial Risk Assessment | AC 147: Review ² | | AC 148: Review ³ | EB 123: Review ³ | | | | | | | AC 151: Review ⁴ | EB 125: Review ⁴ | |
| | 3. IOE corporate-level evaluation of IFAD's financial architecture (including Management response) | | | | | | EC 101: Update ⁵ | | | AC 150/ EB 124: Update ⁶ | | | | |
| | 4. Progress Report on Concessional Partner Loan (CPL) Framework | | GC41: Approval of amendment to the Agreement Establishing IFAD ⁷ | | | | | | | AC 150/ EB 124: Review ⁸ | | | | |
| | 5. Debt Sustainability Framework (DSF) | | | AC 148: Presentation of paper on financial implications of DSF | | | Informal seminar | | | | | | | |
| | 6. Minimum liquidity requirement: Delivering a US\$3.5 billion PoLG with a US\$1.2 billion Replenishment | | | | | | Informal seminar | | | | | | | |
| Cross functional risk areas | 7. Faster implementation from project start-up (Project Preparation Advance Facility) | | | | | | | | | AC 150/ EB 124: Review | | | | |
| | 8. Transition Framework | Informal seminar | GC41: Approval of amendments to Policies and Criteria | Informal seminar | EB 123: Approval and set up of WGTF ⁹ | WGTF meeting | | WGTF meeting | Informal seminar | WGTF meeting | | | EB 125: Approval of Transition Framework | |
| | 9. Update on the Operational Excellence for Results (OpEx) exercise | | | | EB 123: Update ¹⁰ | | | | | | | | | |
| | 10. Independent assessment of IFAD's strategic and operational risks | | | | | | | AC 149: Review ¹¹ | | EB 124: Update ¹² | AC 151: Update ¹³ | EB 125: Update ¹³ | | |
| | 11. Gap analysis of the function and structure of IFAD's Enterprise Risk Management | | | | | | | AC 149: Review ¹¹ | | | AC 151: Update ¹³ | EB 125: Update ¹³ | | |
| Risk reporting | 12. IFAD Risk Dashboard | | | | | | AC 149: Review ¹⁴ | | | AC 150/ EB 124: Review ¹⁵ | AC 151: Review ¹⁶ | EB 125: Review ¹⁶ | | |

* Please see following page for notes to the timeline.

Notes to the proposed timeline for 2018

1. Update on the implementation of the impairment section of IFRS9.
2. Review of the Terms of Reference for the independent financial risk assessment provider.
3. Update on the selection of the independent financial risk assessment provider.
4. Review of the results of the independent financial risk assessment which will include a feasibility study on IFAD's expanded borrowing strategy.
5. Independent Office of Evaluation of IFAD (IOE) corporate-level evaluation of IFAD's financial architecture (including Management response).
6. Ibid.
7. Approval of amendment to the Agreement Establishing IFAD.
8. Progress report on CPL Framework.
9. Approval of terms of reference and composition of the Working Group of the Transition Framework (WGTF).
10. Update on the front-loading of IFAD's decentralization (IFAD11 commitment no. 12) as part of a broader update on OpEx.
11. Review of the terms of reference for: (i) the independent assessment of IFAD's strategic and operational risks; and (ii) the gap analysis of the function and structure of IFAD's Enterprise Risk Management.
12. Oral update on the Independent Assessment of IFAD's Strategic and Operational Risks.
13. Update on IFAD's Enterprise Risk Management to the Audit Committee and Executive Board (IFAD11 commitment no. 19) including update on IFAD's independent assessment of strategic and operational risks.
14. Review of principles and main areas of risk dashboard.
15. Review of draft risk dashboard.
16. Review of final risk dashboard.