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Investing in rural people

Enhanced Corporate Risk Dashboard (CRD)

Note to Executive Board representatives

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For: **Information**

The enhanced CRD



The objective of IFAD's Corporate Risk Dashboard (CRD) is to enable risk dialogue between Management and IFAD's governing bodies by providing **concise and comprehensive information on IFAD's top risks within a given period.**



The CRD contains **financial** and **non-financial risk data, commentary on key themes, risk exposures,** and **risk trends** across each of IFAD's major risk domains. The CRD enables the Office of Enterprise Risk Management (RMO) to monitor aggregate exposures and trends over time and report to Senior Management and the Board on the Fund's overall risk performance. These aggregate exposures are used to support risk oversight and inform management decisions regarding strategic planning, budgeting, and resource allocation.



The CRD is reviewed at each Enterprise Risk Management Committee (ERMC) meeting and functions as a tool to escalate any breaches and top risks to the Executive Management Committee (EMC) and Executive Board (EB), in a timely manner.



The CRD is a dynamic tool that will be regularly improved as IFAD's risk culture and maturity evolves. The CRD is maintained and updated on a quarterly basis by RMO, and additional key risk indicators (KRIs) may be reported in future iterations of the CRD as additional data becomes available.

Background and Overview

Background

- IFAD management committed to the Executive Board (EB) to enhance its **Enterprise Risk Management Framework (ERMF)**, commensurate to IFAD's evolving business model, financial architecture and strategic initiatives, taking into account industry leading practices and UN guidance on risk management.
- Accordingly, since December 2018, Management has completed several initiatives targeted at increasing the **Fund's risk management maturity and supporting a risk-aware organizational culture**, including updating the Enterprise Risk Management (ERM) Policy, developing a comprehensive Enterprise Risk Taxonomy, and enhancing IFAD's Risk Governance Structure.
- In April 2020, Management established the **Office of Enterprise Risk Management (RMO)**, led by a new Director and Chief Risk Officer (CRO). Since its establishment, RMO has been leading all enterprise risk management initiatives and has begun to finalize the required key framework to sustain an enhanced ERMF, including spearheading the effort to implement an enhanced **Corporate Risk Dashboard (CRD)** to enable monitoring of IFAD's top risks through **key risk indicators (KRIs)** aligned to the new risk taxonomy.
- Over the past few months, RMO has engaged with risk and data owners across the Fund to prioritize key risks and KRIs for CRD reporting, and **collect and analyze credible and available data** to set tolerance thresholds for the associated KRIs.
- The presentation herein is the **first iteration of the enhanced CRD**. It includes selected KRIs from each major risk domain (Financial, Operational, Programme Delivery, and Strategic) as well as reported risk exposures and trends.

*Note: For additional information, the Annex includes **high-level guidance for interpreting the enhanced CRD**, such as definitions for all included risks.*

Overview

The CRD is an executive-level report containing financial and non-financial risk data collected by Management; commentary on key themes, risk exposures, and risk trends; and an overview of progress toward the Fund's strategic objectives.



Purpose:

The CRD is used to provide a succinct overview to the EB on the status of IFAD's main risks, the status of metrics, and trends.



Objective:

The objective of the CRD is to allow initial high level monitoring of risks through metrics and enhancing communication from Management to Governing Bodies, by providing concise and comprehensive information of IFAD's top risks within a given period of time.



Overview:

The KRIs reported in the CRD represent the Fund's "**top risks**" to be reported on a consistent basis.

- KRIs are quantitative measures related to each CRD risk and provide a 'health check' on IFAD's risk profile to enable proactive action before a risk event occurs.
- KRIs are used to signal changes in the likelihood of a risk event or used to monitor data retrospectively to identify changes in the trend of risk/activities.

The CRD enables the EB to visualize **trends in risk exposures** over time and monitor the Fund's performance in managing risks.

The CRD is **updated quarterly** and is discussed at each ERMC meeting and reported at each Executive Board meeting.

Key Risk Indicators

Key Risk Indicators



KRIs are one of the most important tools within the risk management framework and are the heart of monitoring of risks and of control effectiveness.



KRIs are metrics used to measure the level of exposure to specific categories of risks at a given point in time.



KRIs enable to track the evolution of the risk and control environment. They highlight current risks, long-term trends and emerging risks exposures.



Setting thresholds for each KRI ensures that the output can be used as a management tool to drive remedial actions, control improvements and ultimately to prevent risks from materializing. As such, KRIs act as early warning signals of the increased level of specific risk factors associated with a particular process.



Each KRI should be linked to key risks identified within a specific process.



KRIs translate risk appetite, defined at Board level and give assurance to the Board.



Provide an objective and documented way of demonstrating effective risk monitoring and mitigation in the organization

Effective KRIs are:

- **Measurable:** metrics should be quantifiable (e.g. number, count, percentage, currency, amount, etc.)
- **Predictable:** provide early warning signals
- **Detective:** monitor data retrospectively to identify changes in trends
- **Comparable:** static over a period of time (to identify trends)
- **Informational:** measure the status of a risk and / or control

KRIs enable to:

- Identify current risk exposure and emerging risk trends
- Highlight control weaknesses and allow for the strengthening of poor controls
- Facilitate the risk reporting and escalation process
- Add value to the institution by mitigating its operational risk

Key Risk Indicators, when selected appropriately, should flag any change in the likelihood of a risk occurring or its possible impact.

Major Risk Domains

Financial risk definition: risk of financial loss resulting from the Fund's ability to efficiently and economically manage financial resources and satisfy financial commitments.*

Within the level 1 financial risk domain, there are:

- **4 risk sub-domains** and **8 KRIs** that are currently reported in the CRD
- KRIs are reported on a quarterly basis, except for 3 leverage and capitalization KRIs, which are reported on a semi-annual basis due to the nature of the risk.

Operational risks definition: risks resulting from inadequate or failed internal processes, people and systems or from external event that may result in financial loss or damage to the Fund's reputation.*

Within the level 1 operational risk domain, there are:

- **5 risk sub-domains** and **9 KRIs** that are currently reported in the CRD.
- KRIs are reported on a quarterly basis, with the exception of 2 external prohibited practices & financial integrity KRIs and 1 unsatisfactory conduct and misconduct KRI, which are reported on an annual basis due to the nature of the risks. **Data for the proceeding year is only updated during the Q1 iteration of the CRD.**

Programme Delivery risks definition: risks to the ability to achieve the expected results in Fund supported projects, programs, or strategies, and the risk of unintended consequences.*

Within the level 1 programme delivery risk domain, there are:

- **5 risk sub-domains** and **10 KRIs** that are currently reported in the CRD
- All KRIs for Programme Delivery risk are reported on a quarterly basis. However, data is updated during supervision missions.

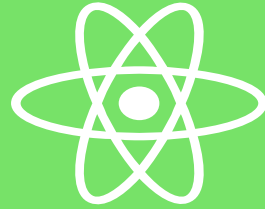
Strategic risk definition: the risk that IFAD is unable to achieve its mission, execute its strategies, and be agile and responsive in meeting its evolving strategic objectives, resulting in a potential negative impact on IFAD's relevance and unique position in the agricultural development landscape.*

Within the level 1 strategic risk domain, there are:

- **3 risk sub-domains** and **7 KRIs** that are currently reported in the CRD.
- KRIs are reported on a quarterly basis, except for 2 strategic execution risk KRIs, which are reported on an annual basis due to the nature of the risk. **Data for the proceeding year is only updated during the Q1 iteration of the CRD.**

* Definitions for all risks reported in the CRD can be found in the Annex

FINANCIAL RISK



Leverage
Capitalization
Credit
Liquidity
Funding
Market

Financial Risk

Summary in table view

Risk	Key Risk Indicator	Department	Threshold	Semi-annually					Status	Trend
				2019 H1	2019 H2	2020 H1	2020 H2	2021 H1		
Leverage & 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%	17.3%	●	↑
	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%	37.8%	●	↓
	Non-core risk capital ratio: The sum of capital requirements for currency, market, and operational risks as a percentage of initial capital available.	RMO	<10%	2.4%	2.6%	2.3%	2.1%	3.9%	●	↑
Risk	Key Risk Indicator	Department	Threshold	Quarterly					Status	Trend
				2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3		
Leverage & Capitalization (L2): Member support (L3)	Pledge receipt rate: The ratio of total pledges to target replenishment contributions, expressed as a percentage (by current Replenishment)**	FCD	>90%	89.0%	89.0%	92.0%	92.0%	92.0%	●	-
Credit (L2): Default (L3)	Non-performing loans (NPL): Non-performing loans (NPLs) to loans outstanding	FCD	<5%	2.6%	2.6%	2.8%	2.8%	2.5%	●	↓
	Weighted average credit rating loan portfolio	RMO	B (<15.5)	B+ (13.9)	B+ (13.9)	B+ (14.0)	B+ (14.1)	B+ (14.1)	●	-
Liquidity & Funding (L2): Liquidity coverage (L3)	Minimum liquidity ratio (MLR):*** Liquidity to minimum liquidity requirement	TRE	>100%	146.2%	182.4%	210.6%	231.2%	212.5%	●	↓
Market (L2): Interest rate (L3)	Investment Portfolio Conditional value at risk (CVaR): 1-year CVAR at 95 per cent confidence level	RMO/TRE	<3.0%	1.5%	1.1%	2.2%	1.9%	1.6%	●	↓

Legend

● Within tolerance threshold	↑ KRI increasing in favorable direction	↑ KRI increasing in unfavorable direction
● Outside of tolerance threshold	↓ KRI decreasing in favorable direction	↓ KRI decreasing in unfavorable direction

* According to IFAD's Integrated Borrowing Framework (EB 2020/131(R)/R.21/Rev.1) from December 2020.

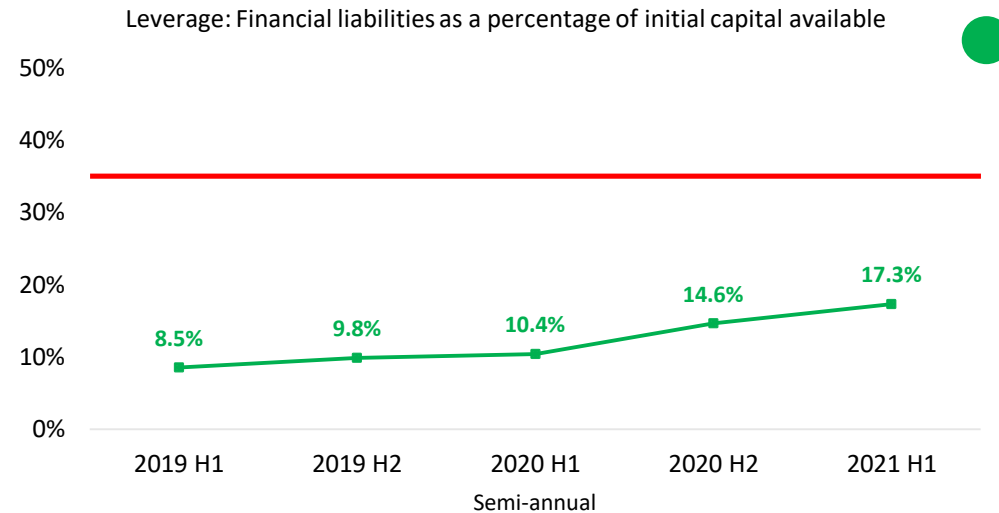
** Current replenishment refers to the actual ongoing replenishment period (IFAD11=2019-2021)

*** According to IFAD's 2020 Liquidity Policy (AC 2020/158/R.6), at the beginning of IFAD12, the provisions of IFAD's 2006 Liquidity Policy will be entirely superseded and replaced by to IFAD's 2020 Liquidity Policy. Until then, current MLR will be reported in the CRD.

Financial Risk

Explanation of tolerance and graphical representation of trends I

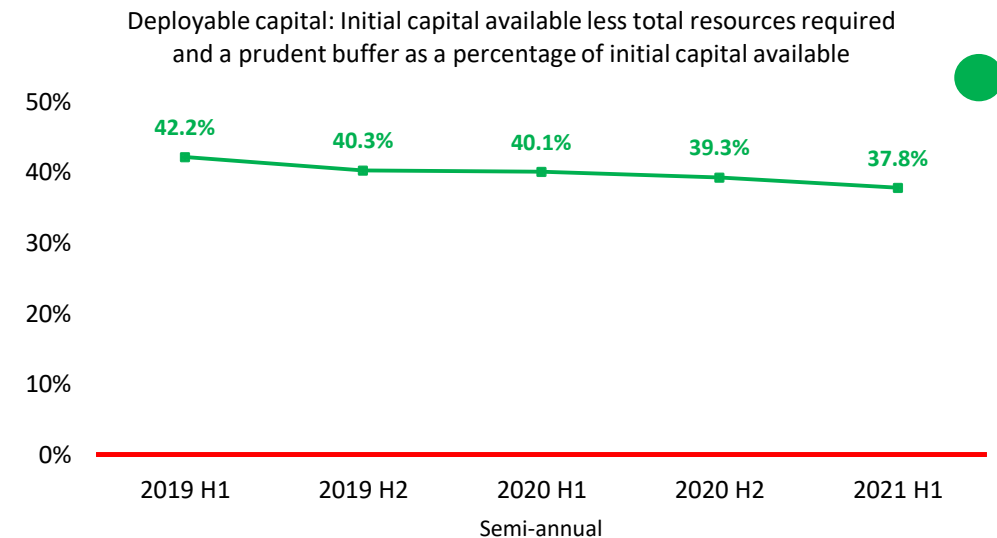
Leverage & Capitalization (L2): Commitment capacity (L3)



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 first half of 2021, the KRI remains within tolerance

Leverage & Capitalization (L2): Commitment capacity (L3)



Explanation of tolerance:

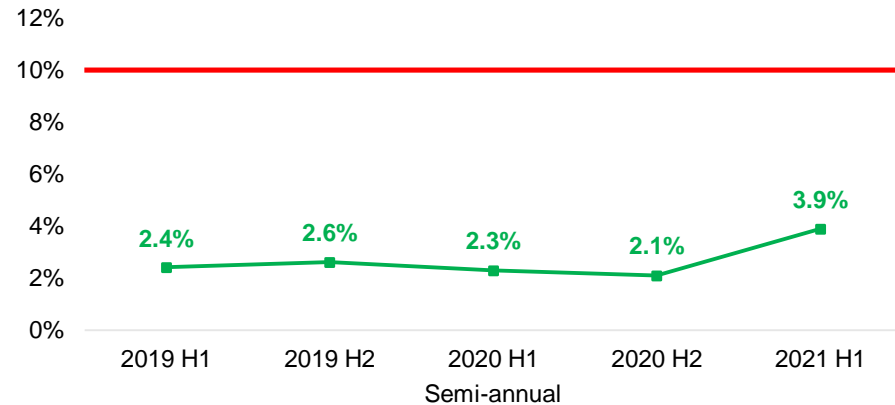
- IFAD must have deployable capital **above 0%**
- Due to nature of the risk, data is only available on a semi-annual basis
- While the deployable capital decreased during the first half of 2021, the KRI remains within tolerance

Financial Risk

Explanation of tolerance and graphical representation of trends II

Leverage & Capitalization (L2): Commitment capacity (L3)

Non-core risk capital ratio: The sum of capital requirements for currency, market, and operational risks as a percentage of initial capital available.

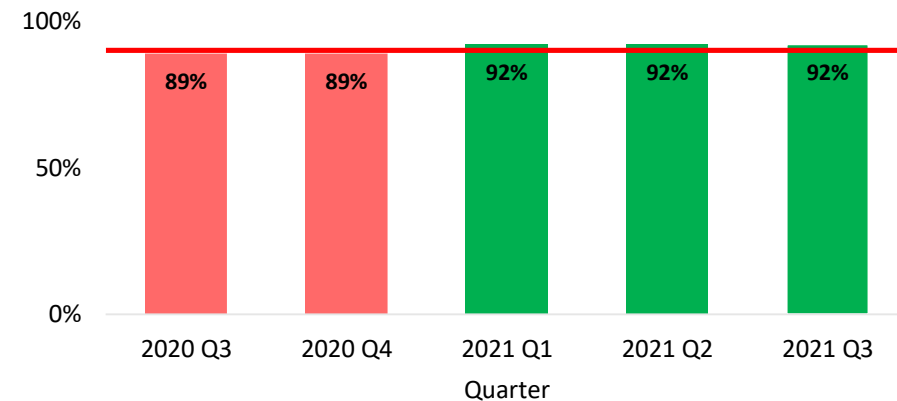


Explanation of tolerance:

- IFAD must have non-core risk capital **below 10%**
- Due to nature of the risk, data is only available on a semi-annual basis

Leverage & Capitalization (L2): Member support (L3)

Pledge receipt rate: The ratio of total pledges to target replenishment contributions, expressed as a percentage (by current Replenishment)



Explanation of tolerance:

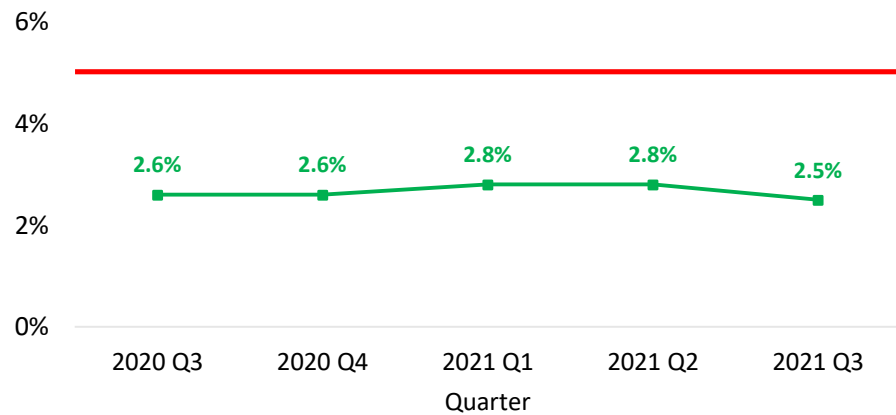
- IFAD strives to have a replenishment rate of **above 90%**
- Current replenishment refers to the actual ongoing replenishment period (IFAD11=2019-2021)
- Increasing data signifies the risk is moving in a favorable direction.

Financial Risk

Explanation of tolerance and graphical representation of trends III

Credit (L2): Default (L3)

Non-performing loans (NPL): Non-performing loans (NPLs) to loans outstanding

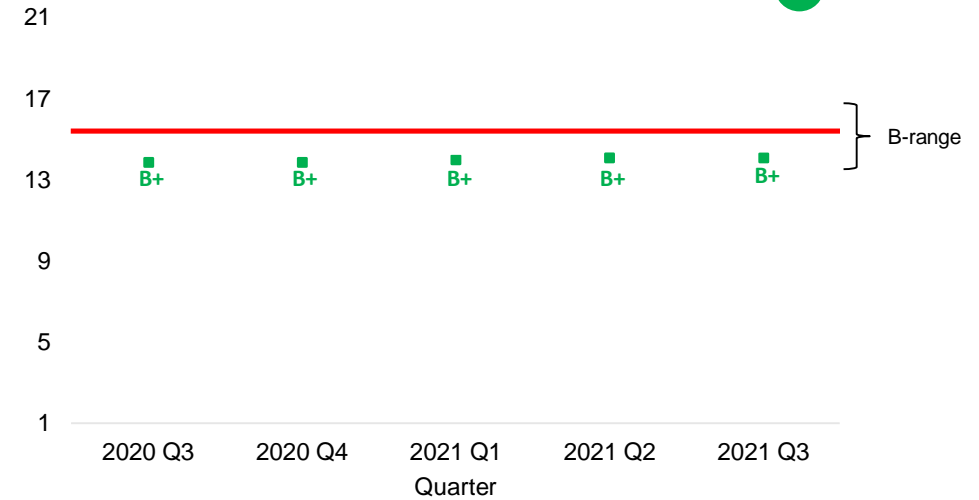


Explanation of tolerance:

- IFAD strives to have **less than 5% NPLs** to loan outstanding.
- Decreasing data signifies the risk is moving in a favorable direction

Credit (L2): Default (L3)

Weighted average credit rating loan portfolio



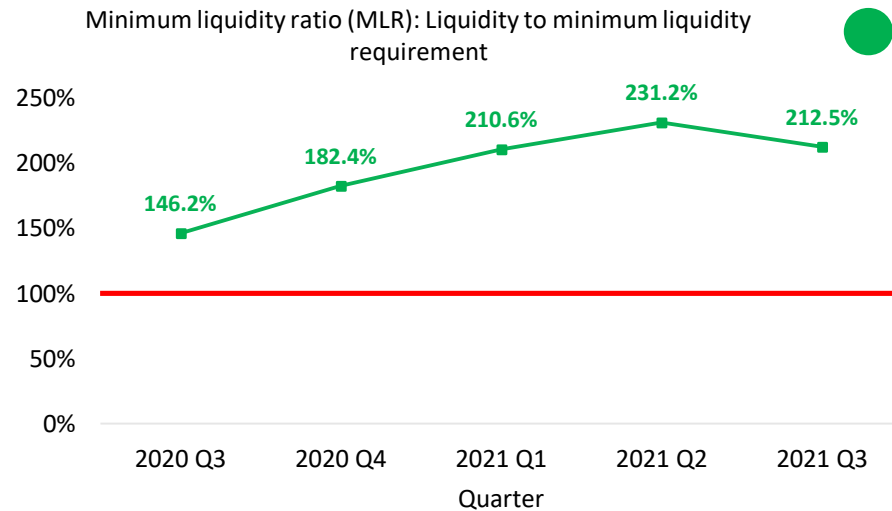
Explanation of tolerance:

- IFAD strives to have **a weighted average credit rating above B** in the loan portfolio

Financial Risk

Explanation of tolerance and graphical representation of trends IV

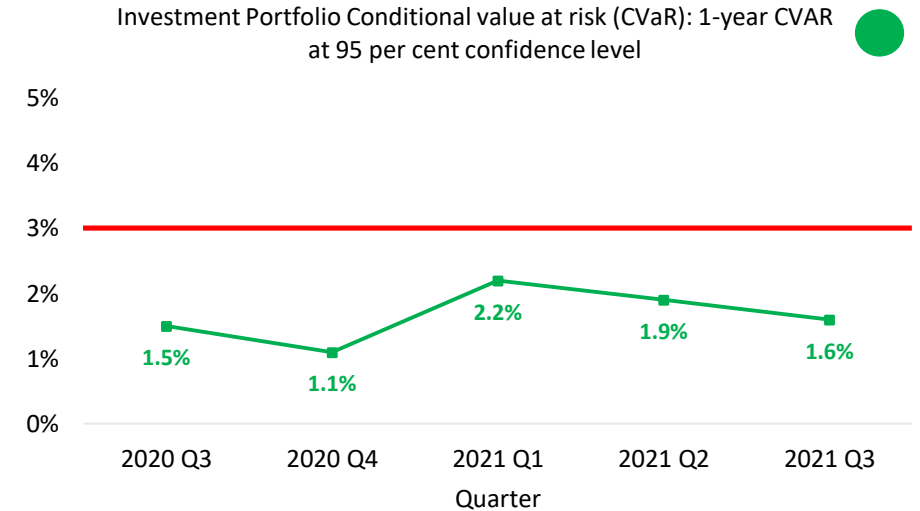
Liquidity & Funding (L2): Liquidity coverage (L3)



Explanation of tolerance:

- IFAD strives to maintain a MLR **above 100%**
- Increasing data signifies the risk is moving in a favorable direction

Market (L2): Interest rate (L3)



Explanation of tolerance:

- IFAD strives to maintain a CVaR **below 3%** in the investment portfolio
- Decreasing data signifies the risk is moving in a favorable direction

OPERATIONAL RISK

	<p>Prohibited practices Financial integrity Fraud</p>
	<p>Corruption Unsatisfactory conduct Misconduct</p>
	 <p>Security Information technology Cyber security</p>
	<p>Talent capacity Capabilities</p>

Operational Risk

Summary in table view

Risk	Key Risk Indicator	Department	Threshold*	Annually		Status	Trend
				2019	2020		
External prohibited practices and financial integrity (L2): Fraud and corruption (L3)	Number of allegations of prohibited practices concerning external parties reported to IFAD	AUO	≤40	63	70	●	↑
	Percentage of substantiated and partially substantiated cases of prohibited practices concerning external parties out of total number of cases of prohibited practices that are within AUO's jurisdiction over a rolling four quarters	AUO	≤10%	6%	3%	●	↓
Unsatisfactory conduct and misconduct (L2)	Percentage of substantiated/partially substantiated allegations of unsatisfactory conduct and misconduct	AUO	0	2	5	●	↑

Risk	Key Risk Indicator	Department	Threshold*	Quarterly					Status	Trend
				2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3		
External prohibited practices and financial integrity (L2): Money laundering, terrorism financing or sanctions related engagement (L3)	Number of new and/or existing counterparties with "High Risk" integrity concerns involving sanctions, money laundering, terrorism financing and/or related risks that were identified, assessed and blocked/mitigated.	FCD	<7.5	4	1	1	1	3	●	↑
Unsatisfactory conduct & misconduct (L2)	Number of allegations of unsatisfactory conduct and misconduct received by ETH and AUO	ETH	15	10	8	6	6	12	●	↑
Security (L2): Physical security (L3)	Number of critical Safety and Security Incidents involving IFAD personnel, assets or premises recorded within in the UNDSS Security Incident Reporting System	ADM	0	0	1	0	1	0	●	↓
Information technology and cyber security (L2): Cyber security breach (L3)	External cyber rating agency score	ICT	>588	749	744	771	771	778	●	↑
Talent capacity and capabilities (L2): Capacity / Capability (L3)	Vacancy rate	HRD	<12%	9%	11%	15%	17%	17%	●	-
	Staff retention rate	HRD	>92%	96%	96%	96%	97%	95%	●	↓

Legend

- Within tolerance threshold
- ↑ KRI increasing in favorable direction
- ↑ KRI increasing in unfavorable direction
- Outside of tolerance threshold
- ↓ KRI decreasing in favorable direction
- ↓ KRI decreasing in unfavorable direction

* Indicative

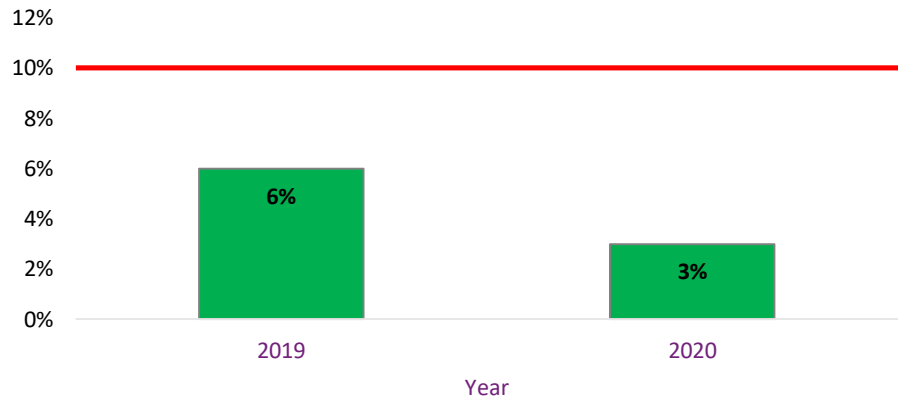


Operational Risk

Explanation of tolerance and graphical representation of trends I

External prohibited practices and financial integrity (L2): Fraud and corruption (L3)

Substantiated and partially substantiated cases of prohibited practices concerning external parties out of total number of cases of prohibited practices that are within AUO's jurisdiction in %



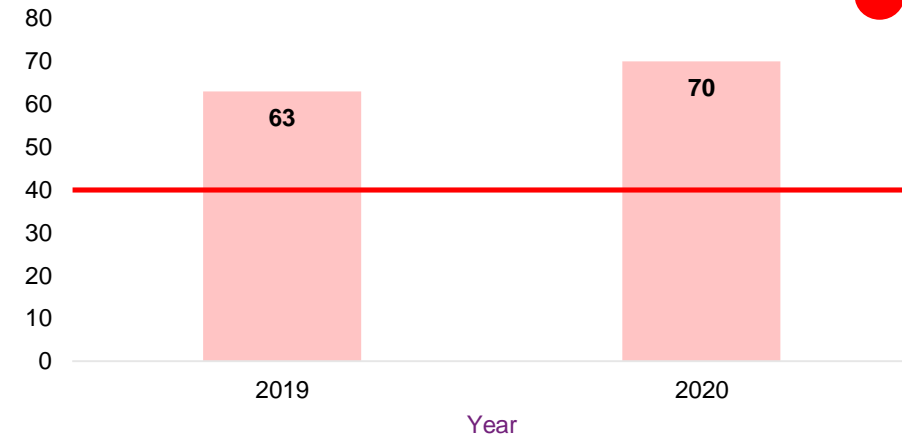
Explanation of tolerance:

- IFAD strives to maintain the percentage of substantiated and partially substantiated cases of prohibited practices concerning external parties **below or equal to 10%** per year
- Decreasing data signifies the risk is moving in a favorable direction

Commentary: This metric highlights the number of external cases submitted to the Sanction Committee in 2019 and 2020

External prohibited practices and financial integrity (L2): Fraud and corruption (L3)

Number of Allegations of prohibited practices concerning external parties reported to IFAD per year



Explanation of tolerance:

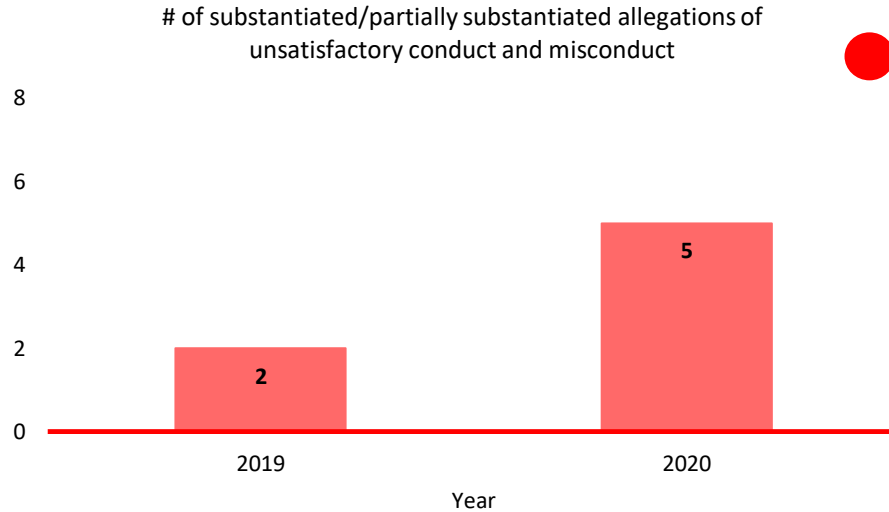
- IFAD strives to maintain the number of allegations of prohibited practices concerning external parties **below or equal to 40** per year
- Decreasing data signifies the risk is moving in a favorable direction

Commentary: This metric highlights an increasing number of allegations mainly related to the violation of IFAD's anticorruption policy (fraudulent, corrupt, collusive, coercive and obstructive practices), but also other violations not falling within IFAD's anticorruption policy

Operational Risk

Explanation of tolerance and graphical representation of trends II

Unsatisfactory conduct & misconduct (L2)



Explanation of tolerance:

- IFAD strives to have **0** cases of substantiated/partially substantiated allegations of unsatisfactory conduct and misconduct per year

Unsatisfactory conduct & misconduct (L2)



Explanation of tolerance:

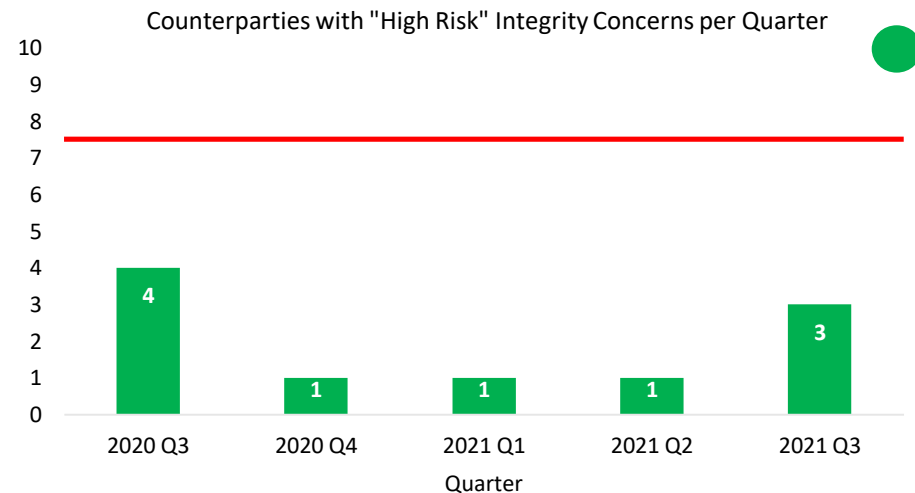
- IFAD strives to maintain the number of allegations of unsatisfactory conduct and misconduct received by ETH and AUO **below 15**
- Decreasing data signifies the risk is moving in a favorable direction

Commentary: In 2020 majority of allegations related to: code of conduct (unsatisfactory conduct) 57%, harassment 28%, abuse of authority 10%, sexual harassment 5%

Operational Risk

Explanation of tolerance and graphical representation of trends III

External prohibited practices and financial integrity (L2): Money laundering, terrorism financing or sanctions related engagement (L3)



Explanation of tolerance:

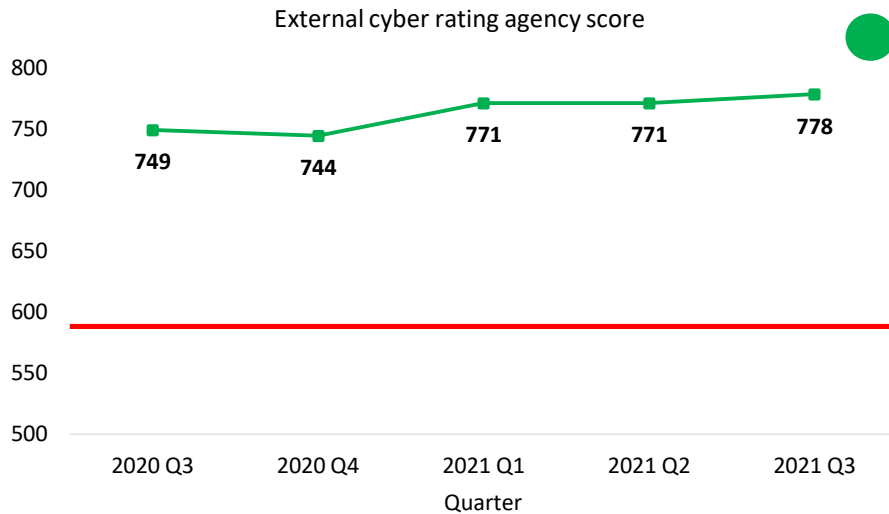
- IFAD strives to maintain the number of new and/or existing counterparties with "High Risk" integrity concerns **below 7.5**
- Decreasing data signifies the risk is moving in a favorable direction

Commentary: This set of data will become more relevant going further as FCD has only started last year to make this scrutiny. The high risky counterparts which have been identified as part of this metric, were evidenced at the time the first screening was performed. Going further FCD will screen upfront (before the on boarding of the counterpart to anticipate impact) and after the on boarding on a regular basis to detect irregularities.

Operational Risk

Explanation of tolerance and graphical representation of trends IV

Information technology and cyber security (L2): Cyber security breach (L3)



Explanation of tolerance:

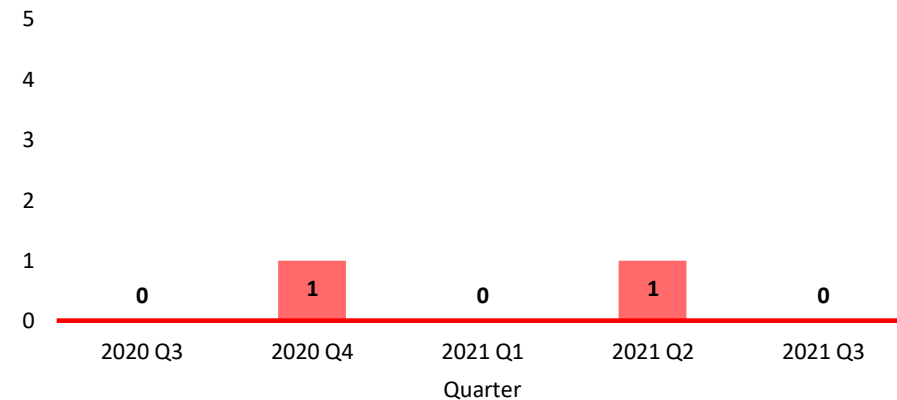
- IFAD aims at maintaining an external cyber rating score **above the average** of relevant comparators (IFIs and UN peer organizations) through the implementation of fit-for-purpose cyber security processes and controls

Commentary:

Comparator	Score on 02/07/2021
African Development Bank Group	640
European Bank for Reconstruction and Development	660
International Monetary Fund	590
The World Bank Group of Companies	620
United Nations Development Program System	430
Average	588

Security (L2): Physical security (L3)

Number of critical Safety and Security Incidents involving IFAD personnel, assets or premises recorded within in the UNDSS Security Incident Reporting System



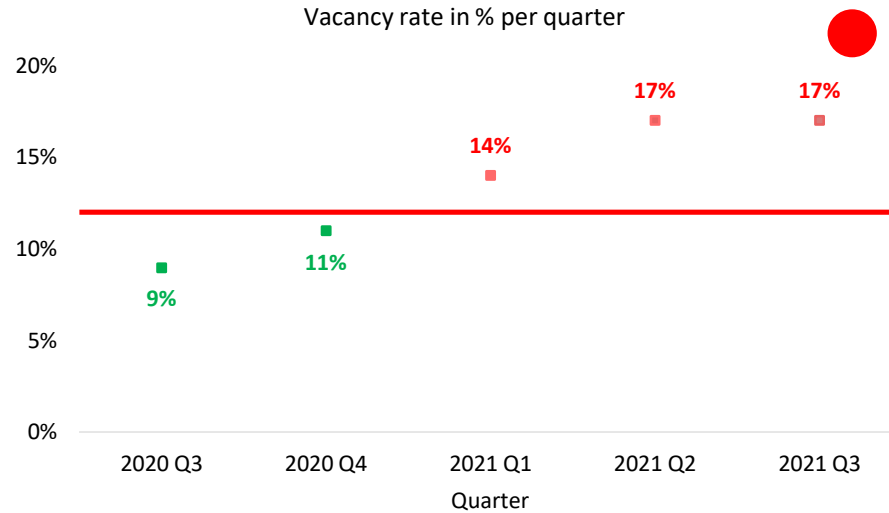
Explanation of tolerance:

- IFAD strives to avoid as much as possible the number of critical safety and security incidents. The tolerance level is at **0 incidents** per year

Operational Risk

Explanation of tolerance and graphical representation of trends V

Talent capacity and capabilities (L2): Capacity / Capability (L3)



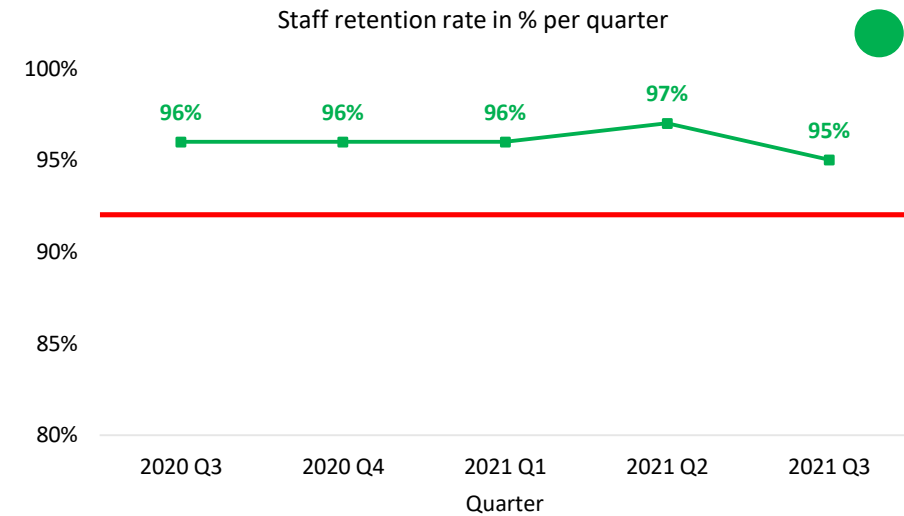
Explanation of tolerance:

- IFAD strives to have **no more than 12%** vacant positions

Commentary:

- 50 positions opened in 2020
- Average number of days to fulfil a position is 100 days

Talent capacity and capabilities (L2): Capacity / Capability (L3)



Explanation of tolerance:

- IFAD strives to maintain the rate of staff retention **greater or equal to 92%**

Commentary: High retention rate denotes a significant level of employee engagement

PROGRAMME DELIVERY RISK



Programme Delivery Risk

Summary in table view

Risk	Key Risk Indicator	Department	Threshold*	Quarterly**					Status	Trend
				2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3		
Project Scope (L2)	Average IPRM risk rating for Project Scope	PMD	≤ 2.49	N/A***	1.44	1.64	1.61	1.67	●	↑
Project Scope (L2): Technical soundness (L3)	Percentage of projects with a performance rating of Moderately Unsatisfactory or below for Likelihood of Achieving Development Objective during implementation	PMD	≤ 20.00%	8.20%	3.60%	5.00%	6.53%	7.19%	●	↑
Institutional Capacity for Implementation and Sustainability (L2): Monitoring and evaluation arrangements (L3)	Average IPRM risk rating for Institutional Capacity for Implementation and Sustainability	PMD	≤ 3.49	N/A***	1.72	2.05	1.99	2.05	●	↑
	Percentage of projects with a performance rating of Moderately Unsatisfactory or below for Performance of M&E System	PMD	≤ 30.00%	23.70%	16.60%	14.60%	12.06%	10.78%	●	↓
Financial Management (L2)	Average IPRM risk rating for Financial Management	FMD	≤ 2.49	N/A***	1.82	1.81	1.81	1.81	●	-
	Percentage of projects with a performance rating of Moderately Unsatisfactory or below for Quality of Financial Management	FMD	≤ 20.00%	23.50%	20.40%	19.00%	20.60%	16.77%	●	↓
Project Procurement (L2)	Average IPRM risk rating for Project Procurement	PMD	≤ 2.49	N/A***	1.57	1.70	1.69	1.69	●	-
	Percentage of projects with a performance rating of Moderately Unsatisfactory or below Procurement Performance	PMD	≤ 20.00%	29.30%	22.10%	21.30%	16.58%	14.97%	●	↓
Environment, Social and Climate Impact (L2)	Average IPRM risk rating for Environment, Social, and Climate Impact	PMD	≤ 2.49	N/A***	1.30	1.50	1.50	1.49	●	↓
	Percentage of projects with a performance rating of Moderately Unsatisfactory or below for Requirements of SECAP	PMD	≤ 20.00%	11.25%	10.10%	11.50%	10.55%	11.38%	●	↑

Legend

- Within tolerance threshold
- Outside of tolerance threshold
- ↑ KRI increasing in favorable direction
- ↓ KRI decreasing in favorable direction
- ↑ KRI increasing in unfavorable direction
- ↓ KRI decreasing in unfavorable direction

* Indicative

** All KRIs for Programme Delivery risk are reported on a quarterly basis. However, data is updated during supervision missions

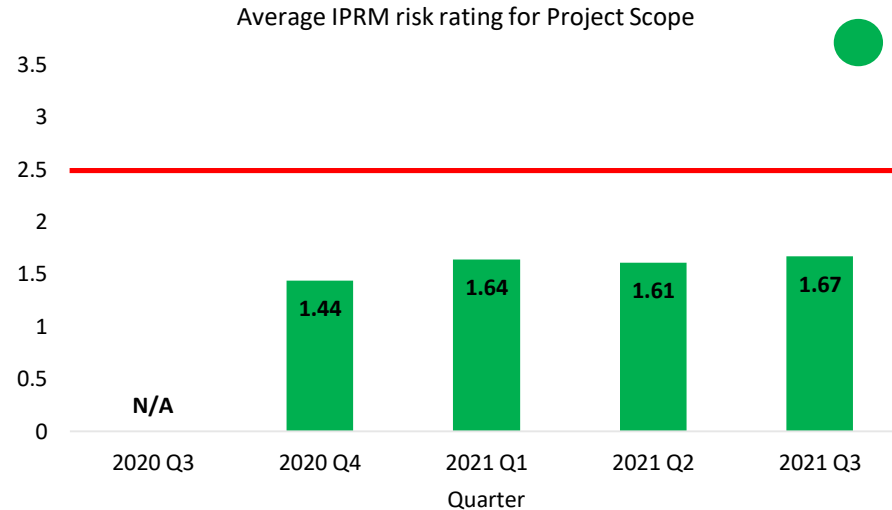
*** IPRM figures available as of 2020 Q4



Programme Delivery Risk

Explanation of tolerance and graphical representation of trends |

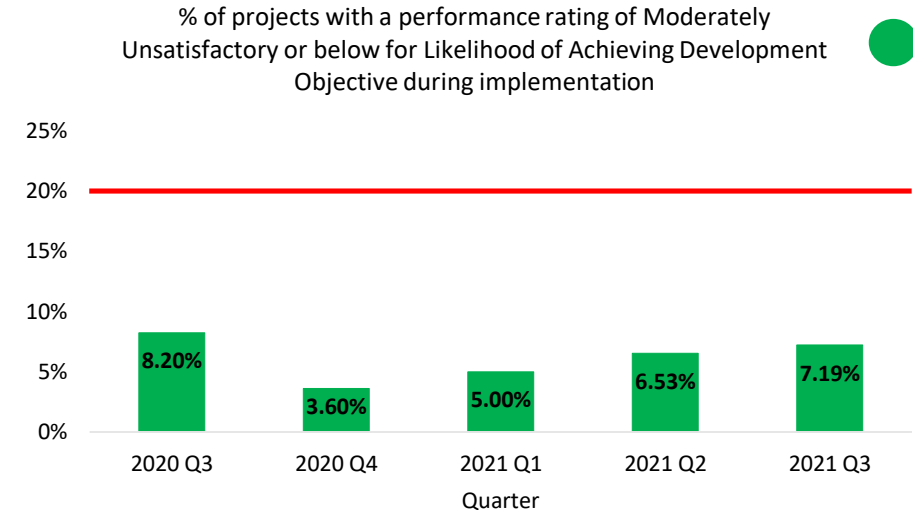
Project Scope (L2)



Explanation of tolerance:

- IFAD strives to maintain an average IPRM risk rating across all projects that remains at or **below 2.49** for project scope

Project Scope (L2): Technical soundness (L3)



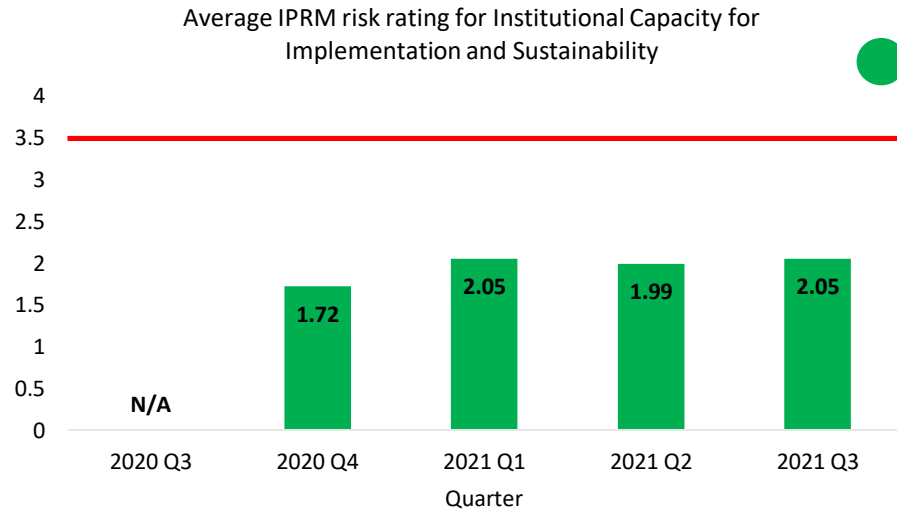
Explanation of tolerance:

- IFAD strives to have **no more than 20%** of their projects within its portfolio rated Moderately Unsatisfactory or below for Likelihood of Achieving Development Objective during implementation
- While the % of projects has slightly increased this quarter, the ratio remains within tolerance.

Programme Delivery Risk

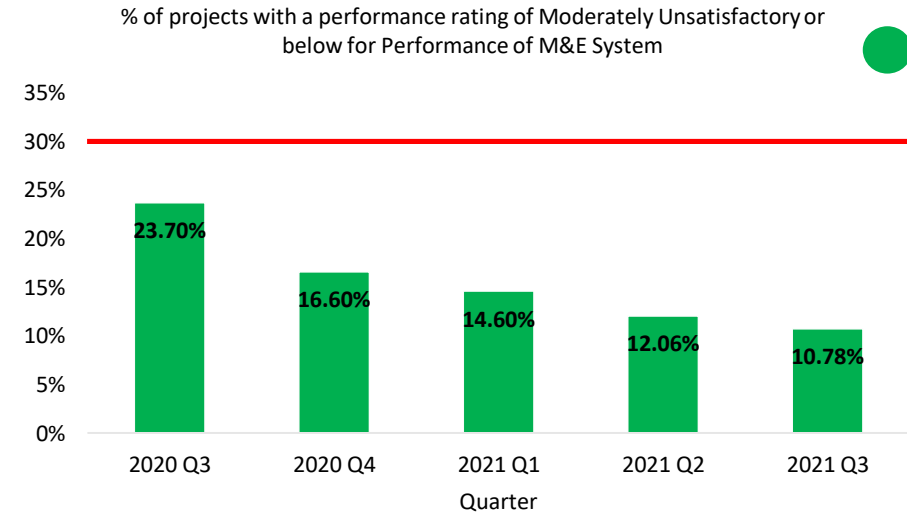
Explanation of tolerance and graphical representation of trends II

Institutional Capacity for Implementation and Sustainability (L2): Monitoring and evaluation arrangements (L3)



Explanation of tolerance:

- IFAD strives to maintain an average IPRM risk rating across all projects that remains **at or below 3.49**



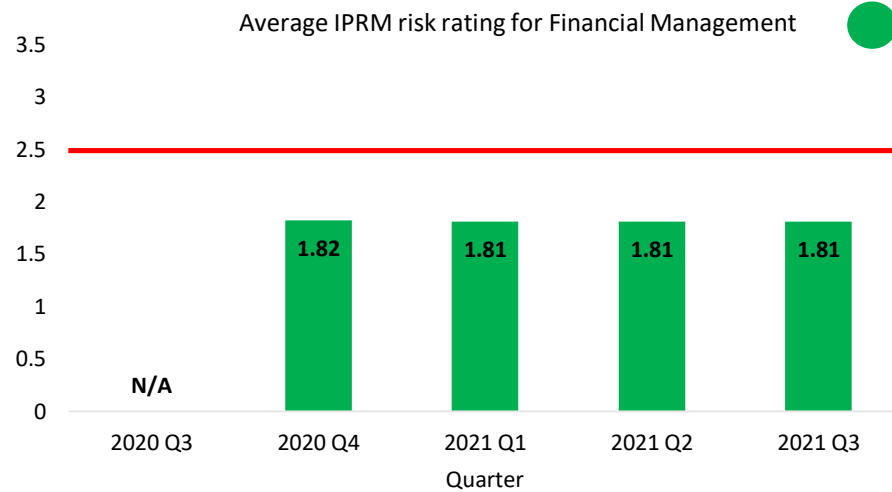
Explanation of tolerance:

- IFAD strives to have **no more than 30%** of its projects within the portfolio rated Moderately Unsatisfactory or below for Performance of M&E System
- Decreasing data signifies the risk is moving in a favorable direction

Programme Delivery Risk

Explanation of tolerance and graphical representation of trends III

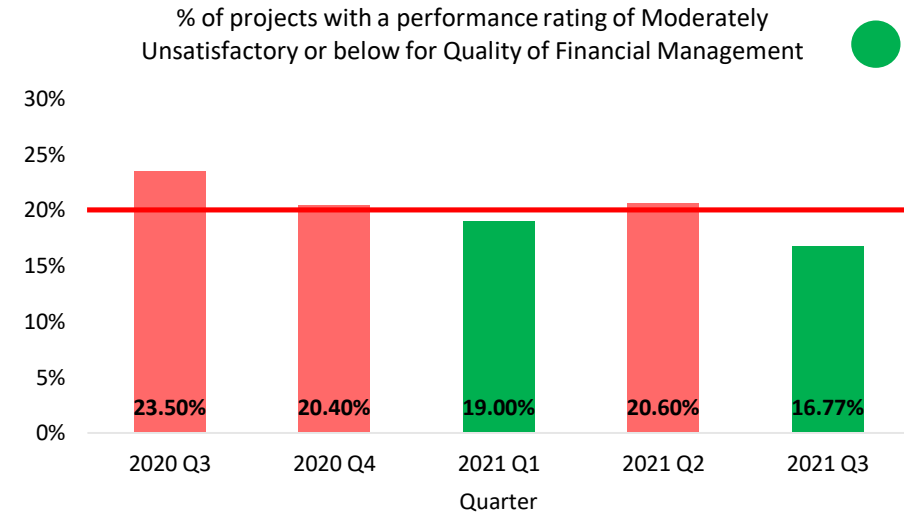
Financial Management (L2)



Explanation of tolerance:

- IFAD strives to maintain an average IPRM risk rating across all projects that remains **at or below 2.49** for Financial Management

Financial Management (L2)



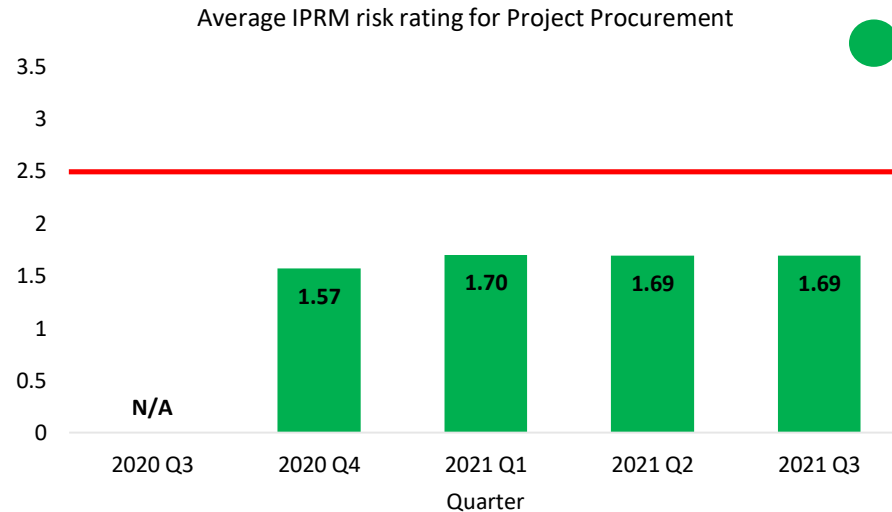
Explanation of tolerance:

- IFAD strives to have **no more than 20%** of its projects within the portfolio rated at or below moderately satisfactory for quality of Financial Management

Programme Delivery Risk

Explanation of tolerance and graphical representation of trends IV

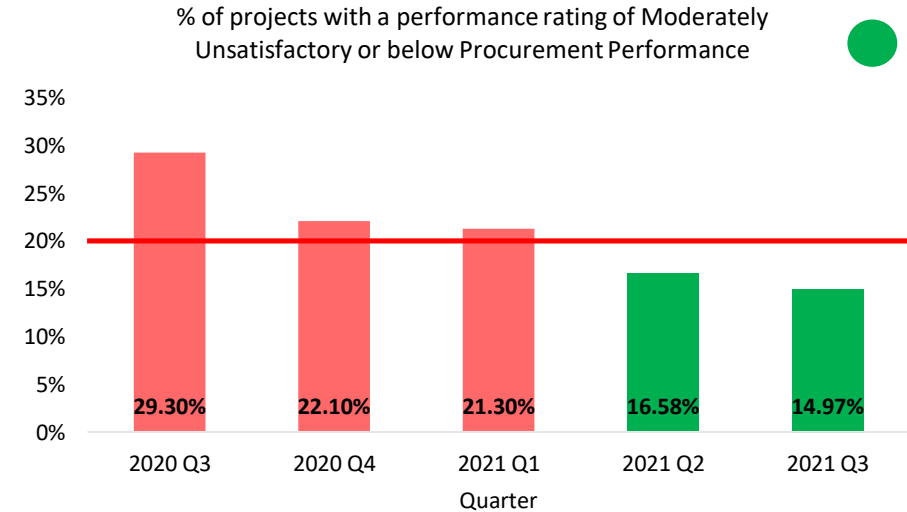
Project Procurement (L2)



Explanation of tolerance:

- IFAD strives to maintain an average IPRM risk rating across all projects that remains **at or below 2.49** for project procurement.

Project Procurement (L2)



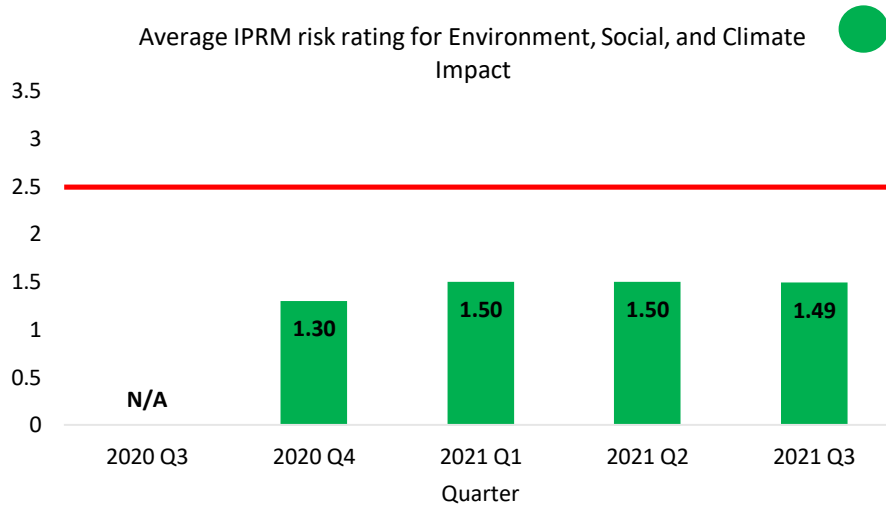
Explanation of tolerance:

- IFAD strives to have **no more than 20%** of active projects rated Moderately Unsatisfactory or below Procurement Performance
- Decreasing data signifies the risk is moving in a favorable direction.

Programme Delivery Risk

Explanation of tolerance and graphical representation of trends V

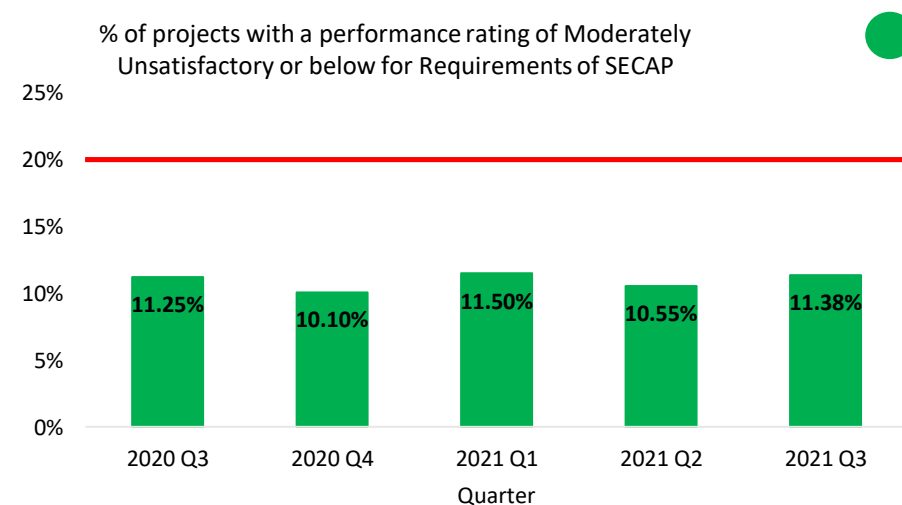
Environment, Social and Climate Impact (L2)



Explanation of tolerance:

- IFAD strives to maintain an average IPRM risk rating across all projects that remains **at or below 2.49** for environment, social and climate impact.

Environment, Social and Climate Impact (L2)



Explanation of tolerance:

- IFAD strives to have **no more than 20%** of their projects within their portfolio rated Moderately Unsatisfactory or below for Requirements of SECAP

STRATEGIC RISK



Strategy
execution
Sustainability
Adaptability
Partner
relations

Strategic Risk

Summary in table view

Risk	Key Risk Indicator	Department	Threshold*	Annually		Status	Trend
				2019	2020		
Strategy execution (L2): Planning, budgeting and resource deployment (L3)	Total disbursements per year over total approvals per year	FCD	≥100%	51.2%	94.4%	●	↑
	Budget utilization: Annual expenditures as a percentage of budget	OSB/FCD	≥97%	95.2%	90.2%	●	↓

Risk	Key Risk Indicator	Department	Threshold*	Quarterly					Status	Trend
				2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3		
Sustainability and adaptability (L2): Development outcomes (L3)	Three year rolling average percentage of projects rated Moderately Unsatisfactory or below for Likelihood of Effectiveness at Design	QAG	≤9%	9.1%	8.8%	8.9%	7.7%	8.5%	●	↑
	Percentage of projects rated Moderately Unsatisfactory or below for Sustainability at Design	QAG	≤6%	N/A	2.5%	2.5%	3.1%	3.4%	●	↑
Strategic partner relations (L2): Contributor relations (L3)	Percentage of IFAD Member States that have contributed during the current replenishment	FCD/GPR	≥55%	56.0%	57.0%	59.0%	59.0%	59.3%	●	↑
	Percentage achievement of replenishment contributions target	FCD/GPR	≥90%	88.9%	88.9%	88.9%	88.9%	89.0%	●	↑
Strategic partner relations (L2): Partnership engagement (L3)	Percentage of partnership-oriented RMF targets met during the current replenishment	OPR/GPR	≥50%	74.5%**	84.0%**	84.5%**	101.4%**	122.5%**	●	↑
				91.0%***	91.0%***	89.0%***	89.0%***	89.0%***	●	-

Legend

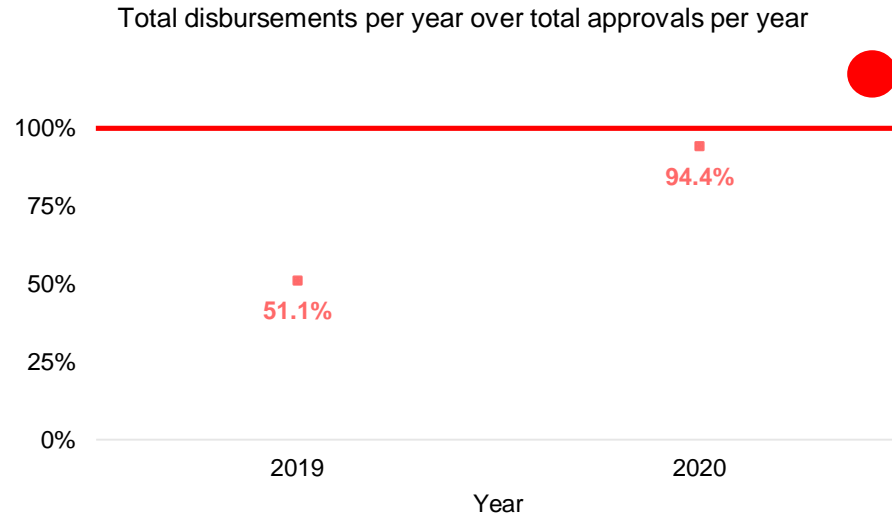
● Within tolerance threshold	↑ KRI increasing in favorable direction	↑ KRI increasing in unfavorable direction
● Outside of tolerance threshold	↓ KRI decreasing in favorable direction	↓ KRI decreasing in unfavorable direction

* Indicative
 ** IFAD11: Average percentage between international co-financing indicator and domestic co-financing indicator
 *** Partnership building measuring CCRs and Client Survey. The indicator is only updated when new client survey data is available.

Strategic Risk

Explanation of tolerance and graphical representation of trends I

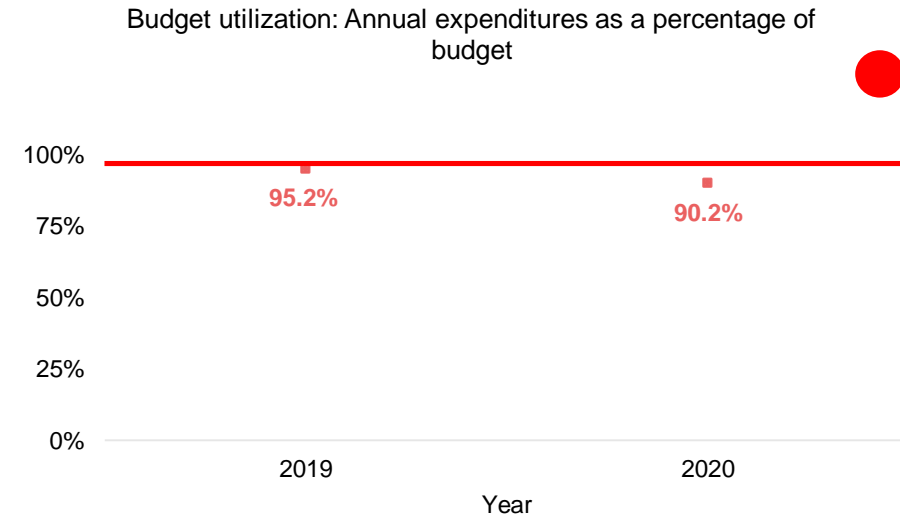
Strategy execution (L2): Planning, budgeting and resource deployment (L3)



Explanation of tolerance:

- IFAD strives a level of **at least 100%** of total disbursements per year over total approval per year

Strategy execution (L2): Planning, budgeting and resource deployment (L3)



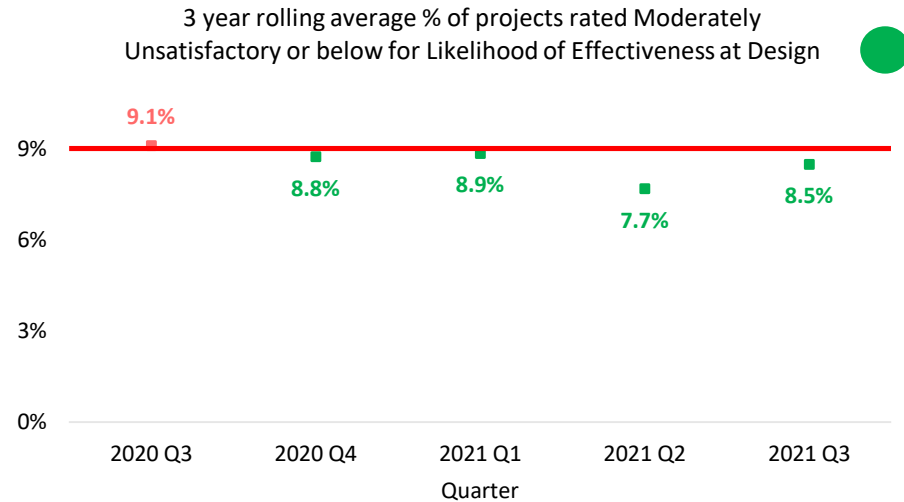
Explanation of tolerance:

- IFAD strives to maintain **at least 97%** budget utilization, which refers to annual expenditures as a percentage of budget

Strategic Risk

Explanation of tolerance and graphical representation of trends II

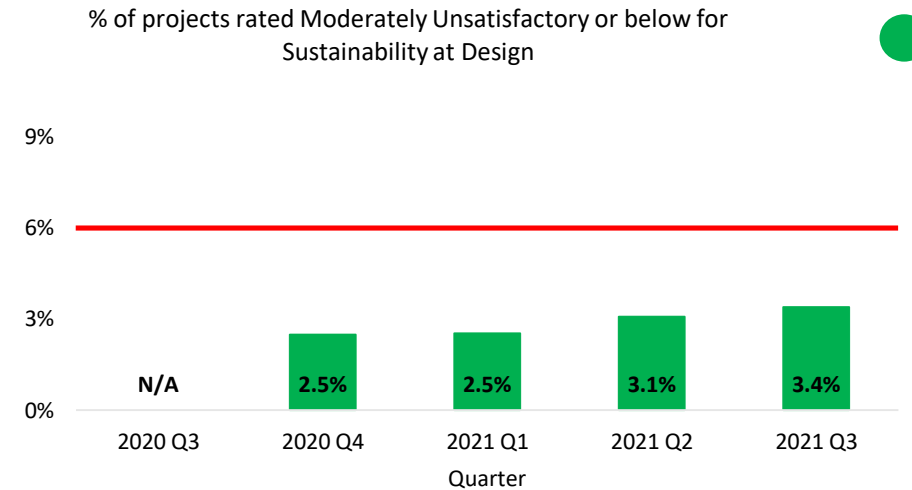
Sustainability and adaptability (L2): Development outcomes (L3)



Explanation of tolerance:

- IFAD strives to have **no more than 9%** of projects rated Moderately Unsatisfactory or below for Likelihood of Effectiveness at Design
- Due to nature of the risk, KRI is calculated on a 3-year rolling average

Sustainability and adaptability (L2): Development outcomes (L3)



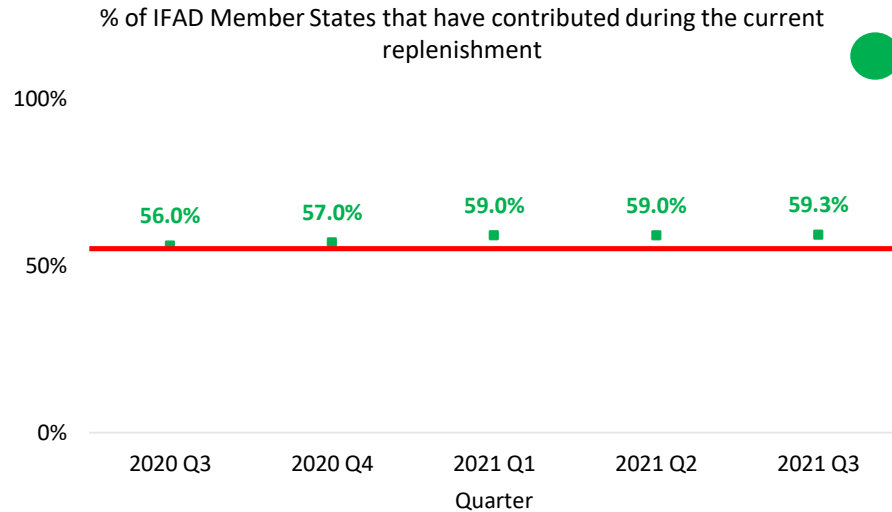
Explanation of tolerance:

- IFAD strives to have **no more than 6%** of projects rated Moderately Unsatisfactory or below for Sustainability at Design

Strategic Risk

Explanation of tolerance and graphical representation of trends III

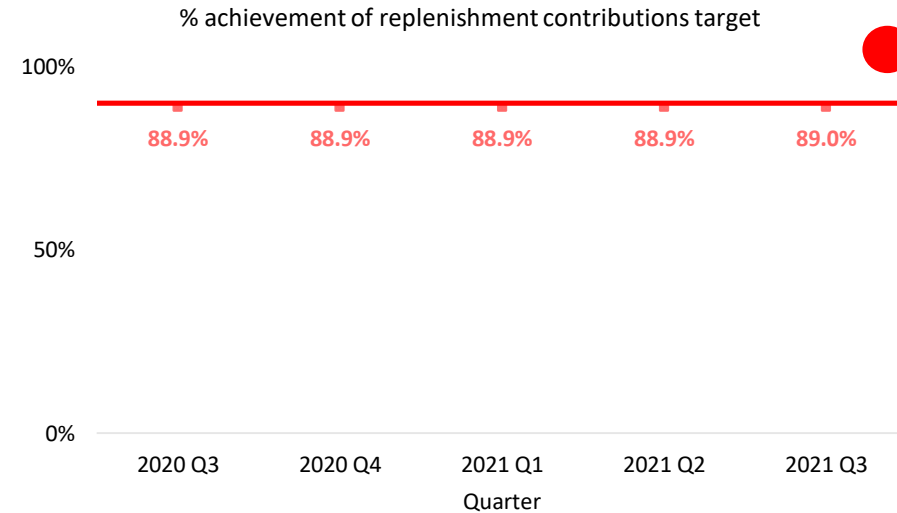
Strategic partner relations (L2): Contributor relations (L3)



Explanation of tolerance:

- IFAD strives to have **at least 55%** of Member State contributions during the current replenishment cycle
- Current replenishment refers to actual ongoing replenishment period (IFAD11=2019-2021)
- Increasing data signifies the risk is moving in a favorable direction

Strategic partner relations (L2): Contributor relations (L3)



Explanation of tolerance:

- IFAD strives to achieve a replenishment contribution target **above 90%**

Commentary:

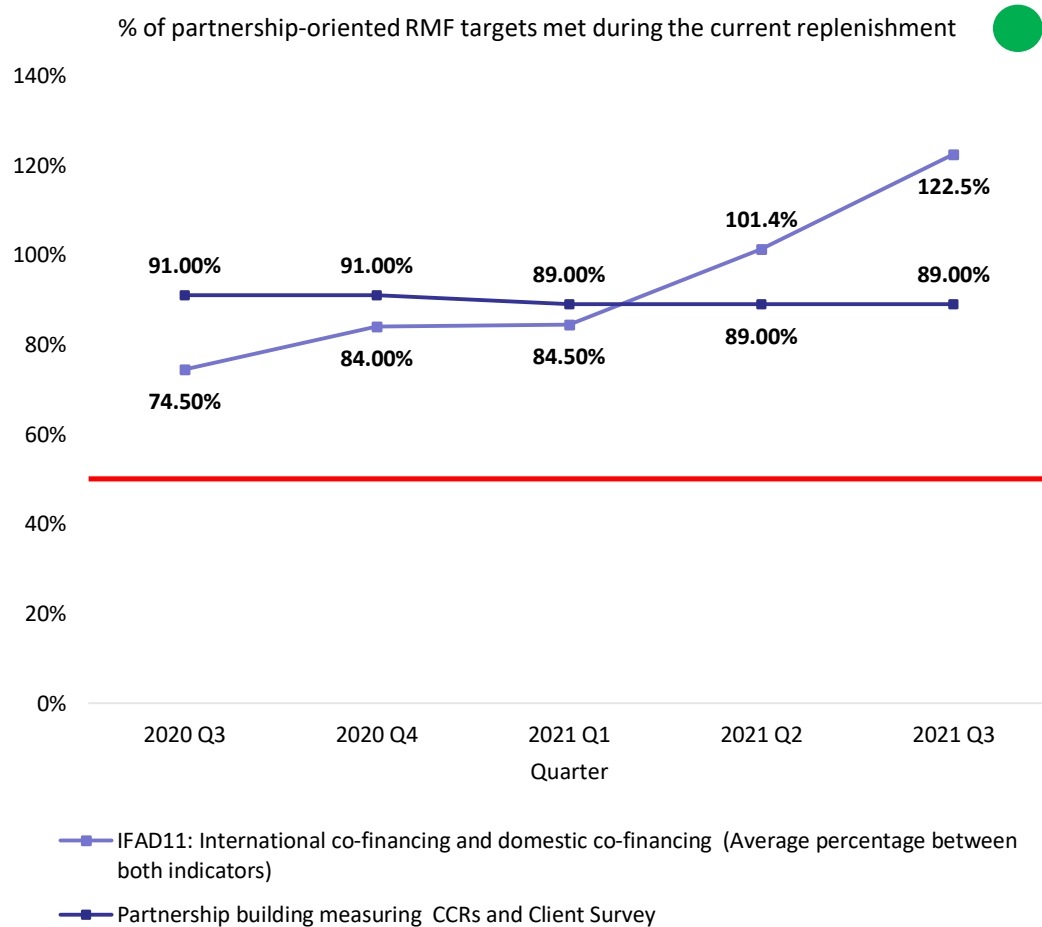
- This indicator is calculated based on the progress of core replenishment pledges to the actual ongoing replenishment period (IFAD11=2019-2021). The progress from 2021 Q2 to Q3 is linked to a new IFAD11 payment without prior pledge that was received from Guatemala (US\$75,000), and an additional complementary contribution from Luxembourg (EUR 300,000) towards IFAD11 that were both received during 2021 Q3.
- These new contributions only led to a marginal increase towards the target. For the remainder of the year there were no new or additional pledges towards IFAD11.



Strategic Risk

Explanation of tolerance and graphical representation of trends IV

Strategic partner relations (L2): Partnership engagement (L3)



Explanation of tolerance:

- IFAD strives to have **at least 50%** of partnership-oriented Results Management Framework (RMF) targets met during the current replenishment
- Current replenishment refers to actual ongoing replenishment period (IFAD11=2019-2021)
- Increasing data signifies the risk is moving in a favorable direction

Commentary:

- The indicator “Partnership building measuring CCRs and Client Survey” is only updated when new client survey data is available.

Risk Definitions I

Risk domain (Level 1)	Risk sub-domain (Level 2)	Risk drivers (Level 3)
Financial	Credit: The risk of loss of the loan principal or loss of a financial reward stemming from a borrower or counterparty’s failure to repay a loan or otherwise meet a financial contractual obligation	Default: The risk of losses resulting from the failure of an obligor to meet its payment or repayment obligations.
	Liquidity & Funding: The risk of losses resulting from the inability to meet cash flow needs in a timely manner.	Liquidity coverage: The risk of not holding sufficient liquid resources to meet all projected cash flow needs. Liquidity holdings can be also affected by the lack of marketability of assets/investments that cannot be readily sold in the secondary markets at a reasonable price or the lack of a secondary market altogether.
		Funding: The risk of losses stemming from unmatched maturities of liabilities and assets, and financing costs not developing in line with asset income, or from an inability to raise funds to finance IFAD’s operations.
	Leverage & capitalization: The risk that the Fund’s capitalization or capital position is not adequate to safeguard its ability to continue as a going concern.	Commitment capacity: The risk that capital requirements derived from the Fund’s development-related exposures are not being adequately supported by available capital. Member support: Risk that member parties fail to fulfil their replenishment contributions, resulting in a deterioration of IFAD's member support and equity position.
	Market: The risk of losses arising from exposure to changes in financial market variables (prices and rates).	Interest rate: The risk of losses arising from adverse movements in market interest rates and/or a duration mismatch between Fund assets (investment portfolio and loan portfolio) and liabilities (borrowed funds).

Risk Definitions II

Risk domain (Level 1)	Risk sub-domain (Level 2)	Risk drivers (Level 3)
Operational	<p>External prohibited practices and financial integrity: The risk of unexpected financial, material loss, or legal or reputational damage due to acts committed by an external party that misappropriate assets, or circumvent laws or regulations, or attempt to do so, which include corruption, fraud, collusion, coercion, obstruction and money laundering/terrorist financing. An external party is anyone outside of IFAD’s Staff definition, including individuals hired by IFAD under the provisions of the Handbook on consultants and other persons under a non-staff contract, vendors, recipients, and third parties.</p>	<p>Fraud and corruption: The risk that external parties use IFAD’s assets for activities other than their intended purposes, and/or conduct unauthorized activity, resulting in financial losses and reputational damage to the Fund.</p>
	<p>Unsatisfactory conduct and misconduct: The risk of potential unsatisfactory conduct and misconduct arising as a consequence of any act or omission, whether deliberate or resulting from negligence, committed by an IFAD staff member or an individual hired by IFAD under the provisions of the Handbook on consultants and other persons hired by IFAD under a non-staff contract (i.e. non-staff), in breach of the terms of their respective appointments or contracts, or any other applicable internal IFAD policy, rule or procedure –including but not limited to the Code of Conduct- which may result in reputational or actual damage to IFAD or in litigation.</p>	<p>Money laundering, terrorism financing or sanctions related engagement: The risk that IFAD engages with external parties that are sanctioned or involved in money laundering or terrorism financing, which may expose IFAD to reputational, operational or legal risks, as well as to financial loss.</p> <p><i>Level 3 risks not reported in the CRD.</i></p>
	<p>Talent capacity and capabilities: The risk arising from workforce and people-management issues, including inadequate staffing resources, skills, and volume of change/new initiatives, that could impact IFAD’s ability to deliver on its strategic framework.</p>	<p>Capacity/capability: The risk that IFAD does not have the right capabilities (skills mix) and/or capacity (FTEs) to fulfil the ambitions set out under IFAD’s strategic framework.</p> <p>Staff retention: The risk that IFAD has difficulty in retaining key resources, including loss of staff to competing actors (potentially due to incentives/benefits/retributions and career recognition not being in line with the market or main competitors), resulting in a lack of qualified personnel and loss of know-how.</p>
	<p>Security: The risk arising from workforce and people-management issues, including inadequate staffing resources, skills, and volume of change/new initiatives, that could impact IFAD’s ability to deliver on its strategic framework.</p>	<p>Physical security: The risk that physical security measures employed at IFAD premises are insufficient or ineffective in protecting assets or countering identified intentional, physical threats, resulting in potential financial losses or reputational damage.</p> <p>Personnel security: The risk that potential intentional acts committed directly against or by personnel and/or other individuals holding a service contract with the Fund are not effectively addressed by adequate and applicable security measures and culture, resulting in the serious injury or death of personnel operating on behalf of or in partnership with IFAD.</p>
	<p>Information technology and cyber security: The risk that threats and vulnerabilities to IFAD’s IT services and systems, including a cyber security attack, severely impact and compromise IFAD’s ability to function, resulting loss of key data, business interruption, and/or reputational damage.</p>	<p>Cyber security breach: The risk that a cyber-attack or a data breach affecting IFAD systems may result in the loss of confidential data, inability to conduct operations or institutional functions and/or reputational damage.</p> <p>Hardware/ software resiliency: The risk that IFAD’s IT systems are unable to recover from hardware and/or software interruption or failure, potentially resulting in business disruption and losses.</p>

Risk Definitions III

	Risk sub-domain (Level 2)	Risk drivers (Level 3)
Programme delivery	Project Scope: The risks to the achievement of project development objective(s) stemming from factors related to the scope of the project.	Project relevance: The risk that the objectives and interventions of the project are not well aligned with national development or IFAD priorities, and/or are not sufficiently relevant or responsive to the needs and priorities of the intended target group throughout the project's lifespan.
	Institutional Capacity for Implementation and Sustainability: The risk that the project executing agency, implementing partners and service providers lack the capacity to effectively and efficiently implement and sustain the activities supported by the project.	<i>Level 3 risks not reported in the CRD.</i>
	Financial Management: The risk that project activities are not carried out in accordance with the provisions of IFAD's financial regulations and that funding is not used for the intended purpose with due regard for economy, efficiency and effectiveness	<i>Level 3 risks not reported in the CRD.</i>
	Project Procurement: The risk that project procurement activities including the procurement of goods, works and services financed from the resources of the Fund, are not carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines.	<i>Level 3 risks not reported in the CRD.</i>
	Environment, Social and Climate Impact: The risk that the project may cause significant environmental or social harm or increased vulnerability to climate change impacts of temporary, cumulative, irreversible or unprecedented nature, affecting the immediate project target area and/or areas beyond it.	<i>Level 3 risks not reported in the CRD.</i>

Risk Definitions IV

Risk domain (Level 1)	Risk sub-domain (Level 2)	Risk drivers (Level 3)
<p>Strategic</p>	<p>Sustainability and adaptability: The risk that IFAD is not alert to key developments and/or is not sufficiently responsive to events and trends that affect the sustainability of the Fund’s business model and key activities, resulting in the inability to meet the Fund’s strategic objectives.</p>	<p>Development outcomes: The risk that the Fund’s programmes and activities do not support effective and sustainable development outcomes that are based on strategic objectives, resulting in the inability to meet the Fund’s development objectives.</p>
		<p>Sustainable financial architecture: The risk that IFAD does not receive the expected level of funds from contributors, lenders, and partners, does not have a strong and flexible funding position in place within a robust financial sustainability framework, and/or does not have integrity and discipline in the planning and management of financial resources over the medium term (3-6 years), resulting in the inability to meet the Fund’s strategic objectives.</p>
	<p>Strategy execution: The risk that IFAD is ineffective in allocating and deploying resources and implementation support across the portfolio of corporate initiatives and programmes/projects, resulting in the inability to consistently execute the Fund’s strategy and meet its strategic objectives.</p>	<p>Planning, budgeting and resource deployment: The risk that the deployment of staff and financial resources is inconsistent and not aligned with the current strategy of the Fund and changes in priorities are not promptly reflected in the allocation of those resources, resulting in the inability to consistently execute the Fund’s strategy and meet its strategic objectives.</p>
		<p>Quality assurance: The risk that execution is not focused on overall quality and development outcomes and that the Fund’s outputs are not subject to robust quality reviews, resulting in the Fund’s inability to meet strategic or development objectives.</p>
	<p>Strategic partner relations: The risk that partnerships and collaborative relationships, such as member state contributors and private-sector partners, are not engaged appropriately to carry out resource mobilization activities or contribute to IFAD’s programme delivery management, resulting in potential funding gaps, reputational impacts and an inability to meet the Fund’s strategic objectives.</p>	<p>Contributor relations: The risk that IFAD does not actively engage contributors, such as member states, donors and non-member state contributors, to maintain continuity of their support for the Fund’s strategy, operations and activities, or does not avoid any conflicts of interests that could arise from the Fund’s actions, resulting in potential funding gaps and reputational impacts.</p>
		<p>Partnership engagement: The risk that IFAD does not actively, inclusively and effectively engage all relevant stakeholders in its operations and activities, resulting in potential funding gaps and reputational impacts.</p>

