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Preliminary Report on Enterprise Risk Management in IFAD

Executive Board — Ninety-fourth Session
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For: **Information**

Note to Executive Board Directors

This document is submitted for the information of the Executive Board.

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Preliminary Report on Enterprise Risk Management in IFAD

I. Introduction

1. The purpose of this document is to update the Executive Board on the progress made in implementing enterprise risk management (ERM) in IFAD. It follows on from document REPL.VII/4/R.5, entitled Management of Risk at IFAD, which was prepared in the context of the Consultation on the Seventh Replenishment of IFAD's Resources.
2. Many key elements of risk management and internal control practices – such as results-based strategic planning and internal control – have already been put into place in recent years and/or are under development in IFAD. However, a formal and systematic ERM framework is now being rolled out, which should result in a more defined approach to risk. This framework will mean that issues affecting the achievement of objectives are managed earlier, thereby improving IFAD's ability to carry out its mission and achieve its objectives; it will also bring IFAD processes in line with best practice.
3. As highlighted during the Seventh Replenishment Consultation, IFAD Management has committed itself to implementing ERM, gradually and in a structured manner, within IFAD Management's decision-making processes, building on existing resources, tools and practices rather than creating new permanent structures and positions.

II. Recent steps taken on ERM

4. Since document REPL.VII/4/R.5 was issued, the main ERM-related activities and achievements have been as follows :
 - Implementation of more robust project and grant processes and procedures. These include quality enhancement and quality assurance of project and programme design through internal and external project reviews, to improve the likelihood of success in project objectives, outcomes and outputs. Improvements have also been made in project implementation support via specialized training for all staff directly involved in projects, to put into effect the recently issued IFAD Policy on Supervision and Implementation Support and guidelines; more rigorous follow-up of audit reports directly by regional divisions; and greater knowledge generation and management through increased country presence. The recently approved Results Measurement Framework focuses on the quality of projects at entry, during implementation and at completion and thereby contributes to the enhancement of IFAD's operational effectiveness by measuring and reporting operational results;
 - Strengthening of administrative and financial processes and legal instruments, in particular, the issuance of procedures for results-based country strategic opportunities programmes, country presence, direct supervision and insurance coverage;
 - Integration of risk management into IFAD's strategic planning and results management processes through the corporate planning and performance management system ("improved risk management" is one of the eight IFAD corporate management results). A corporate risk register, underpinned by risk monitoring and escalation processes, has been established and is in full operation;

- Consolidation of the asset liability management (ALM) section, whose activities focus on the management of all IFAD assets, liabilities and their interrelated risks. The ALM section's core functions are to support corporate decision-making by projecting and monitoring the use and availability of lending and resources, and by analysing and monitoring financial risks. It also implements the IFAD Liquidity Policy, which was approved by the Executive Board in December 2006, and monitors closely investment portfolio performance and risk tracking;
 - Establishment of two investment and finance advisory committees and resumption of activities by the IT governance committee, with revised responsibilities;
 - Implementation of the IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations (anticorruption policy) and dissemination of related communications via brochure and website. Establishment of an investigative section, investigation and sanction processes and a harassment investigative panel; and
 - Designation of a corporate risk champion (the Vice-President) and the establishment of an ERM committee.
5. The composition of the ERM Committee includes two members of Senior Management in addition to representatives from all departments, with the Director, Office of Audit and Oversight acting as observer. The committee's role is to establish and guide the development of ERM in IFAD, coordinating the implementation thereof and review and monitor ERM processes and outputs on a regular basis. It follows an annual workplan, which is updated continually.
6. Since its establishment, the ERM Committee has championed the following initiatives:
- Organization of a brief ERM presentation for Senior Management;
 - Launch of internal ERM intranet site;
 - Drafting of ERM policy;
 - Drafting of other ERM framework documents, such as internal controls framework; and
 - Establishment of the corporate risk profile and risk mapping.

III. Forward programme

7. Ongoing activities and activities planned for the short- and medium-term include the following:
- Formalization of risk management and internal control frameworks;
 - Institution-wide awareness-raising of ERM, with a particular focus on training for the senior and middle management teams;
 - Ongoing development of the divisional and corporate risk profiles within the context of performance conversations (i.e. the dialogue surrounding the performance evaluation process); and
 - A President's report on the status of ERM activities to be presented annually to the Audit Committee, prior to its submission to the April session of the Executive Board.

