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**Statement by Mr. Bevilaqua, Mr. Saraiva, and Mr. Fuentes on 2020 Mid-Year Risk Update
(Preliminary)
Executive Board Meeting
June 11, 2020**

We thank the Office of Risk Management (ORM) for the Mid-Year Risk Update, the productive bilateral engagement with our office and the informative presentation. We also thank the First Deputy Managing Director for his statement on the Mid-Year Risk Update. In the context of the Fund's unique mandate, we commend the work of ORM in strengthening the risk management function and the progress in furthering greater integration to other areas within the Fund and promoting earlier involvement in the risk assessment process. **We broadly concur with the characterization in the Mid-Year Risk Update of the Fund's enterprise risk profile and the measures implemented to strengthen risk management.** That said, we also acknowledge that at this juncture, the extreme levels of uncertainty caused by the COVID-19 pandemic require proactive risk monitoring and communication to adequately deal with these exceptional circumstances. We defer a deeper discussion of the risk function itself for a later occasion when the audit report is brought to the Board.

We commend the focus on resource adequacy in the report as risks associated with the GRA and the self-sustainability of the PRGT have intensified substantially. The acute deterioration of global macroeconomic conditions continues to drive a rapid increase in demand for Fund financial assistance. In this context, PRGT currently available resources are considered insufficient even to meet the baseline scenario. While fundraising efforts are underway, it is paramount to secure that adequate resources are mobilized in a timely manner to ensure an evenhanded support for countries. Moreover, while quota and borrowed resources may be adequate to meet the expected demand for GRA associated with the WEO baseline scenario, the likelihood of having to activate the NAB, or even the BBAs, has increased substantially. Maintaining the current resources envelope of the IMF through a doubling of NAB and a new round of BBAs is crucial and is still an unfinished task.

However, in the absence of quota revision, the Fund exposes itself to the risk of depending on temporary sources like the NAB and BBAs. Moving forward, we should consider anticipating the calendar established for the 16th General Review of Quotas (GRQ) to reinforce the Fund's role at the center of the global financial safety net.

While the conditions imposed by the pandemic have shown the feasibility of further exploring efficiency gains, we should remain alert to the risk of having the higher demand for Fund services constrained by lack of budgetary space. The unprecedented circumstances have made work less dependent on physical presence than previously thought. The savings generated in travel and events could be a valuable lesson of this crisis regarding Fund operations, enhancing the use of technology for surveillance, program work and capacity development. The current ongoing experience suggests that, in some cases, missions to members countries could be shorter, with less staff, more focused or conducted remotely without any major impact. Therefore, it is possible that a “blended approach” to the Fund's model of conducting business with the authorities could be implemented with the experience gained during this pandemic, warranted that due regard is paid to the needs and constraints of country members with low IT capacity and fragile states. That said, the hard ceiling for the budget needs to be closely monitored and should not unduly hamper the ability of the Fund to deliver critical service to the membership, in particular to countries in most need.

At the same time, while the Fund has successfully transitioned to working from home, the workload and pressure on staff have mounted considerably. We must be aware that working from home for an extended period and under heightened pressure can present unique challenges to work-life balance that may slow down productivity, hinder collaboration and affect staff's wellbeing. At this juncture, the ongoing implementation of streamlined HR procedures to help manage human capital risk is essential during this transitional period. In addition, considering the uncertainty associated with the post-crisis recovery and the expected demand for further emergency financing and upper-credit tranche (UCT)-quality programs, we strongly support the measured use of re-hiring recent retirees and contractual employees to boost staff experience and help avoid compromising the quality of the advice and policy guidance provided by the Fund. While we acknowledge that human resources pose emergency risks, given the long-term nature of human resources policy, we could not overemphasize the importance of continuous action to secure a smooth replacement of the experienced staff that is projected to retire in the next couple of years.

As extreme uncertainty lingers, the Fund must be prepared to continue playing the role of a primary risk-bearer for longer than expected. The Fund has been an essential “first responder” to the COVID-19 crisis with unprecedented speed and magnitude of financial assistance under extraordinary circumstances. Indeed, the multilayered risk management framework and precautionary balances in place remain critical to effectively enable the Fund

to fulfill its unique mandate. Taking more risk when the world economy is failing is exactly what one expects from the institution that lies at the center of the global financial stability net. That said, the de facto increase in enterprise risk as part of the response to the crisis should be coupled with strong safeguards. In this regard, the upcoming November 2020 review of the institutional risk acceptance framework will prove to be a great opportunity to strategically incorporate the preliminary lessons learned from the Fund response to this crisis and strengthen the risk management framework, while avoiding inducing an overly risk-averse culture.