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**Statement by Mr. Lischinsky and Mr. Morales on 2020 Mid-Year Risk Update
(Preliminary)
Executive Board Meeting 20/70
June 11, 2020**

We thank the Office of Risk Management (OFM) for the clear reports and the First Deputy Managing Director for his Buff statement. The role of the Fund in helping manage global risks has been at the forefront of the global response to the pandemic. As a result, affected members were able to mobilize resources rapidly to mitigate the impact of the pandemic on their economies. It is only natural that this unprecedented effort carries enterprise risks for the Fund, while key pre-existing risks still remain.

Emerging risks related to COVID-19 are correlated with the speed of the response to the global challenge. Consequently, other areas of the external and internal environment have been less prominent while global prospects remain uncertain. The share of emergency financing disbursements has increased. However, this is a reflection of rapid changes in the global environment more than an additional risk in itself. The main concerns in this regard are associated with making oversight consistent with this portfolio shift, at the time when global economic and financial uncertainty remains high. On the other hand, while we agree that the institution has largely met crisis-related business needs, remaining risks related to significant pressures on staff are a concern, especially since many ad-hoc work arrangements are still in place.

We welcome Box 1 summarizing key risks and mitigation priorities. Regarding program and credit risk, there is clearly a need to adapt the way the Fund operates to the current environment. In this regard, ensuring an adequate resource envelope

is still a challenge for PRGT activities, which are expected to be mitigated through ongoing efforts to augment PRGT resources and replenish the underfunded CCRT. Regarding GRA resource adequacy risks, additional demand highlights the possible need to accelerate the 16th Quota Review.

We reiterate that mitigating human/budget resources risks would require a continuous effort to ensure optimal allocation of resources without compromising the well-being of Fund staff. In particular, the increased workload merits closer attention, especially in an environment where many procedures have accelerated. Ensuring adherence to the Fund's mandate, and to its policy and legal framework, requires the right balance of experienced staff and technical expertise for a higher number of countries. We appreciate that swift actions have helped mitigate immediate human capital risks, but to achieve medium-term goals, including diversity and inclusion, at a time when the Fund is adapting to new challenges, could put an undue burden on staff if this is not addressed in a holistic manner.

We find it natural that the risks to the medium-term budget have increased. In the recent budget discussion, there were some examples of small countries that have not been interacting with the Fund as much as they had desired. In addition, although the informal staffing arrangements have served their intended purpose, a full adaptation to the new rising demands carries the risk of the Fund not delivering on its commitments effectively under the current envelope. Moreover, it is clear that many countries will be demanding capacity development from the Fund even before the pandemic recedes, and that the remote provision of capacity development works better for some instances (e.g., long-term advisors) than for others, which may require consideration of the allocation of the Fund's own resources to these purposes, in addition to donor resources. Overall, meeting the flat-real budget has shown adherence to budget discipline across the Fund, but the policy of asking for continuous re-prioritization may be reaching its limits.