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June 9, 2020

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

We thank the ORM for the quality of its documents and Management for its Buff statement. Unsurprisingly, the Covid-19 crisis has increased the enterprise risk landscape for the Fund. However, at a time where the Fund is more needed than ever, the institution has been able to step up its activity while maintaining adequate safeguards. While the current environment and future path of the Covid-19 pandemic remain highly uncertain, risks are going to remain elevated for a while and could increase further in the months to come. In this regard, it is essential that the Fund continue to play its countercyclical role. To do so, maintaining adequate Fund resources while keeping sufficient safeguards in place and limiting operational risk will be essential. With these general comments in mind, we would like to make the following remarks for emphasis:

- **While risks linked to the use of Fund resources have indeed increased, we see this evolution has fully warranted by the ongoing crisis.** Increased risks in the use of Fund resource is a de facto result of the approval of the new financing requests and policies over these last 3 months. Overall, the Fund responded to this crisis as requested by its mandate and with appropriate safeguards. While the number of emergency programs is indeed a risk in itself, these arrangements are fully warranted by the situation and their total volume remains relatively small. While we recognize the higher likelihood of successor arrangements, we would like to highlight that the true underlying risk would be for the Fund not to be present for countries that need its help, and the involvement of the IMF is a risk mitigant in itself.
- **Risks to the adequacy of Fund resources have indeed significantly increased due to the Covid-19 crisis.** Against this backdrop, it is key to continue to closely monitor potential future needs. For GRA, this means preparing contingency plans in case a downside scenario materializes. For PRGT, given the immediate need for additional resources, it is key to intensify current fundraising efforts while exploring all options to improve the PRGT self-sustainability.

- **We agree that the rapid response of the Fund to the crisis has helped to mitigate strategic and reputational risk.** However, we also think that the absence of a general SDR allocation at a time where the membership is under such tremendous pressure is one of the biggest limitations of the Fund crisis response to date, which clearly entails further strategic and reputational risk for the institution.
- **We concur that the crisis is putting the medium-term budget under significant pressure.** We take note of the post-COVID-19 baseline scenario and the urgent increase in resources need it entails. We will carefully explore the options regarding the FY2021-23 medium term budget and stress the need to formulate proportional additional resources request that considers the full potential for budget reallocation.
- **We agree that the crisis is putting significant pressure on human capital and we commend management for the swift mitigation measures taken.** We concur with ORM that increased workload and challenges to work-life balance under WFH are putting a strain on staff's wellbeing, with caregivers of young children particularly affected.
- **We remain particularly concerned by the level of risk to information security and we want to ensure that the ORM and management continue to prioritize risk mitigation in this area.** We are disappointed by the announced delay of the information security roadmap. *Could staff elaborate on what could be done to avoid such delay and which additional measures could be taken to lower information security risk more promptly?* Risks regarding the over dependence on a limited subset of IT vendors should also continue to be a strong focus of the ORM.
- **While we think it is important to discuss how to improve enterprise risk management, we are concerned that focusing too much resources on this agenda while the Fund is under pressure.** We think risk management has dramatically improved over the last years and we remain convinced that the existing risk management framework, notably through the review process, is broadly adequate. While resources are constrained, and some areas such as information security will call for additional resources, we have strong doubts regarding the opportunity to undertake a profound reorganization of enterprise risk management at the current juncture. We hope that the coming discussion on ERM will help to improve risk management at the Fund while remaining careful in terms of additional resources. Regarding the specific proposal to improve the ex-ante risk assessment for large programs, while there may be some scope to improve information given to the board on enterprise risk, we stress the need to avoid hampering the fluidity of program preparation and approval and we would not support a proposal aiming at creating a parallel review process to the existing one.