

BUFF/20/13

CONFIDENTIAL

June 5, 2020

**Statement by the First Deputy Managing Director on the
2020 Mid-Year Risk Update
Executive Board Meeting
June 11, 2020**

1. The COVID-19 pandemic is an unprecedented challenge for the world economy and is a key driver affecting the enterprise risk landscape of the Fund. The Fund's decisive and swift response to support the membership during the crisis in line with its mandate is helping to mitigate risks to the membership and strategic and reputational risks to the Fund. At the same time, the Fund's response requires us to manage a range of enterprise risks. The 2020 Mid-Year Risk Update provides a comprehensive picture of shifts in the enterprise risk profile across all of the Fund's business areas, while focusing on the risks associated with Fund lending, resources, and related internal operations. While the Fund is mitigating enterprise risks, important residual risks remain that are compounded by the operating environment, including the unprecedented uncertainty around the path of COVID-19 and its impact on the membership and the Fund, the Fund's reliance on third parties, and the external cyber threat landscape.

2. A robust enterprise risk management function is important for any large institution and Management is carefully considering enhancements to the risk function at the Fund. These deliberations will be informed by the upcoming internal audit recommendations and discussions with the Executive Board. More closely embedding risk considerations in day-to-day decision making remains a priority, building on the extensive risk management framework already in place. For example, key Fund policies and assessments are an endogenous part of the Fund's lending framework, where they play a critical ex ante risk assessment role.

3. Meanwhile, the risk management function has continued to advance since the 2019 Risk Report and to adapt to the challenges posed by the COVID-19 pandemic. As envisaged, regular informal engagements on risk have been held with the Executive Board and monthly information on financial and program metrics is being provided to Executive Directors. Enterprise risk considerations are integrated into key Fund processes and procedures, including the budget, Board work program, and operational crisis response, and are being reflected in key policy papers, including those responding to the pandemic. The Office of Risk Management keeps close track of risk events, participates in Fund-wide crisis response

initiatives and discussions, and provides regular updates to management and the Fund Risk Committee on key enterprise risks.

4. The Fund Risk Committee, which I chair, is an important part of risk governance, and provides a forum for discussing key enterprise risks. I have moved to focus the committee's discussions more closely on risks associated with the Fund program portfolio and resources, and to convene meetings on a monthly (not quarterly) basis during the crisis. The committee has also continued to facilitate the prioritization of risk mitigation initiatives, based on Board-endorsed directions and the challenges presented by the COVID-19-related crisis.