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**The Acting Chair's Summing Up
2020 Mid-Year Risk Update—Enterprise Risks and Mitigation Amid COVID-19
Executive Board Meeting 20/70
June 11, 2020**

Executive Directors welcomed the 2020 Mid-Year Risk Update focusing on enterprise risks associated with the COVID-19 crisis. They broadly concurred with the analysis and appreciated the updated picture of how risks have shifted across the Fund's business areas since the 2019 Risk Report. While the pre-crisis risk mitigation efforts had progressed in most areas as envisaged in the previous report, the Fund's move to a crisis footing delayed some of those efforts.

Directors underscored the importance of the Fund's decisive and timely response to the crisis in line with its mandate to support the membership. The response has helped members deal with the crisis and mitigated strategic and reputational risks for the Fund. At the same time, Directors noted that the COVID-19 crisis has increased the Fund's enterprise risk profile, both directly and through its impact on members. While key risks are being mitigated, some residual risks have risen reflecting in part the limits of mitigation in the short term and risk drivers that are beyond the Fund's control (notably the pandemic itself).

Directors noted that risks related to Fund lending have risen as the Fund increased its financial support to the membership. They concurred with the mitigation priorities outlined in the Update, calling for further strengthening the ex-ante discussion of enterprise risks for large financial and operational decisions building on existing controls, recognition and recording of key risk tradeoffs, ex-ante safeguards (including assessments of debt sustainability, capacity to repay, and external financing need), evenhanded application of governance measures to ensure the appropriate use of Fund resources, greater use of contingency planning in programs, and plans for dealing with the challenges of high debt cases. Directors looked forward to a discussion of the Fund's precautionary balances, with some Directors highlighting the need to reflect risk considerations in determining credit buffers. A number of Directors stressed that measures to mitigate risks in the use of Fund resources should be balanced with ensuring timely financing support to members. Some other Directors noted that such measures lead to better-informed decisions and not necessarily to less financial support. A few Directors highlighted the importance of ensuring evenhandedness in the application of prior actions when required by the policy for

emergency financing. Directors noted that more active engagement with country authorities through policy advice and capacity development (CD) will help further mitigate lending and surveillance risks. Close attention to CD implementation and funding risks will also be important.

Directors agreed that risks to Fund resources remain elevated, highlighting the need to closely monitor the adequacy of the resource envelope together with a thorough assessment of financing needs. A few Directors also emphasized the need to carefully consider access vis-à-vis the Fund's lending policy and safeguards. Remaining vigilant to activating the NAB and the bilateral borrowing agreements, when needed, and having a contingency plan would also be important. Directors reiterated the need for continued efforts to mitigate risks to Fund resources, including through fund-raising for the PRGT, and for progress with governance reform under the 16th General Review of Quotas. Some Directors also reiterated a call for a general SDR allocation.

Directors appreciated that internal operations have responded to the crisis challenges effectively, validating prior risk mitigation that identified crisis priorities ex ante and ensured adequate technology. They acknowledged the effectiveness of the Crisis Management Team in coordinating the crisis response with consistent support from management. They welcomed the measures to mitigate the human capital risks and urged continued monitoring of residual risks to staff's well-being and staffing risks. Stronger efforts will also be needed to achieve staff diversity targets. Many Directors acknowledged a likely need for additional resources, including to enable the Fund to reengage in surveillance effectively. Many other Directors, on the other hand, emphasized seeking further efficiencies through resource reallocation. A few of these Directors recommended focusing the Fund's work on core or crisis-related issues. Directors stressed that any request for additional resources should be fully justified. Directors looked forward to an operational resilience risk mitigation roadmap that includes lessons from the recent experience.

Directors expressed concern about the delay in completing the information security roadmap. They called for the roadmap to be prioritized and completed without more delays. Directors welcomed the resumption of work on extending the information security policies to OED personnel, and encouraged swift completion of the effort. They took note of third-party risks arising from the Fund's growing reliance on managed services and called for moving forward urgently with the next phase of third-party risk management. Directors also emphasized the need for continued efforts to address residual risks related to the Fund's modernization agenda and change management.

Directors stressed the importance of robust enterprise risk management at the Fund. They appreciated ORM's regular informal engagement with the Board in recent months, the increased flow of information on financial and program metrics, and other moves to strengthen risk management. They also highlighted the importance for risk management of

appropriate communication. Directors looked forward to an initial informal briefing in September on the institution's risk acceptance, prior to the formal review at the time of the annual Risk Report in November. Some Directors saw a need to further embed risk management into the day-to-day decision-making of the Fund. Directors looked forward to the results of the upcoming audit of the enterprise risk management function and the subsequent discussions on enhancing risk management at the Fund, including ORM's reporting lines, mandate, and resources.