



SPOTLIGHT

MANAGING RISK

Globally, the risk environment is ever changing and ever more complex. To operate effectively and deliver on our commitments to poor rural people, IFAD needs to be able to manage those risks effectively. Risk management is an ongoing process and in 2022 we took a variety of steps to enhance our capacity to identify, assess and monitor ongoing and emerging risks, taking appropriate actions to safeguard ourselves in the global contexts of today and tomorrow.

In 2022, IFAD's risk management function focused on several priorities, including enhancing its policies and tools, improving data quality and strengthening partnerships with key partners in the global risk management sphere – such as ratings agencies and the chief risk officers of multilateral development banks. We also prioritized improving risk management communication and awareness inside and outside IFAD.

OVERALL, THIS HAS CONTRIBUTED TO IMPROVEMENTS IN THE DEGREE TO WHICH RISK MANAGEMENT IS EMBEDDED IN CORPORATE DECISION-MAKING, AS ACKNOWLEDGED BY S&P GLOBAL RATINGS IN OUR RATING REPORT, WHICH CONFIRMED OUR AA+ RATING.

From a more day-to-day perspective, IFAD's Office of Enterprise Risk Management focuses on implementing its risk-tailored tools and processes in matters where IFAD may be running financial, operational, programme delivery, strategic, reputational or other emerging risks.

This encompasses analysing risk-related issues emerging in the ordinary operational cycle of IFAD, communicating the results of assessments, providing independent opinions and ultimately guidance for risk mitigation, and performing monitoring and reporting activities.

MORE BROADLY, WE HAVE STRENGTHENED ORGANIZATION-WIDE RELIANCE ON THE ENTERPRISE RISK MANAGEMENT AND RISK APPETITE FRAMEWORKS. THIS HAS IMPROVED ATTENTION PAID TO RISK APPETITE, RISK TOLERANCE AND THEIR MANAGEMENT, EMPHASIZING IMPLEMENTATION SUPPORT AND HARMONIZATION WITH THE PRACTICES OF OTHER INTERNATIONAL FINANCIAL INSTITUTIONS.

With regard to financial management, report-based disbursement, using interim financial reports, has been rolled out to all IFAD-funded investment projects. This measure rebalances fiduciary oversight and internal controls across disbursement, supervision and project auditing. The reports will also provide analysed data for financial management risk assessment, and they will serve as joint monitoring tools, both internally and externally.

Also in 2022, building on the creation of the Financial Crime Unit, IFAD launched an enhanced industry-standard financial crime software solution. This tool screens all IFAD vendor and partner master files against more than 2 billion entries in the LexisNexis databases. We also introduced robust financial crime procedures. These codify how IFAD practically – and in an automated manner – checks for financial crime (money laundering, financing terrorism or violating sanctions) on a daily basis. Specialized training on financial crime and personal data privacy was provided to 180 staff globally. As a consequence of this work, IFAD has become the first United Nations agency to have put into action a financial crime policy and procedures.

The development of basic electronic and secure digital signature guidance is another way we are safeguarding IFAD against financial crime and other risks.

The guidance will allow IFAD's staff to identify when to use basic electronic signatures, secure digital signatures or wet-ink signatures, according to the level of risk. As well as reducing the risk of financial crime, this is improving information security and adding efficiency to IFAD business processes, in particular as we shift to a decentralized operating model.

IFAD's controllership function is also supporting regional and country offices to mitigate various risks arising from decentralization. In 2022, our Financial Controller's division visited the Türkiye IFAD Country Office and completed over 10 other missions across the world, providing digital tools, advice on delegation of authority and training, and support to improve the financial health of IFAD offices globally.

In addition, IFAD's Office of Audit and Oversight has been focusing on gaining assurance regarding the decentralized office implementation and its compliance with applicable rules and procedures, as well as on the quality of fiduciary supervision in IFAD-financed projects. Our internal audit function contributes to the decentralization process by reviewing, on a rolling basis, the functioning of the different types of office – assessing issues such as delegations of authority, reporting lines, budgetary control, office set-up, business continuity, training, travel, consultancy hiring and security. It also supports risk management in the context of decentralization by reviewing the supervision of financial management, project procurement and efficiency in country programmes, and the set-up and delegations of authority in decentralized offices.