

CTF-SCF/TFC.9/9 Enterprise Risk Management Framework Report for the Climate Investment Funds Annexes

October 2012

Annexes

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Annex A: Glossary

Glossary: Enterprise Risk Management and Risk Register definitions

Term	Definition
Additional Recommended Response	Supplementary risk response strategies to implement new or enhance existing management controls
Communicate	Distribute policies, procedures, roles and responsibilities surrounding the ERM process and governance model to all participants
Current Management Response	Current risk mitigation strategies and management controls implemented by the entity to reduce occurrence and impact of inherent risks
Establish Context	Define risk management goals and objectives and governance model and revise relevant policies
Establish Risk Baseline	Establish the context for overall risk assessment, including identifying and evaluating risks and events and determining risk responses
Event	An incident or planned occurrence arising from internal or external sources, that could affect the implementation of the entity's strategic objectives
Event Identification	Identify internal and external events occurring at every level of the enterprise that may impact the entity's strategic objectives
Impact	Degree of severity or impact to the entity if the residual risk materializes; impact can be positive or negative in nature
Inherent Risk	Risk arising naturally as a result of an incident or event that occurs in the absence of management response
Key Risk Indicator (KRI)	Quantitative or qualitative measurement of risk exposure such as credit ratings or indices
Monitor & Report	Identify, capture and communicate relevant risk information across all levels of the entity and to external stakeholders
Owner	Entity or group responsible for ensuring assigned risk is properly managed and monitored and communicating results

Glossary: Enterprise Risk Management and Risk Register definitions (continued)

Term	Definition
Portfolio Impact	Qualitative value assigned to categorize residual risk by level of impact to entity's portfolio
Priority	Level of importance in relation to other risks, typically a function of risk probability and impact
Probability	Likelihood of residual risk occurring due to an internal or external event
Remaining Residual Risk	The remaining risks after management has taken action to minimize the probability or impact of inherent risks through management control processes
Risk Area	The broadest level of risk classification (i.e. financial, operational and strategic)
Risk Dimension	A sub-category of the risk area to used to further classify risk types
Risk Evaluation	Evaluate the probability, impact and priority of the residual risks. Determine KRIs, triggers and tolerances associated with residual risks
Risk Identification	Identify risks to the entity's strategic objectives and document existing management responses and the residual risks that remain after the execution of management controls
Risk Name	Abbreviated version of the inherent risk used to facilitate classification/aggregation to allow different reporting views
Risk Response	Select risk response category for handling of residual risk (accept, transfer, treat, terminate); assign risk owner; determine additional risk response; evaluate portfolio impact; and link risk to other events/risks, with the goal of viewing risks at an aggregate level and achieve an overall risk profile in line with the entity's risk tolerance
Risk Response Category	Classification assigned during Risk Response process indicating the risk handling decision: treat, terminate, transfer, or accept
Trigger	A qualitative or quantitative information or threshold used to signify that a risk has materialized or is about to occur

Annex B: Initial Risk Register

Annex B: Introduction to Initial Risk Register

- ▶ The initial risk register, as displayed in the following slides, provides a starting point that the working group may utilize to analyze events and financial, strategic and operational risks to create the **official CIF risk register**
- ▶ The CIF risk register should be a living document, with iterative processes for identifying, analyzing and incorporating new events and risks as they arise
- ▶ All figures (i.e. ratings and triggers) in this initial risk register are representative. The working group will establish the starting values for the official risk register
- ▶ All confidential information will be addressed by the working group and will take into account the disclosure policies of the MDBs
- ▶ The initial risk register found on the following slides contains items that Booz Allen deemed as having a high portfolio impact

Risk Register: Risk Identification (part 1 of 3)

PRELIMINARY

ID	Event	Risk Area	Risk Dimension	Inherent Risk	Inherent Risk Name	Current Management Response	Remaining Residual Risk
1	Contributor makes pledges	Strategic	Stakeholder	CTF funding is suspended as a result of a major global, political and/or financial event	Major global event	TFC currently does not have processes in place to manage this risk	There is a risk of a major global, political, and/or financial event
2	Contributor makes contribution payments in the form of promissory notes	Financial	Exchange Rate	Trustee receives funding commitment in the form of Promissory Notes in foreign currency and the foreign currency depreciates in value	Contributor promissory note exchange risk	15% reserve is established by the Trustee to manage this risk	Devaluation of major contributors currencies against USD deteriorates beyond the 15% reserve
3	Country submits IP	Strategic	Investment Strategy	The IP does not maximize the amount of MDB and other bi-lateral financing and commercial financing available	Leverage	TFC reviews maximization and request country/ MDBs restructure funding – formal process	Leverage is not sufficient for all committee contributors
4	Country submits IP	Strategic	Stakeholder	Country submits an IP and it raises concerns with a local civil society organization	Civil society	TFC relies on MDBs perform necessary reviews and due diligence	Civil society concerns remain
5	Country submits IP	Strategic	Technology	Innovative technology will not be accepted, becomes obsolete, or is not viable	New entrant	MDBs perform due diligence assessment	The new entrant risk remains
6	Country submits IP	Financial	Exchange Rate	The CTF does not have procedures for managing/hedging foreign exchange rate risk	Exchange rate policy	TFC is considering developing foreign exchange rate procedures including the criteria on whether to hedge foreign exchange rate risk	The remaining residual risk needs to be determined after the methodology to quantify the local currency exposure and mitigation strategies have been developed
7	Country submits IP	Financial	Exchange Rate	MDB submits a local currency financing proposal and TFC makes a decision not to hedge	Unhedged local currency exposure	Currently, MDBs sometimes accept the risk	Working group needs to determine if any residual risks still exist
8	Trustee confirms pledges	Financial	Liquidity	The funding is not sufficient to meet the IP needs	IP funding availability	CIF Administrative Unit uses pipeline management to manage funding availability for projects in the pipeline	Although the funding approvals are made within financial product limits, the liquidity may be in the range that requires review – add to ERM reviews by Trustee
9	Trustee confirms funding availability	Financial	Liquidity	Approved funding is outside the financial product limits	Funding availability by financial product	Pipeline management and funding limits by financial products indicators	Although the funds are sufficient, the funding limits may be in the range that require review add to ERM additional TFC reviews

Note: the table includes the risks that have high portfolio impact; risks with medium to low portfolio impact were intentionally excluded

Risk Register: Risk Identification (part 2 of 3)

PRELIMINARY

ID	Event	Risk Area	Risk Dimension	Inherent Risk	Inherent Risk Name	Current Management Response	Remaining Residual Risk
10	TFC endorses IP	Financial	Public Sector Project Credit	IP is endorsed for a country with a poor credit rating	Public sector credit	(1) MDBs typically perform debt sustainability assessment; (2) Sovereign guarantees are provided	Country may still be high risk for loan repayment - add to ERM additional TFC reviews
11	TFC approves project	Financial	Interest Rate	Potential loss incurred due to a time mismatch between the interest earned on the assets and the interest due on liabilities	Mismatch between interest on assets and liabilities	Since CTF pays 0.75% on loan contributions while earning at least 0.75% on loans made by the MDBs, there is no risk from a mismatch of interest rates – treated	None (Interest Rate Risk)
12	MDB submits program/project for approval/funding request	Strategic	Investment Strategy	The program/project's pricing and terms do not meet the minimum concessionality principle	Minimum concessionality	TFC relies on MDBs to perform an evaluation based on client needs, market conditions, and negotiations for private sector projects	MDB submits the project request that violates the principle. Add to ERM additional TFC reviews
13	MDB submits program/project for approval/funding request	Strategic	Investment Strategy	The program/project's pricing and terms displace commercial financing and "crowd out" other private investors	No "crowding-out" principle	TFC relies on MDBs to perform an evaluation based on client needs, market conditions, and negotiations for private sector projects	MDB submits the project request that violates the "no crowding out" principle add to ERM additional TFC reviews
14	MDB submits program/project for approval/funding request	Financial	Private Sector Project Credit	The CTF funds are subordinated to other MDB investments and additional information is not received	Subordination	MDBs have to report on an annual basis if funds are subordinated; TFC has subordination guidelines	Subordination reporting is not received on a timely basis – TFC decisions are not fully informed
15	Trustee confirms funding availability	Financial	Liquidity	The project funding request exceeds the IP value	IP funding availability	Trustee uses the liquidity and the funding model to manage this risk	Although the funds are sufficient, the liquidity may be in the range that requires review
16	Implementation and Supervision	Strategic	Stakeholder	There is a major political and/or financial event at the national level causing the slowdown and/or termination of projects	Major national event	TFC relies on MDBs to manage program and project risks	The risk of a major national event remains
17	Implementation and Supervision	Strategic	Governance	Information required per the charter and agreements in not provided to the TFC in a timely manner	Information requirements	TFC currently does not have robust processes in place to manage this risk	Information is not provided – TFC decisions are not fully informed
18	Implementation and Supervision	Strategic	Governance	Needs and risk tolerance levels of the TFC members change, leading to obsolete policies and procedures	Changing risk tolerance levels	TFC currently does not have robust processes in place to manage this risk	Risk tolerance levels change – current risk tolerance levels are not reflected in the CTF policies and procedures

Note: the table includes the risks that have high portfolio impact; risks with medium to low portfolio impact were intentionally excluded

Risk Register: Risk Identification (part 3 of 3)

PRELIMINARY

ID	Event	Risk Area	Risk Dimension	Inherent Risk	Inherent Risk Name	Current Management Response	Remaining Residual Risk
19	Implementation and Supervision	Strategic	Governance	TFC members' risk tolerance is so varied that consensus on CTF's risk appetite cannot be obtained ultimately leading to not meeting CTF objectives	Varied risk tolerance levels	TFC currently does not have processes in place to manage this risk	Risk tolerance levels vary leading to the least common denominator and conservative decisions – CTF objectives are not met
20	Implementation and Supervision	Strategic	Performance	The TFC does not obtain the information needed to perform robust portfolio risk management	Lack of information	TFC currently does not have processes in place to manage this risk	Information is not provided to the TFC; TFC decisions are not well informed
21	Implementation and Supervision	Strategic	Performance	The current CTF structure includes some diversification principles although the information is not aggregated at the portfolio level – TFC decisions are not well informed	No portfolio level information	TFC currently does not have processes in place to manage this risk	The information is not aggregated at the portfolio level
22	Implementation and Supervision	Financial	Public Sector Project Credit	Public sector borrower fails to repay a loan	Public sector credit	TFC relies on the MDBs to report events of default and follow procedures for corrective action	MDBs corrective actions do not resolve the issue
23	Implementation and Supervision	Financial	Public Sector Project Credit	Country credit rating deteriorates therefore increasing the possibility of default	Public sector credit	TFC relies on the MDBs to track credit worthiness but MDBs do not report back to TFC	Country credit rating may deteriorate to an unacceptable level
24	Implementation and Supervision	Financial	Private Sector Project Credit	Private sector borrowers fail to repay a loan	Private sector credit	Quarterly Credit Reports developed by MDBs and if there's default MDB inform the Trustee	The remaining risk is the possibility of defaults
25	Implementation and Supervision	Financial	Private Sector Project Credit	Private sector borrowers credit rating decreases therefore increasing the possibility of default	Private sector credit	MDBs track credit rating but do not report to TFC	Private sector credit ratings are not aggregated at the portfolio level
26	Implementation and Supervision	Operational	Reputational Impact	Allegations of corruption, fraud, and misuse of funds	Reputational impact risk	MDBs monitor for corruption, fraud and misuse but no clear reporting guidelines back to the TFC are in place	Reputational impact risk remains
27	Implementation and Supervision	Operational	Operational Processes	Information is not provided to the TFC in accordance with established policies and strategies – TFC decisions are not well informed	Information sharing	New e-business platform is expected to facilitate communication	Information sharing is likely to remain as a risk - TFC decisions are not well informed

Note: the table includes the risks that have high portfolio impact; risks with medium to low portfolio impact were intentionally excluded

Risk Register: Risk Evaluation (part 1 of 6)

PRELIMINARY

ID	Remaining Residual Risk	Probability	Impact	Priority	Key Risk Indicator (KRI)	Possible Triggers
1	There is a risk of a major global, political, and/or financial event	Med	High	Med	Major Market Data Indices (S&P500, Nikkei 225, FTSE 100 Index) decrease	Market data indices decline as follows: Low: less than 10% decrease Medium: 10% -14.99% decrease Sustainable: 15% - 24.99% decrease High: 25% or more cumulative decrease Justification: during 2008-2009 financial crises major market indices declined by more than 30%
2	Devaluation of major contributors currencies against USD deteriorates beyond the 15% reserve	Low	Med	Low	Contributors' currency depreciates greater than the reserve	All contributors currencies depreciate against USD: Low: 0% - 4.99% Medium: 5% - 9.99% Sustainable: 10% -14.99% High: 15% or more Justification: the reserve established by the Treasury is 15%
3	Leverage is not sufficient for all committee contributors	Low	High	High	Allowed leverage percentage by country / technology	Leverage percent is outside range
4	Civil society concerns remain	Med	High	Med	Civil society concerns	Low: no current concerns from civil society High: Concern is raised by a civil society organization
5	The new entrant risk remains	Med	Low	Med	New entrant component indicator	New entrant projects as a percentage of the entire portfolio: Low: less than 50% Medium: 50% - 59.99% Sustainable: 60% - 69.99% High: 70% or higher

Risk Register: Risk Evaluation (part 2 of 6)

PRELIMINARY

ID	Remaining Residual Risk	Probability	Impact	Priority	Key Risk Indicator (KRI)	Possible Triggers
6	Foreign exchange policies need to be implemented	High	Med	Med	Criteria on whether to hedge exchange rate risk	<p>The decision on whether to hedge foreign exchange rate risk should be based on the following three criteria:</p> <ol style="list-style-type: none"> 1) Hedging Costs <ul style="list-style-type: none"> - Transaction costs as a percentage of project size - Administrative costs as a percentage of project size 2) Time horizon (the longer the time horizon, the lower the need to hedge) 3) Expected appreciation or depreciation of local currency. If local currency is expected to appreciate against USD, the best alternative is to remain unhedged. If local currency is expected to depreciate, it is advisable to hedge the exchange rate risk, especially for the short term projects. <p>Local currency appreciation/ depreciation is determined by local currency policy, historic volatility, macroeconomic models that includes inflation expectations and local risk free rates, and the overall economic environment. For example, Bloomberg Professional Software offers foreign exchange forecasts from over 50 institutions.</p> <p>According to the WBG paper, Global Economic Prospects June 2012, most developing country currencies are expected to appreciate in the long run.</p>
7	Local currency depreciation	Med	High	Med	Local currency depreciation/appreciation	<p>All local currencies depreciate against USD:</p> <p>Low: less than 5% Medium: 5% - 9.99% Sustainable: 10% -14.99% High: 15% or more</p> <p>Justification: the triggers are the same as for the contributors currency</p>

Risk Register: Risk Evaluation (part 3 of 6)

PRELIMINARY

ID	Remaining Residual Risk	Probability	Impact	Priority	Key Risk Indicator (KRI)	Possible Triggers
8	Although the funds are sufficient, the liquidity may be in the range that requires review - add to ERM additional TFC reviews	Low	High	High	Liquidity Ratio	<p>The liquidity ratio is outside of the recommended range. The minimum liquidity policy requirement is 100% of the projected next year debt service payments and 50% of the projected disbursements. The tolerance levels are as follows:</p> <p>Low: 100% of the projected next year debt service payments and 50% of the projected disbursements (minimum liquidity policy) Medium: 95%-99% of the projected next year debt service payments and 45%-49% of the projected disbursements Sustainable: 90-94% of the projected next year debt service payments and 40-44% of the projected disbursements High: less than 90% of the projected next year debt service payments and less than 40% of the projected disbursements</p>
9	Although the funds are sufficient, the funding limits may be in the range that require review - add to ERM additional TFC reviews	Low	Med	Low	Distribution of the funds by financial product	<p>Planned financial products do not match incoming funds:</p> <p>Low: incoming funds distribution is consistent with the outgoing funds Medium: a minor discrepancy that is less than 5% of the total portfolio Sustainable: discrepancies is in the following range 5%-9.99% High: discrepancies are higher than 10% of the total portfolio</p>
10	Country may still be high risk for loan repayment - add to ERM additional TFC reviews	Med	Med	Med	Country Rating	<p>Country Rating Levels:</p> <p>Low: XXX- and higher Medium: XX+ Sustainable: XX High: XX- Justification: the portfolio as of June 2011 was rated XXX-</p>
11	None (Interest Rate Risk)	Low	High	Low	Interest rate on outgoing loans	<p>Mismatch between assets and liabilities:</p> <p>Low: outgoing interest is 0.75 % and higher High: outgoing interest is lower than 0.75%</p>
12	MDB submits the project request that violates the principle - add to ERM additional TFC reviews	Low	High	High	Contract terms including interest rate, term, principal repayment schedule and etc.	Compare with market terms and conditions
13	MDB submits a project request that violates the "no crowding out" principle - add to ERM additional TFC reviews	Low	High	High	Contract terms including interest rate, term, principal repayment schedule and etc.	Compare with market terms and conditions

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Risk Register: Risk Evaluation (part 4 of 6)

PRELIMINARY

ID	Remaining Residual Risk	Probability	Impact	Priority	Key Risk Indicator (KRI)	Possible Triggers
14	Subordination reporting is not received on a timely basis	High	Med	High	Loans are subordinated	Low: reports are provided High: a required report is not provided
15	Although the funds are sufficient, the liquidity may be in the range that requires review	Low	High	High	IP funding level	Outstanding balance of IP funds as a percentage of the IP value: Low: less than 75% Medium: 75%-79.99% Sustainable: 80%-84.99% High: 85% or higher
16	There is a risk of a major national political and/or financial event	Med	Low	Med	Country ratings	Two indicators will measure this risk: country credit rating outlook and national stock market (1) Country Credit Rating Outlook: Low: less than 10% of the portfolio has a negative outlook Medium: 10% - 14.99% of the portfolio has a negative outlook Sustainable: 15%-19.99% of the portfolio has a negative outlook High: more than 20% of the portfolio has a negative outlook (2) National Stock Market Data Indices: Low: less than 20% decrease Medium: 20% - 29.99% decrease Sustainable: 30% - 39.99% decrease High: greater than 40% Justification: given that emerging markets are more volatile, the tolerance levels are higher than for the developed markets
17	Information is not provided to the TFC	Med	High	High	Schedule of deliverables	Low: reports are provided High: a required report is not provided
18	Risk tolerance levels change	High	High	High	Periodic review indicator	Low: tolerance levels are reviewed annually High: tolerance levels are not reviewed
19	Risk tolerance levels vary	High	High	High	Lack of consensus indicator	Lack of consensus

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Risk Register: Risk Evaluation (part 5 of 6)

PRELIMINARY

ID	Remaining Residual Risk	Probability	Impact	Priority	Key Risk Indicator (KRI)	Possible Triggers
20	Information is not provided to the TFC	High	High	High	Missing information indicator	Missing information
21	The information is not aggregated at the portfolio level	High	High	High	Portfolio level reports	No portfolio reports are being developed
22	MDBs corrective actions do not resolve the issue	Med	High	High	Default	Defaults as a percentage of the total portfolio: Low: less than 5% Medium: 5%-9.99% Sustainable: 10%-14.99% High: greater than 15%
23	Country credit rating may deteriorate to an unacceptable level	High	Med	Med	(1) Country and sub-sovereign ratings; 2) Country and sub-sovereign outlook	1) Country and sub-sovereign rating levels Low: XXX- and higher Medium: XX+ Sustainable: XX High: XX- Justification: the portfolio as of June 2011 was rated XXX- (2) Country and sub-sovereign credit rating outlook: Low: less than 10% of the portfolio has a negative outlook Medium: 10% - 14.99% of the portfolio has a negative outlook Sustainable: 15%-19.99% of the portfolio has a negative outlook High: more than 20% of the portfolio has a negative outlook
24	MDBs corrective actions do not resolve the default issue add to ERM additional TFC reviews	Med	High	Med	Default	Defaults as a percentage of the total portfolio: Low: less than 5% Medium: 5%-9.99% Sustainable: 10%-14.99% High: greater than 15%

Risk Register: Risk Evaluation (part 6 of 6)

PRELIMINARY

ID	Remaining Residual Risk	Probability	Impact	Priority	Key Risk Indicator (KRI)	Possible Triggers
25	Private sector credit ratings are not aggregated at the portfolio level	High	High	High	1) Credit Rating; (2)Credit Outlook	<p>1) Credit ratings: Low: XXX- and higher Medium: XX+ Sustainable: XX High: XX-</p> <p>Justification: the portfolio as of June 2011 was rated XXX-</p> <p>(2) Outlook: Low: less than 10% of the portfolio has a negative outlook Medium: 10% - 14.99% of the portfolio has a negative outlook Sustainable: 15%-19.99% of the portfolio has a negative outlook High: more than 20% of the portfolio has a negative outlook</p>
26	Reputational impact risk remains	Low	High	High	Fraud indicator	<p>Low: no incidents are reported High: one incident is reported</p>
27	Information sharing is likely to remain as a risk	High	Med	Med	Lack of Information	<p>Low: required reports are provided High: required reports are not provided</p>

Risk Register: Risk Response (part 1 of 4)

PRELIMINARY

ID	Remaining Residual Risk	Risk Response Category	Additional Recommended Risk Response	Data Needed	Owner	Portfolio Impact	Index
1	There is a risk of a major global, political, and/or financial event	Accepted	Incorporate major market indices performance at the portfolio view	Major Market Data Indices (S&P500, Nikkei 225, FTSE 100 Index)	TFC	High	
2	Devaluation of major contributors currencies against USD deteriorates beyond the 15% reserve	Treated	Highlight to TFC	Contributors' currency depreciation	Trustee	High	
3	Leverage is not sufficient for all committee contributors	Treated	Highlight to TFC	Determine acceptable leverage range by either country / technology	TFC	High	Country submits IP TFC endorses IP MDB submits program/project for approval/funding request TFC approves program/project MDB board approval Implementation
4	Civil society concerns remain	Treated	Highlight to TFC	Reports from MDBs	MDBs	High	Country submits IP TFC endorses IP MDB submits program/project for approval/funding request TFC approves program/project MDB board approval Implementation
5	The new entrant risk remains	Accepted	TBD	MDB market analysis data	MDBs	High	Country submits IP TFC endorses IP MDB submits program/project for approval/funding request TFC approves program/project MDB board approval Implementation
6	Foreign exchange policies need to be implemented	TBD	Develop criteria for managing foreign exchange rate risk	Criteria for managing foreign exchange rate risk	TFC	High	Country submits IP TFC submits program/project for approval/funding request
7	Local currency depreciation	Accepted	TBD	Information on local currencies	TFC	High	

Risk Register: Risk Response (part 2 of 4)

PRELIMINARY

ID	Remaining Residual Risk	Risk Response Category	Additional Recommended Risk Response	Data Needed	Owner	Portfolio Impact	Index
8	Although the funds are sufficient, the liquidity may be in the range that requires review – add to ERM additional TFC reviews	Treated	Highlight to TFC	Liquidity model data	Trustee	High	Trustee confirms pledges Trustee confirms funding availability Trustee commits funds to MDBs
9	Although the funds are sufficient, the funding limits may be in the range that require review add to ERM additional TFC reviews	Treated	Highlight to TFC	Distribution of the funds by financial product from funding model	Trustee	High	Trustee confirms pledges Trustee confirms funding availability Trustee commits funds to MDBs
10	Country may still be high risk for loan repayment - add to ERM additional TFC reviews	Treated	Aggregate country credit ratings at the portfolio level	Country Ratings	TFC	High	Country submits IP TFC endorses IP MDB submits program/project for approval/funding request TFC approves program/project MDB board approval Implementation
11	None (Interest Rate Risk)	Treated	TBD	Contract terms both incoming and outgoing	Trustee	High	Country submits IP TFC endorses IP MDB submits program/project for approval/funding request TFC approves program/project MDB board approval Implementation
12	MDB submits the project request that violates the principle add to ERM additional TFC reviews	Treated	TBD	Contract terms including interest rate, term, principal repayment schedule and etc.	TFC	High	Country submits IP TFC endorses IP MDB submits program/project for approval/funding request MDB board approval TFC approves program/project
13	MDB submits the project request that violates the “no crowding out” principle add to ERM additional TFC reviews	Treated	TBD	Contract terms including interest rate, term, principal repayment schedule and etc.	TFC	High	Country submits IP TFC endorses IP TFC submits program/project for approval/funding request TFC approves program/project MDB board approval Implementation

Note: the table includes the risks that have high portfolio impact; risks with medium to low portfolio impact were intentionally excluded

Risk Register: Risk Response (part 3 of 4)

PRELIMINARY

ID	Remaining Residual Risk	Risk Response Category	Additional Recommended Risk Response	Data Needed	Owner	Portfolio Impact	Index
14	Subordination reporting is not received on a timely basis	Treated	TBD	Structure of MDB investments flagging subordination	MDBs	High	Country submits IP TFC endorses IP TFC submits program/project for approval/funding request TFC approves program/project MDB board approval Implementation
15	Although the funds are sufficient, the liquidity may be in the range that requires review	Treated	Highlight to TFC	Liquidity and funding model data	Trustee	High	Trustee confirms funding availability Trustee commits funds to MDBs
16	There is a risk of a major national political and/or financial event	Transferred	TBD	Country ratings/ country outlook	TFC	High	Country submits IP TFC endorses IP MDB submits program/project for approval/funding request TFC approves program/project MDB board approval Implementation
17	Information is not provided to the TFC	Accepted	Develop a deliverable schedule tracking report	Schedule of deliverables	TFC	High	Country submits IP TFC endorses IP MDB submits program/project for approval/funding request TFC approves program/project MDB board approval Implementation
18	Risk tolerance levels change	Accepted	CTF Risk Management Framework will include a revision schedule	Risk tolerance levels	TFC	High	Country submits IP TFC endorses IP MDB submits program/project for approval/funding request TFC approves program/project MDB board approval Implementation
19	Risk tolerance levels vary	Accepted	CTF Risk Management Framework will include guidelines for achieving consensus	Risk tolerance levels	TFC	High	

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Risk Register: Risk Response (part 4 of 4)

PRELIMINARY

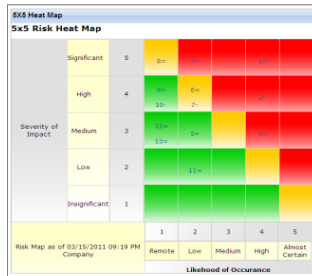
ID	Remaining Residual Risk	Risk Response Category	Additional Recommended Risk Response	Data Needed	Owner	Portfolio Impact	Index
20	Information is not provided to the TFC	Accepted	CTF Risk Management Framework will provide appropriate guidelines		TFC	High	
21	The information is not aggregated at the portfolio level	Accepted	CTF Risk Management Framework will include portfolio level information	Portfolio reporting	TFC	High	
22	MDBs corrective actions do not resolve the issue	Accepted	Incorporate default reports at the portfolio level view	Default information from MDBs	MDBs	High	
23	Country credit rating may deteriorate to an unacceptable level	Accepted	Aggregate country ratings, sub-sovereign ratings, and ratings outlook at the portfolio level	Credit Ratings and Outlook developed by S&P, Fitch, and Moody's	Trustee	High	
24	MDBs corrective actions do not resolve the default issue add to ERM additional TFC reviews	Accepted	Incorporate default reports at the portfolio level view	Default information from MDBs (confidentiality needs to be addressed)	MDBs	High	
25	Private sector credit ratings are not aggregated at the portfolio level	Treated	Aggregate credit ratings at the portfolio level	Credit ratings from MDBs will need to be obtained and mapped (confidentiality needs to be addressed)	MDBs	High	
26	Reputational impact risk remains	Treated	Develop policies and procedures that require reporting of reputational risk. Consider if compliance reviews would be beneficial.	Reporting of the fraud to the CTF TFC	MDB	High	
27	Information sharing is likely to remain as a risk	Treated	TBD	A list of required reports and associated timelines	CIF Administrative Unit	High	Country submits IP TFC endorses IP MDB submits program/project for approval/funding request TFC approves program/project MDB board approval Implementation

Annex C: Sample Scorecards and Risk Reports

The ERM software suites analyzed all contain a medley of process steps and visualization options to support the risk management process

Internal & External Events

Heat Maps



Manage Function
Filter: Filter by Function Number
Function Number: 100000
Function Name: Critical Infrastructure Protection
Area of Compliance: Internal
Manage Process: [Buttons: Add, Edit, Delete, Refresh, Filter, Sort, Print, Export, Import, Cancel]

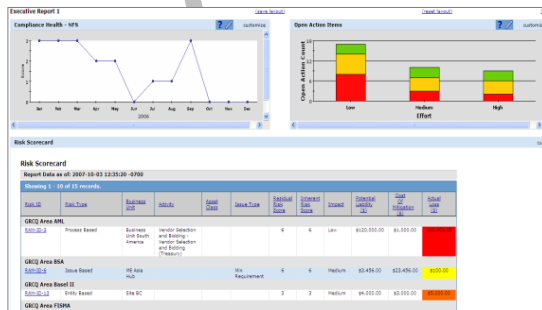
Risk & Control Documentation

Showing 1 - 10 of 1220 records

Requirement	Requirement Name	Status	Control Count	Reference Count	Reference Description
Compliance Area: NERC	Function Name: Communications				
	References (e.g. Standards): CDM-001-1				
	Each Reliability Coordinator, Transmission Operator, and Balancing Authority shall provide a means to coordinate telecommunications among their respective areas. This coordination shall include the ability to investigate and respond to telecommunications problems within the area and on an out-of-area basis.	Michael Dunlap	Active	1	Telecommunications
	R.1. Each Reliability Coordinator, Transmission Operator, and Balancing Authority shall provide adequate and reliable telecommunications facilities for the exchange of information and coordination information.	Michael Dunlap	Active	1	Telecommunications
	R.1.1. Internally.	Gina Horvath	Active	2	Telecommunications
	R.1.2. Between the Reliability Coordinator and its Transmission Operators and Balancing Authorities.	Gina Horvath	Active	2	Telecommunications
	R.1.3. With other Reliability Coordinators, Transmission Operators, and Balancing Authorities as necessary to maintain reliability.	Gina Horvath	Active	2	Telecommunications
	R.1.4. Where applicable, these facilities shall be redundant and directly routed.	Gina Horvath	Active	2	Telecommunications

Reporting & Management

Key Risk Indicators



My Compliance Center
Item Name: NERC Standards of Conduct
Item Type: FTRM
Item Status: FTRM
Item Description: NERC Standards of Conduct

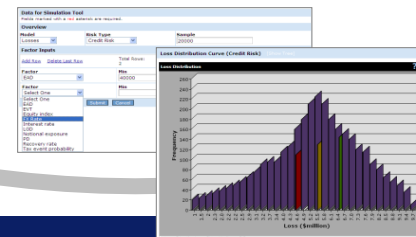
Risk Assessment

Audit Checklist Task
Task Name: NERC Standards of Conduct
Task Status: Active
Task Date: 03/15/2011

Risk Mitigation & Action Planning

RiskStream
Risk Name: NERC Standards of Conduct
Risk Type: FTRM
Risk Status: FTRM

Scenarios Analysis



The ERM tools offer scenario analysis and scoring capabilities via a variety of available data input options

	Process1	Process2	Process3
Accounting Policy Risk	H	M	H
Asset Servicing Risk	M	M	L
Total Score	H	M	M

	Process1	Process2	Process3
Accounting Policy Risk	L	M	L
Asset Servicing Risk	M	M	L
Total Score	M	M	L

Functionality offered to stakeholders:

- Assess individual sets of risks
- Arrive at total scores independently
- Use the scores to populate dashboards/reports
- Compare each user's scores to scores of others

	Process1	Process2	Process3
Access Control Risk	?	?	?
Asset Servicing Risk	?	?	?
Security Risk	?	?	?
Total Score	?	?	

	Process1	Process2	Process3
Access Control Risk	H	H	L
Asset Servicing Risk	M	H	
Security Risk	M	H	
Total Score	M	H	L

Delete
Add Row
Delete Last Row
Total Rows 8 Pages 2
2

Scenario Name*

Active Scenario

Assessment Type*

Select One

Default Scenario?*

Select One

Calculate Residual Scores*

Select One

Continuous Assessment?*

Select One

Risk Categories

Assessed By*

Select One

Additional Information

Valid Till

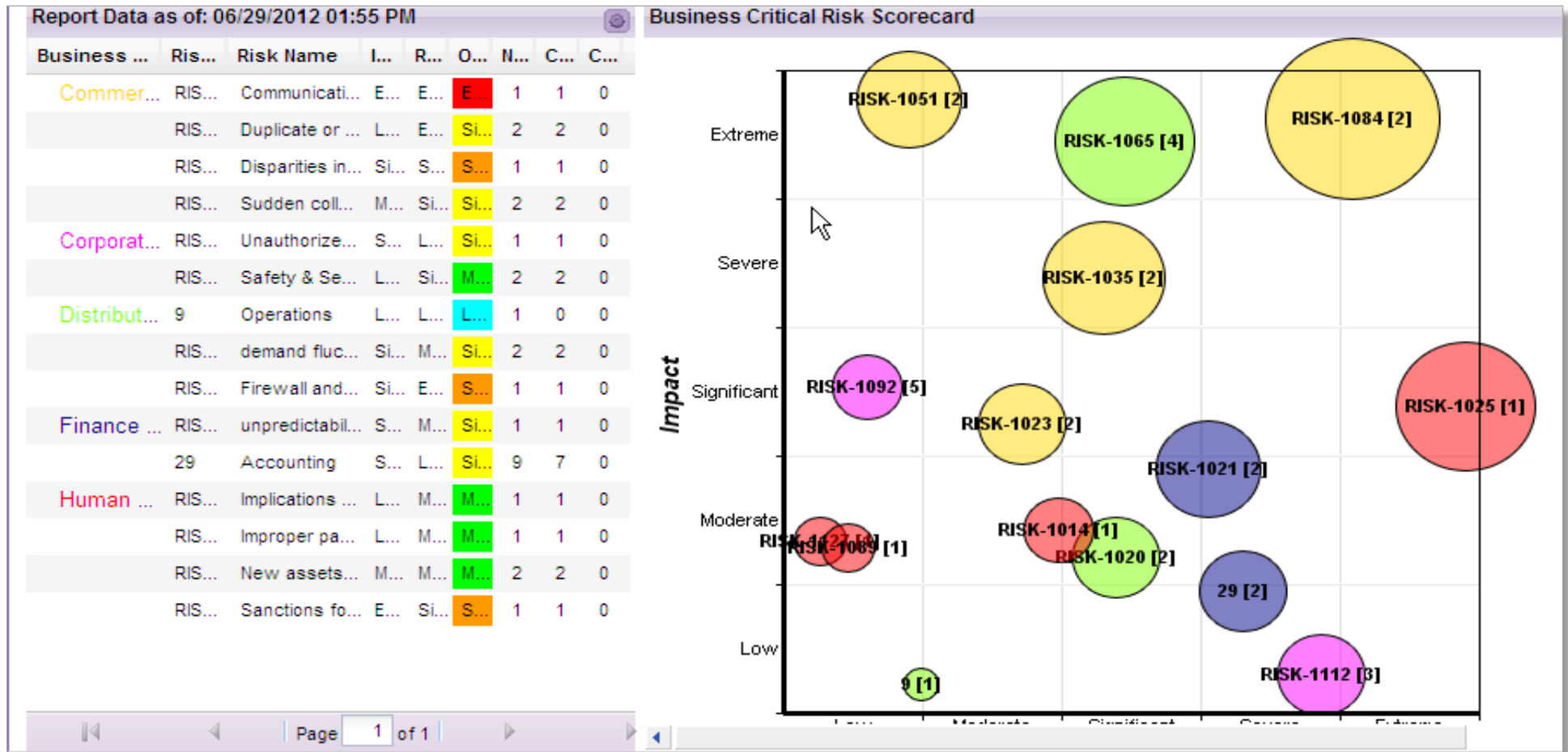
mo. day year

/ /

Scenario Algorithm*

Select One

The ERM tools offer robust, informative user interfaces such as the business critical risk scorecard and the risk bubble charts displayed below



The outputs of the ERM user interfaces include visuals such as heat maps and scorecards to assess, prioritize and monitor risks

3X3 Heat Map

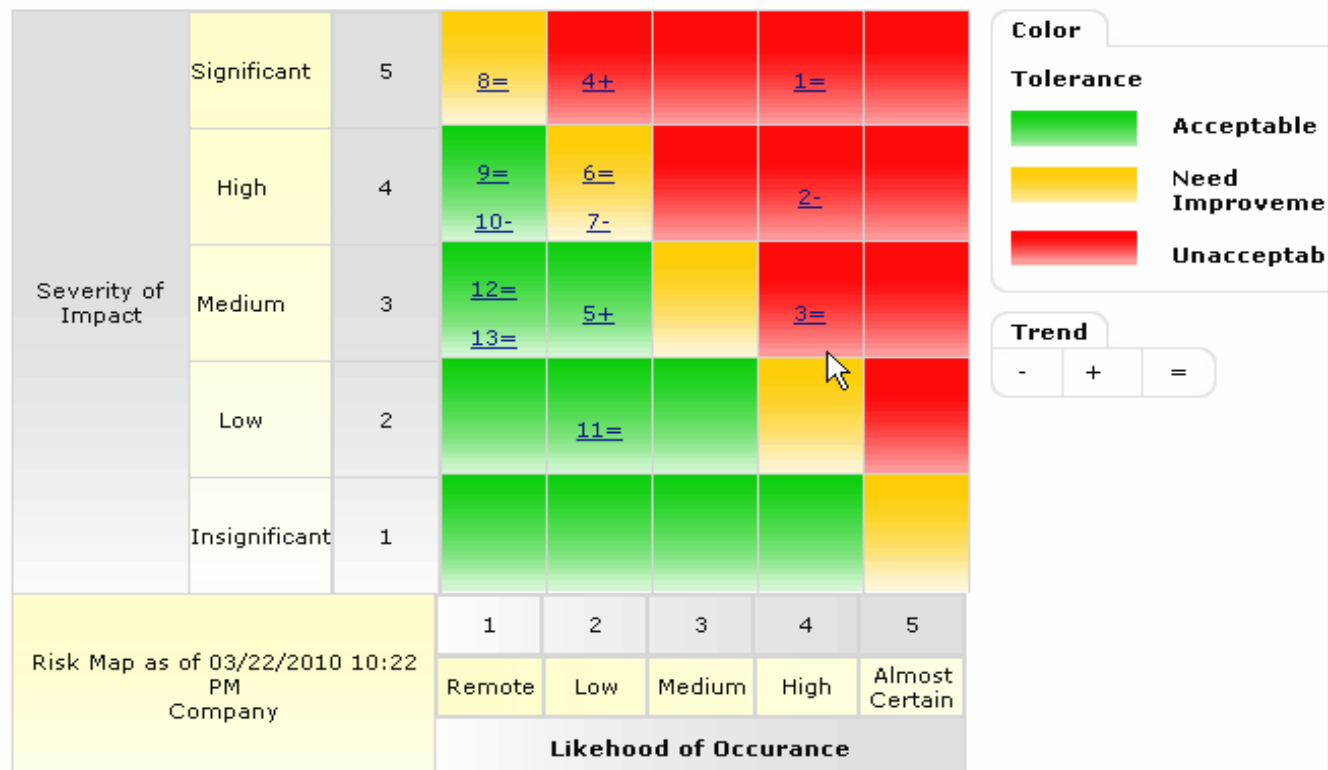
[customize](#)

[Risk Heat Map](#)

5X5 Heat Map

[customize](#)

5x5 Risk Heat Map



Risk Ranking

[customize](#)

Risk Ranking

Report Data as of: 03/22/2010 10:22

Showing 1 - 11 of 11 records

Ranking	Risk Name
1	Fatalities and Injuries
2	Tariff Changes
3	Outsourcing
4	Access to Financial Market
5	New technologies
6	Macro-economic risk
7	Financial Statements
8	Capital Markets
9	Energy rationing
10	IT and Telecom systems unavailability
11	Non-compliance with Energy S

Email Export Print C

Additional examples of user interface and scorecards available through the ERM vendors researched

Update Risk KAIROS methodware

Risks: Missing or untimely receipt of documents
Missing or untimely receipt of documents

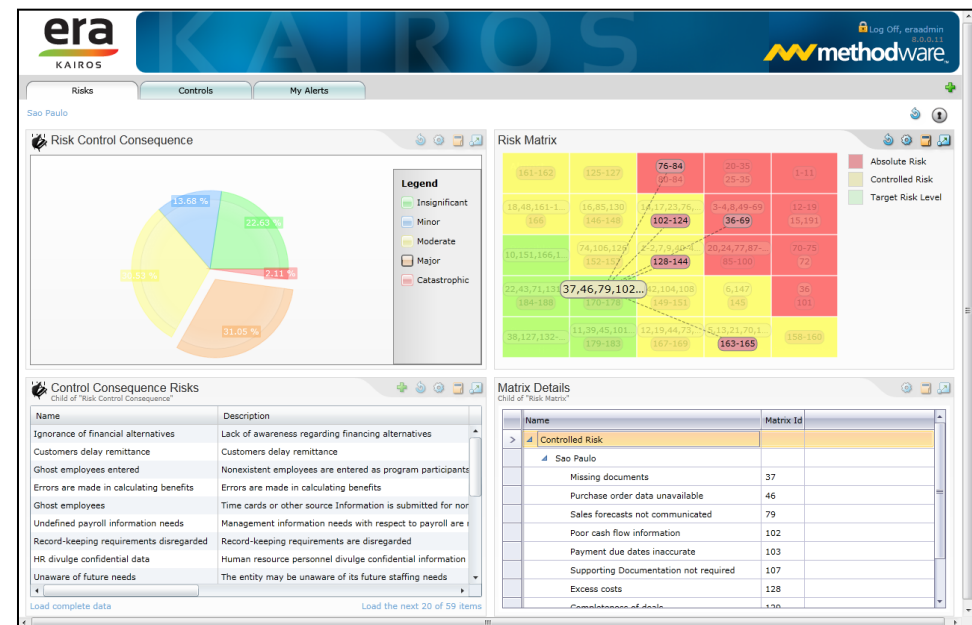
Risk Owner: Bob Adderley
Risk Status: Stable
Next Review: 23/09/2010

	Consequence	Likelihood	Risk Score	Severity
Absolute	Major	Likely	16	High
Controlled	Major	Possible	12	Moderate
Target	Major	Possible	12	Moderate

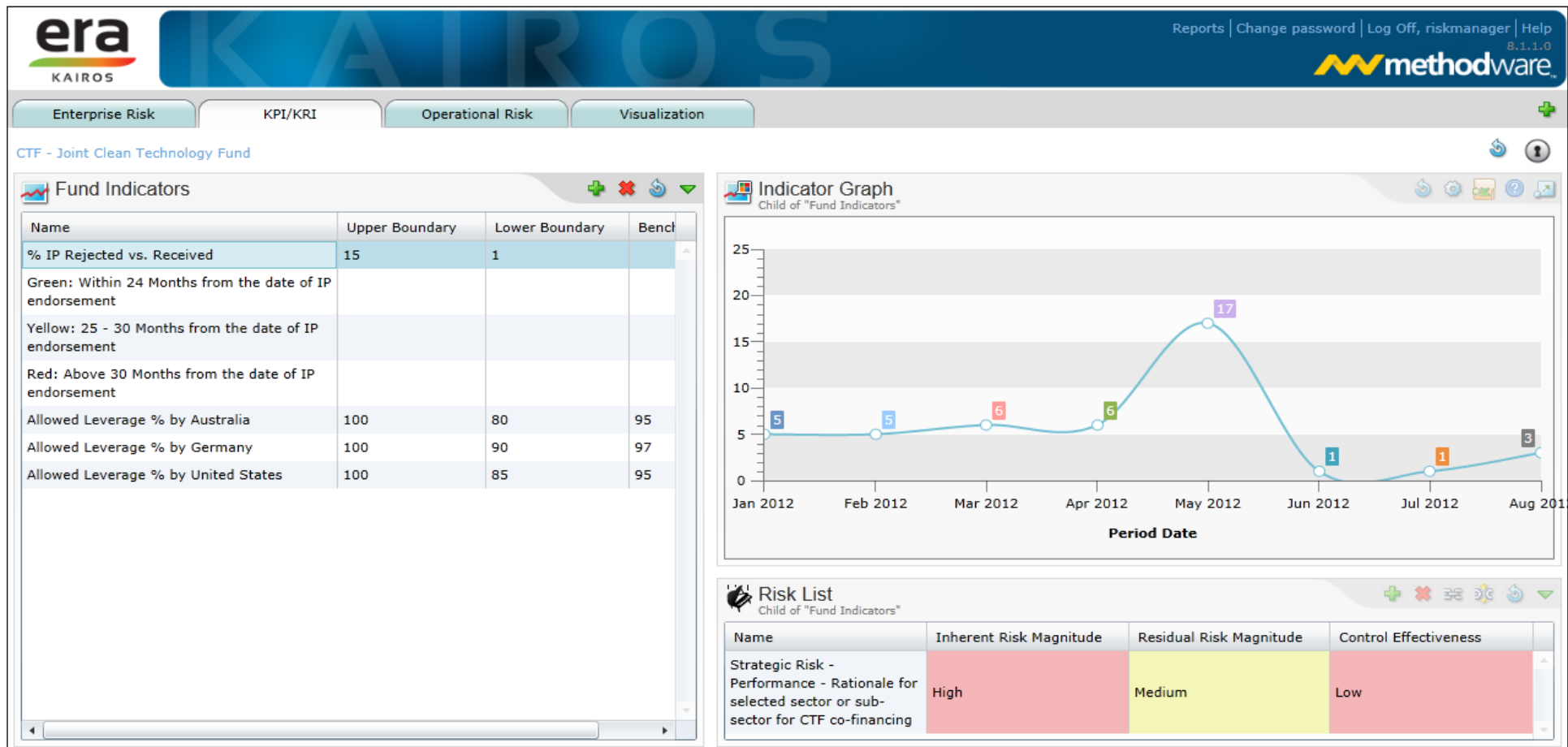
Controls

number	Name	Description	Control Owner	Date Created
13	Maintain accounts payable ledger by discount date	Maintain accounts payable ledger by discount date	Tom Bolger	4/03/2009
14	Identify and investigate unmatched information	Investigate unmatched information before due date	Bob Adderley	4/03/2009

Cancel Save



Additional example: chart plotting key performance indicators





















Annex D: Summary of Consultations

Annex D: Consultations

Consultations	
African Development Bank (AfDB)	European Bank for Reconstruction and Development (EBRD)
Asian Development Bank (ADB)	France
Australia	Germany
Brazil	Inter-American Development Bank (IDB)
Canada	International Bank for Reconstruction and Development (IBRD)
CIF Administrative Unit	International Finance Corporation (IFC)
CIF Trustee	United Kingdom
Concessional Finance and Global Partnerships (CFP) Financial Management Unit (IBRD)	United States
Controller's Unit (IBRD)	

Annex E: ERM Implementation Project Plan

ID	WBS	Task Name	Duration	Start	Finish	2011	2012	2013	2014
						'11	'12	'13	'14
1	1	Approve CIF ERM implementation approach	3 days	Fri 11/2/12	Tue 11/6/12				
2	1.1	Review and approve the CIF ERM Framework and phased implementation approach	3 days	Fri 11/2/12	Tue 11/6/12				
3	1.2	Approve resources required to implement Tier 1 Priority, ERM Program and ERM software	3 days	Fri 11/2/12	Tue 11/6/12				
4	1.2.1	Approve ERM Program working group	3 days	Fri 11/2/12	Tue 11/6/12				
5	1.2.2	Approve ERM Risk Officer	3 days	Fri 11/2/12	Tue 11/6/12				
6	1.2.3	Approve the procurement of a COTS ERM tool	3 days	Fri 11/2/12	Tue 11/6/12				
7	1.3	Establish ERM Program Working Group	3 days	Fri 11/2/12	Tue 11/6/12				
8	1.3.1	Identify participants	3 days	Fri 11/2/12	Tue 11/6/12				
9	1.3.2	Develop overall governance roles and responsibilities	3 days	Fri 11/2/12	Tue 11/6/12				
10	2	Implement the ERM Program (by iteration starting with top 5-7 Tier 1 risks)	256 days	Thu 11/15/12	Thu 11/7/13				
11	2.1	Finalize ERM context	36 days	Thu 11/15/12	Thu 1/3/13				
12	2.1.1	Finalize risk management goals and objectives informed by the TFCs strategic vision objectives	10 days	Thu 11/15/12	Wed 11/28/12				
13	2.1.2	Finalize ERM Risk Working Group governance model	30 days	Thu 11/15/12	Wed 12/26/12				
14	2.1.2.	Determine TFCs oversight	30 days	Thu 11/15/12	Wed 12/26/12				
15	2.1.2.	Finalize ERM working group and organizational structure, roles, responsibilities & decision-making authority	30 days	Thu 11/15/12	Wed 12/26/12				
16	2.1.2.	Evaluate impact of constraints	30 days	Thu 11/15/12	Wed 12/26/12				
17	2.1.2.	Revise policies(if required)	30 days	Thu 11/15/12	Wed 12/26/12				
18	2.1.3	Determine iterations of implementation	20 days	Mon 12/3/12	Fri 12/28/12				
19	2.1.3.	Leverage Framework (Phase 2) Initial Risk Register	20 days	Mon 12/3/12	Fri 12/28/12				
20	2.1.3.	Finalize Tier 1 Risk areas (5 - 7 risk areas)	20 days	Mon 12/3/12	Fri 12/28/12				
21	2.1.3.	Group remaining risks into iterations for implementation	20 days	Mon 12/3/12	Fri 12/28/12				
22	2.1.4	Finalize ERM implementation project plan based on ERM Program iterations	5 days	Fri 12/28/12	Thu 1/3/13				
23	2.2	Implement Iteration 1 of ERM (top 5-7 risks)	96 days	Fri 1/4/13	Fri 5/17/13				
24	2.2.1	Establish risk baseline (for each iteration)	40 days	Fri 1/4/13	Thu 2/28/13				


Project: CIF ERM Implementation Date: Thu 10/25/12	Task		External Milestone		Manual Summary Rollup	
	Split		Inactive Task		Manual Summary	
	Milestone		Inactive Milestone		Start-only	
	Summary		Inactive Summary		Finish-only	
	Project Summary		Manual Task		Deadline	
	External Tasks		Duration-only		Progress	


















ID	WBS	Task Name	Duration	Start	Finish	2011	2012	2013	2014
						'11	'12	'13	'14
25	2.2.1.	Develop preliminary ERM Risk Register	40 days	Fri 1/4/13	Thu 2/28/13				
26	2.2.1.	Evaluate external environment to identify external events (leveraging Phase 2 initial risk register)	40 days	Fri 1/4/13	Thu 2/28/13				
27	2.2.1.	Evaluate business processes and identify relevant events (leveraging Phase 2 initial risk register)	40 days	Fri 1/4/13	Thu 2/28/13				
28	2.2.1.	Finalize inherent risks for each event (leveraging Phase 2 initial risk register)	40 days	Fri 1/4/13	Thu 2/28/13				
29	2.2.1.	Determine the specific TFCs tolerance for the risk	40 days	Fri 1/4/13	Thu 2/28/13				
30	2.2.1.	Finalize/determine current management response	40 days	Fri 1/4/13	Thu 2/28/13				
31	2.2.1.	Update/record remaining residual risk	40 days	Fri 1/4/13	Thu 2/28/13				
32	2.2.1.	Prioritize ERM Risks	40 days	Fri 1/4/13	Thu 2/28/13				
33	2.2.1.	Finalize/evaluate probability of occurrence	40 days	Fri 1/4/13	Thu 2/28/13				
34	2.2.1.	Finalize/evaluate impact	40 days	Fri 1/4/13	Thu 2/28/13				
35	2.2.1.	Finalize/evaluate portfolio impact	40 days	Fri 1/4/13	Thu 2/28/13				
36	2.2.1.	Determine priority	40 days	Fri 1/4/13	Thu 2/28/13				
37	2.2.1.	Finalize/identify Key Risk Indicators (KRI) and establish triggers (including variance levels)	40 days	Fri 1/4/13	Thu 2/28/13				
38	2.2.1.	Incorporate previous iteration risk baseline	40 days	Fri 1/4/13	Thu 2/28/13				
39	2.2.1.	Baseline ERM Risk Register	40 days	Fri 1/4/13	Thu 2/28/13				
40	2.2.1.	Finalize/determine an appropriate response category	40 days	Fri 1/4/13	Thu 2/28/13				
41	2.2.1.	Finalize/determine additional risk response	40 days	Fri 1/4/13	Thu 2/28/13				
42	2.2.1.	Finalize/determine risk owner	40 days	Fri 1/4/13	Thu 2/28/13				
43	2.2.1.	Index the risk to all relevant events	40 days	Fri 1/4/13	Thu 2/28/13				
44	2.2.2	Develop monitoring and reporting processes	40 days	Mon 3/4/13	Fri 4/26/13				
45	2.2.2.	Generate portfolio view reports	40 days	Mon 3/4/13	Fri 4/26/13				
46	2.2.2.	Analyze impact of ERM to project review process, project pipeline, and the associated costs to the Admin Unit and the MDBs in terms of	40 days	Mon 3/4/13	Fri 4/26/13				

Project: CIF ERM Implementation Date: Thu 10/25/12	Task		External Milestone		Manual Summary Rollup	
	Split		Inactive Task		Manual Summary	
	Milestone		Inactive Milestone		Start-only	
	Summary		Inactive Summary		Finish-only	
	Project Summary		Manual Task		Deadline	
	External Tasks		Duration-only		Progress	

ID	WBS	Task Name	Duration	Start	Finish	2011	2012	2013	2014
						'11	'12	'13	'14
47	2.2.2.	Leverage existing MDB, Trustee, CIF admin risk processes and results framework processes	40 days	Mon 3/4/13	Fri 4/26/13				
48	2.2.2.	Incorporate previous iteration processes	40 days	Mon 3/4/13	Fri 4/26/13				
49	2.2.2	Update policies and procedures (if required)	40 days	Mon 3/4/13	Fri 4/26/13				
50	2.2.2.	Embed the program into the current operational and governance processes	40 days	Mon 3/4/13	Fri 4/26/13				
51	2.2.2.	Collect, graph, and analyze performance and financial data	40 days	Mon 3/4/13	Fri 4/26/13				
52	2.2.2.	Utilize ERM software to facilitate risk processes	40 days	Mon 3/4/13	Fri 4/26/13				
53	2.2.2.	Provide results and lessons learned into ERM Program and software effo	40 days	Mon 3/4/13	Fri 4/26/13				
54	2.2.2.	Develop and execute ERM awareness and communication processes	40 days	Mon 3/4/13	Fri 4/26/13				
55	2.2.3	Implement ERM iteration processes and decisions	50 days	Mon 3/4/13	Fri 5/10/13				
56	2.2.4	Report to TFCs	5 days	Mon 5/13/13	Fri 5/17/13				
57	2.3	Implement iteration 2 - N ERM	124 days	Mon 5/20/13	Thu 11/7/13				
58	2.3.1	Conduct risk baseline and monitoring/reporting process	120 days	Mon 5/20/13	Fri 11/1/13				
59	2.3.2	Report to TFCs	5 days	Sat 11/2/13	Thu 11/7/13				
60	2.3.3	Continue ERM Program reporting, monitoring and refresh	1 day	Thu 11/7/13	Thu 11/7/13				
61	3	Implement ERM software	119 days	Thu 11/15/12	Tue 4/30/13				
62	3.1	Develop an ERM software request for proposal (RFP)	30 days	Thu 11/15/12	Wed 12/26/12				
63	3.2	Evaluate responses	15 days	Fri 1/11/13	Thu 1/31/13				
64	3.3	Invite a shortlist of vendors to conduct in-depth demos	5 days	Mon 2/4/13	Fri 2/8/13				
65	3.4	Select vendor	5 days	Fri 2/8/13	Thu 2/14/13				
66	3.5	Integrate ERM Program iterations into software plan	5 days	Thu 2/14/13	Wed 2/20/13				
67	3.6	Develop software implementation plan	5 days	Thu 2/14/13	Wed 2/20/13				
68	3.7	Configure ERM software	50 days	Wed 2/20/13	Tue 4/30/13				
69	3.8	Create reports and dashboards	50 days	Wed 2/20/13	Tue 4/30/13				
70	3.9	Train users	50 days	Wed 2/20/13	Tue 4/30/13				

Project: CIF ERM Implementation Date: Thu 10/25/12	Task		External Milestone		Manual Summary Rollup	
	Split		Inactive Task		Manual Summary	
	Milestone		Inactive Milestone		Start-only	
	Summary		Inactive Summary		Finish-only	
	Project Summary		Manual Task		Deadline	
	External Tasks		Duration-only		Progress	

ID	WBS	Task Name	Duration	Start	Finish	2011	2012	2013	2014
						'11	'12	'13	'14
71	3.10	Integrate to existing systems	50 days	Wed 2/20/13	Tue 4/30/13				

Project: CIF ERM Implementation Date: Thu 10/25/12	Task		External Milestone		Manual Summary Rollup	
	Split		Inactive Task		Manual Summary	
	Milestone		Inactive Milestone		Start-only	
	Summary		Inactive Summary		Finish-only	
	Project Summary		Manual Task		Deadline	
	External Tasks		Duration-only		Progress	