# CTF-SCF/TFC.10/5 Elaboration of a Enterprise Risk Management Program for the Climate Investment Funds

April 2013



### **Approved CIF ERM Framework**

**Establish Monitor &** Communicate **Establish Risk Baseline** Context Report **Process Establish Determine Risk** Track & **Establish ERM Identify Events & Evaluate Risks** Communicate Communication Response Environment **Potential Risks Program Strategies Progress** Evaluate external Determine an appropriate Identify portfolio reports Define risk management Evaluate probability of Establish common language environment to identify response category goals and objectives occurrence external events Communicate risk Develop portfolio reports informed by the TFCs' Terminate governance model strategic vision Evaluate impact Evaluate business Treat Collect /analyze performance Risk management processes and identify Objectives Accept and financial data philosophy Determine priority relevant events · Risk tolerance levels Transfer TFC oversight Constraints Continuously inform Identify risk indicators Identify inherent risks for · ERM working group Determine additional TFC decisions each event & triggers Determine governance · Organizational structure risk response Components model · Roles, responsibilities Record experiences, Finalize risk indicators Classify risk by area and Determine risk owner Risk management Barriers and aids in Decision-making authority & triggers risk dimensions categories (by risk task) philosophy implementation Communicate ERM TFC oversight Establish triggers and **Determine current** risk policies Evaluate portfolio impact Identify degree to which tolerance levels ERM working group management response Strategic, tactical, quality plans business objectives are Organizational structure Index the risk to all · Risk management architecture being met Record remaining · Roles, responsibilities relevant events residual risk Support and communicate · Decision-making authority Incorporate lessons proper flow of relevant learned project information Revise relevant policies Communicate future Reinforce/reward adherence monitoring & reporting to new controls **Product** Risk Governance & Communication **Preliminary Risk Prioritized Risk Baseline Risk** Portfolio Review **Policies** Plan Register Register Register





# **Approved CIF ERM Framework (Remaining actions)**

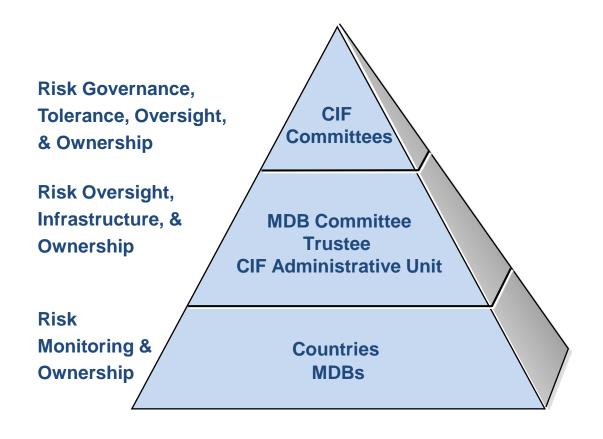
Step	Establish Context	Communicate	E	Monitor & Report		
Process	Establish ERM Environment	Establish Communication Program	Identify Events & Potential Risks	Evaluate Risks	Determine Risk Response Strategies	Track & Communicate Progress
	90%	90%	80%	<b>75%</b>	80%	10%
Components	Determine Risk Tolerance Levels  Revise relevant Policies & Procedures  Establish CIF Governance	Communicate CIFs Oversight	Finalize Tier 2 Risks	Finalize Tier 1 risk indicators & triggers  Establish Tier 1 triggers Levels  Evaluate Tier 2 Risks	Evaluate Tier 2 Risks	Develop portfolio Reports  Implement Annual assessment  Collect /analyze performance and financial data  Continuously inform TFC decisions  Identify degree to which business objectives are met  Incorporate lessons
Product	Risk Governance & Policies	Communication Plan	Preliminary Risk Register	Prioritized Risk Register	Baseline Risk Register	learned  Portfolio Review





## **ERM Environment – Roles and Responsibilities**

#### Risk Management is a shared responsibility







# **CIF Tier 1 Risk Summary**

Risk Area	ID	Risk Name	Tolerance	Probability	Impact
O	1	Committees may not make risk informed decisions		3	2.5
Strategic	2	Inability to deliver the expected transformational impact (GHG savings for CTF, other goals for SCF)		2	3
	3	Suboptimal use of CIF funds		3	3
Financial	4	Portfolio losses exceed tolerances		1	1
Final	5	Asset & Liability Mismanagement		2	3
Operational	6	Misuse of funds or other problems with project implementation		1	3
Opera	7	Misalignment between sources and uses of funds		3	3



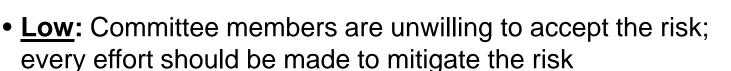
#### **CIF ERM Tier 1 Risk Tolerances Definitions**

 High: Committee members accept that the risk may occur, given the nature of the portfolio

(denoted by )

 Moderate: Committee members are willing to accept that the risk may occur, however, efforts should be undertaken to mitigate the risk

(denoted by )



(denoted by )



#### **CIF CTF ERM Tier 1 Risk Tolerances Obtained To Date**

Current Risk Tolerances (to-date)							
	Risk 1	Risk 2	Risk 3	Risk 4	Risk 5	Risk 6	Risk 7
Australia							
Bolivia							
Brazil							
Canada	•		0		0	0	0
China							
Denmark							
Egypt							
France							
Germany				0		0	0
Guyana							
India							
Indonesia							
Japan							
Kyrgyz Republic							
Maldives							
Morocco							
Netherlands							
Nigeria							
Norway							
Senegal							
South Africa							
Spain				0		0	0
Sweden							
Switzerland							
Tunisia							
Turkey							
United Kingdom						0	0
United States	0		0			0	0
Yemen							



# Plan of Recommended Actions – Strategic risks

Portfolio View	Transformation Impact	Use of Funds
Enhance pipeline	Integrate into the	▶ Enhance MDB
analysis and reporting	Results Framework	Committee dashboards
<ul> <li>Enhance financial analysis and reporting</li> <li>Implement portfolio reporting process</li> </ul>	<ul> <li>Develop process for Lead MDB/country to provide programmatic assessments</li> </ul>	Implement over- programming
reporting process	Develop process to inform Committees	



#### Plan of Recommended Actions – Financial

#### Losses

#### **Asset Liability Mismanagement**

Develop credit/default loss analysis  Develop minimum liquidity requirement analysis and reporting

- Develop investment loss analysis
- Develop interest risk analysis and reporting

- ▶ Integrate with Portfolio Dashboard
- Develop foreign exchange rate analysis and reporting



# Plan of Recommended Actions – Operational

# Misuse of Funds or other problems with project implementation

# Misalignment between sources and uses of funds

- Determine policy and timelines to inform Committees on misuse of funds or other problems with project implementation
- Determine process to inform Committees

 Enhance pipeline reporting to include estimates of term buckets

 Develop MBD Committee process to estimate terms for more effective use funds based on funding constraints



#### Plan of Recommended Actions - Overall

#### Joint Committee

- Approve Tier 1 Risks
- Reach consensus on tolerances

#### CIF Administrative Unit, MDBs, Trustee

- Finalize an integrated plan of recommended risk actions
- Develop ERM annual assessment process and implement the ERM program
- Develop process for the on-going monitoring of triggers
- Continue to develop Tier 2 risks and risk actions

