

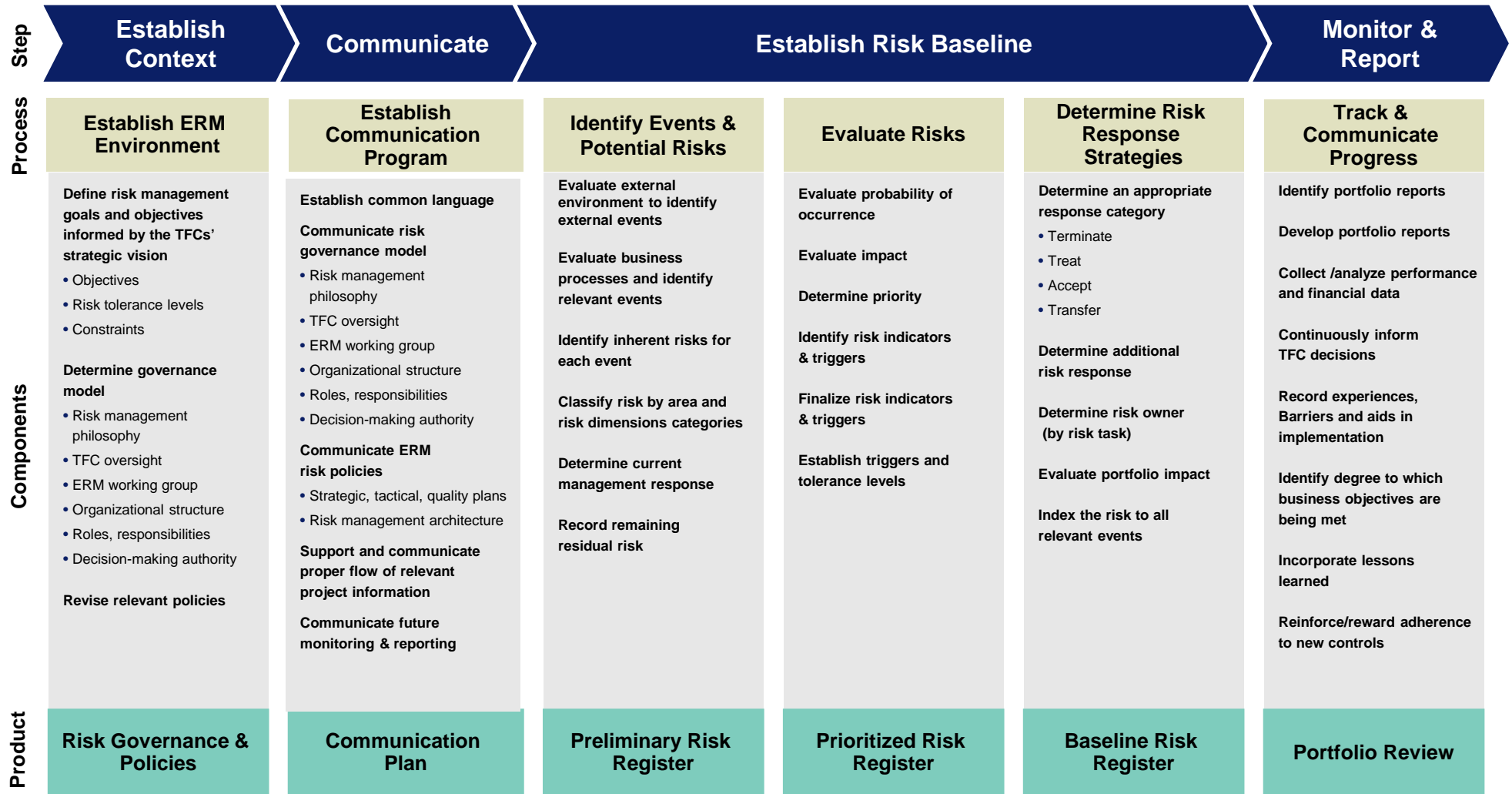


CTF-SCF/TFC.10/5

Elaboration of a Enterprise Risk Management Program for the Climate Investment Funds

April 2013

Approved CIF ERM Framework



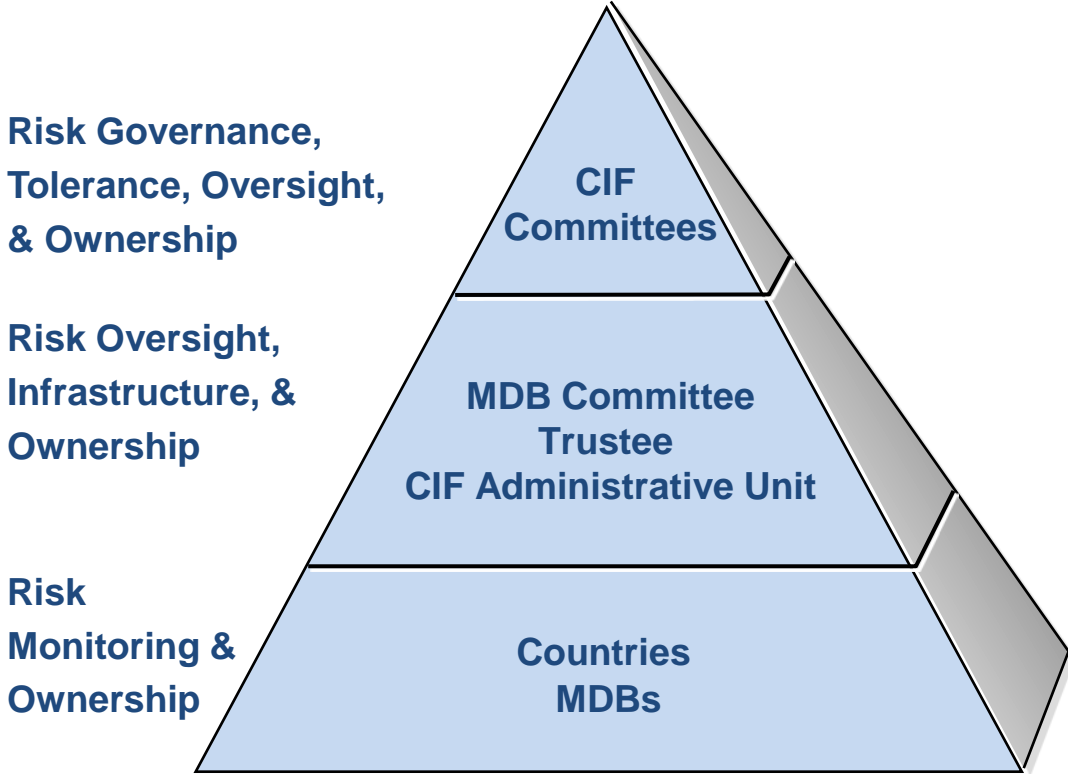
Approved CIF ERM Framework (Remaining actions)

Step	Establish Context	Communicate	Establish Risk Baseline		Monitor & Report	
Process	Establish ERM Environment	Establish Communication Program	Identify Events & Potential Risks	Evaluate Risks	Determine Risk Response Strategies	Track & Communicate Progress
Components	<p>90%</p> <p>Determine Risk Tolerance Levels</p> <p>Revise relevant Policies & Procedures</p> <p>Establish CIF Governance</p>	<p>90%</p> <p>Communicate CIFs Oversight</p>	<p>80%</p> <p>Finalize Tier 2 Risks</p>	<p>75%</p> <p>Finalize Tier 1 risk indicators & triggers</p> <p>Establish Tier 1 triggers Levels</p> <p>Evaluate Tier 2 Risks</p>	<p>80%</p> <p>Evaluate Tier 2 Risks</p>	<p>10%</p> <p>Develop portfolio Reports</p> <p>Implement Annual assessment</p> <p>Collect /analyze performance and financial data</p> <p>Continuously inform TFC decisions</p> <p>Identify degree to which business objectives are met</p> <p>Incorporate lessons learned</p>
Product	Risk Governance & Policies	Communication Plan	Preliminary Risk Register	Prioritized Risk Register	Baseline Risk Register	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
Strategic	1	Committees may not make risk informed decisions		3	2.5
	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
	5	Asset & Liability Mismanagement		2	3
Operational	6	Misuse of funds or other problems with project implementation		1	3
	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 )

- **Low**: Committee members are unwilling to accept the risk; every effort should be made to mitigate the risk

(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	●		●	●	●	●	●
China							
Denmark							
Egypt							
France							
Germany	●	●	●	●		●	●
Guyana							
India							
Indonesia							
Japan							
Kyrgyz Republic							
Maldives							
Morocco							
Netherlands							
Nigeria							
Norway							
Senegal							
South Africa							
Spain				●		●	●
Sweden							
Switzerland							
Tunisia							
Turkey							
United Kingdom	●	●	●	●		●	●
United States	●	●	●	●		●	●
Yemen							

Plan of Recommended Actions – Strategic risks

<i>Portfolio View</i>	<i>Transformation Impact</i>	<i>Use of Funds</i>
<ul style="list-style-type: none">▶ Enhance pipeline analysis and reporting▶ Enhance financial analysis and reporting▶ Implement portfolio reporting process	<ul style="list-style-type: none">▶ Integrate into the Results Framework▶ Develop process for Lead MDB/country to provide programmatic assessments▶ Develop process to inform Committees	<ul style="list-style-type: none">▶ Enhance MDB Committee dashboards▶ Implement over-programming

Plan of Recommended Actions – Financial

Losses

- ▶ Develop credit/default loss analysis
- ▶ Develop investment loss analysis
- ▶ Integrate with Portfolio Dashboard

Asset Liability Mismanagement

- ▶ Develop minimum liquidity requirement analysis and reporting
- ▶ Develop interest risk analysis and reporting
- ▶ Develop foreign exchange rate analysis and reporting

Plan of Recommended Actions – Operational

Misuse of Funds or other problems with project implementation

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

Misalignment between sources and uses of funds

- ▶ 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