**Risk assessment and management**

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| 1. **Risk factors and mitigations measures (max. 2 pages)** | | |
| As identified in Annex 14, the project has negligible environmental and social risks associated primarily with Component 2. There are, however, project related risks (elaborated below) which may affect the implementation of the project. These include:   * Operational risks, such as difficulty working effectively with a number of different partners; * Technical risks, such as ones related to the design and implementation of index insurance and; * Financial risks, given the highly volatile economic/financial situation in Zimbabwe.   All the above risks have been carefully identified and mitigation measures have been put in place. | | |
| **Selected Risk Factor 1** | | |
| Category | Probability | Impact |
| Technical and operational | Medium | Medium |
| Description | | |
| Index insurance not capturing major drought events. Differences in index insurance pay-outs across villages with similar weather/topography conditions. Mismatch between farmer expectation and index results | | |
| Mitigation Measure(s) | | |
| * *Apply experience from ongoing projects including index insurance, for example GCF-funded R4 in Senegal, to find-tune the index and minimize risks.* * *Step-up financial education efforts to keep farmers expectations realistic.* | | |
| **Selected Risk Factor 2** | | |
| Category | Probability | Impact |
| Forex | Medium | Medium |
| Description | | |
| Highly volatile financial context leading to persistent lack of liquidity in country. | | |
| Mitigation Measure(s) | | |
| * *Rely on mobile money for the set-up of VSL groups and for the payment of insurance pay-outs.* * *Maintain established mobile-money payment system in local commodity shops.* | | |
| **Selected Risk Factor 3** | | |
| Category | Probability | Impact |
| Technical and operational | Medium | Low |
| Description | | |
| Default for farmers linked to formal credit facilities. Possible default of VSL. | | |
| Mitigation Measure(s) | | |
| * *Integrated approach with insurance and asset creation is geared towards safeguarding farmers from the risk of default.* * *Experience shows that risk of default for VSLs is very low due to strong community ownership and oversight.* * *Financial education efforts will be targeted to minimize such risk.* | | |
| **Selected Risk Factor 4** | | |
| Category | Probability | Impact |
| Technical and operational | Medium | Low |
| Description | | |
| High number of cooperating partners and government institutions involved may cause coordination problems. | | |
| Mitigation Measure(s) | | |
| * *Ensure adequate staffing capacity for project implementation, coordination and oversight.* * *Creation of project steering committees with clearly defined roles and responsibilities.* * *Set-up adequate monitoring and feedback mechanisms.* | | |
| **2. AML/CFT\* and Prohibited Practices compliance due diligence assessment (max. 1 page)** | | |
| Category | Probability\*\* | Impact\*\*\* |
| ML/TF | Low | **Low (<5% of project value)** |
| Sanctions | Low | **Low (<5% of project value)** |
| Reputational | Low | **Low (<5% of project value)** |
| Prohibited Practices | Low | **Low (<5% of project value)** |
| \*Anti-Money Laundering/Countering the Financing of Terrorism  \*\*H: High (has significant probability), M: Medium (has moderate probability), L: Low (has negligible probability)  \*\*\* H: High (has significant impact), M: Medium (has moderate impact), L: Low (has negligible impact)  1 Money Laundering/Terrorist Financing  2 Sanction prohibitions of the United Nations, or other relevant sanctioning authorities (including the World Bank Debarred List)  3 In the context of Money Laundering/Terrorist Financing and Prohibited Practices  4 Abuse, Conflict of Interest, Corrupt, Retaliation against Whistleblowers or Witnesses, as well as Fraudulent, Coercive, Collusive, and Obstructive Practices | | |
| At WFP, the procuring EE, all due diligence processes are done in compliance with WFP rules, including AML/CFT, and procedures as specified in the AMA. All these have been thoroughly assessed by the GCF during the accreditation process. Hence, both probability and impact will be low as there are strong procedures in place that will minimize the chance and impact. | | |
| 3. **Other potential risks in the horizon** | | |
| *Please describe other potential issues which will be monitored as “emerging risks” during the life of the projects (i.e., issues that have not yet raised to the level of “risk factor” but which will need monitoring). This could include issues related to external stakeholders such as project beneficiaries or the pool of potential contractors.* | | |