**Risk assessment and management**

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| 1. **Risk factors and mitigations measures (max. 2 pages)** | | |
| A summary of the identified risks to the implementation and sustainability of the proposed project, associated impacts and mitigation measures are presented below. The risks identified through the assessment – with moderate impact or probability of occurring – are all grouped in the technical and operational risk category. These include:   * a lack of cohesion between the proposed project’s EbA approach and that of the country’s economic development practices (Risk Factor 1); * the failure of project activities to facilitate stakeholder engagement (Risk Factor 2); * limited support for, and recognition of, urban EbA by target communities (Risk Factor 5); * limited capacity of local institutions to implement, monitor and manage the proposed project’s EbA interventions (Risk Factor 6); * Inadequate coordination at a national level – resulting in limited participation of the relevant institutions and agencies (Risk Factor 7); and * Disaster events / hazards negatively affect or delay project interventions (Risk Factor 10).   Risk factors that have been identified as posing a high level of risk to the proposed project, although unlikely to occur, are the following:   * the failure of project activities to facilitate stakeholder engagement (Risk Factor 2); * International and national experts/consultants do not perform to expectations (Risk Factor 4). | | |
| **Selected Risk Factor 1** | | |
| Category | Probability | Impact |
| Technical and operational | Low | Medium |
| Description | | |
| A lack of cohesion between the proposed project’s EbA approach and that of the country’s economic development practices. | | |
| Mitigation Measure(s) | | |
| The development and mainstreaming of the ICFMS will address this risk factor. The project will undertake extensive engagement with policy makers, planners and decision-makers and the public, as well as recommending policy revisions to ensure incorporation of integrated flood management and urban EbA into policies and socio-economic development plans. | | |
| **Selected Risk Factor 2** | | |
| Category | Probability | Impact |
| Technical and operational | Low | Medium |
| Description | | |
| Failure to engage local-level stakeholders sufficiently. | | |
| Mitigation Measure(s) | | |
| Local-level stakeholders have been engaged with extensively through all phases of project design and have shown support for project activities. A comprehensive stakeholder engagement plan (see Annex 12: ESAP) will ensure that all relevant stakeholders are engaged further during project implementation. | | |
| **Selected Risk Factor 3** | | |
| Category | Probability | Impact |
| Governance | Low | Medium |
| Description | | |
| Political instability could influence project implementation. | | |
| Mitigation Measure(s) | | |
| The risk of political instability in Laos cannot be mitigated against but it is unlikely to occur. Laos has been a peaceful and stable country for many years and ranks high in terms of political stability globally[[1]](#footnote-2). | | |
| **Selected Risk Factor 4** | | |
| Category | Probability | Impact |
| Technical and operational | Low | High |
| Description | | |
| International and national experts/consultants do not perform to expectations. | | |
| Mitigation Measure(s) | | |
| * The services of consultants and contractors will be procured according to the guidelines in the UN Environment Programme Manual. This will ensure that only suitably qualified applicants are contracted for project activities. * The NUoL and international academics will be involved in project activities through the national knowledge hub. These academics will have the opportunity to review and provide input on all designs, surveys and reports provided by international experts/consultants. * Technical supervision of the project will leverage on expertise of UNEP in ecosystem-based adaptation and restoration.   These mitigation measures will reduce the impact level to low. | | |
| **Selected Risk Factor 5** | | |
| Category | Probability | Impact |
| Technical and operational | Low | Medium |
| Description | | |
| Communities do not take ownership of the EbA interventions. | | |
| Mitigation Measure(s) | | |
| * Target communities will be engaged about urban EbA interventions within their cities through the awareness-raising campaigns that will be conducted (Activity 1.1.3) and will participate in land-use planning (Activities 2.1.1. and 2.2.2). This will ensure all community members understand the benefits of EbA interventions. The co-benefits from EbA interventions are likely to promote community ownership. * The establishment of a Community Wetland Management Committee at the village level in Paksan (Activity 2.1.1) as well as the Community Stream and Drainage Management Committees will further increase community participation in monitoring and maintenance of the urban EbA interventions. | | |
| **Selected Risk Factor 6** | | |
| Category | Probability | Impact |
| Technical and operational | Low | Low |
| Description | | |
| Overlapping or conflict between the proposed project activities and those being implemented by other departments or organisations in Laos. | | |
| Mitigation Measure(s) | | |
| * The proposed project has been designed with extensive stakeholder engagement at all levels of government to ensure there is no conflict between the proposed project and any past and ongoing initiatives in Laos. * The ICFMS developed under Activity 1.2.3 will ensure that all future water management projects in the four cities complement existing and planned projects. * Regular meetings between the NPSC and the four CPSCs will further ensure that any future projects or initiatives do not conflict with the proposed interventions. The NPSC and CPSCs will include stakeholders from all relevant sectors, which will ensure complementarity between all sector specific projects. | | |
| **Selected Risk Factor 7** | | |
| Category | Probability | Impact |
| Technical and operational | Medium | Low |
| Description | | |
| Inadequate coordination at a national level – resulting in limited participation of the relevant institutions and agencies. | | |
| Mitigation Measure(s) | | |
| * The implementation arrangements of the proposed project are outlined in Section B.3. Key agencies will be part of the Steering Committee, which will facilitate coordination across institutions. * The relevant institutions have agreed on all roles and responsibilities. To ensure that these institutions and agencies are fulfilling their responsibilities during the proposed project’s implementation period, the following activities will take place: i) monitoring and evaluation; ii) the writing and dissemination of reports; and iii) regular meetings/engagements to facilitate information sharing. | | |
| **Selected Risk Factor 8** | | |
| Category | Probability | Impact |
| Technical and operational | Low | Low |
| Description | | |
| Failure of the proposed project to incorporate gender considerations into its implementation and management. | | |
| Mitigation Measure(s) | | |
| * Representatives from the National Women’s Union will sit on the NPSC and the four CPSCs to ensure project activities are compliant with the Gender and Social Inclusion Assessment and Action Plan (Annex 4). In addition, a Monitoring and Gender Officer will be contracted under the project and will be responsible for overseeing and monitoring the application of gender-disaggregated indicators[[2]](#footnote-3). * The National Women’s Union has also been identified as a dissemination agent for the awareness-raising campaigns that will be conducted under Activity 1.1.3. | | |
| **Selected Risk Factor 9** | | |
| Category | Probability | Impact |
| Technical and operational | Low | Low |
| Description | | |
| Continued maintenance of the proposed project’s urban EbA interventions could cease after the conclusion of the project. | | |
| Mitigation Measure(s) | | |
| * An Exit Strategy[[3]](#footnote-4) has been developed to ensure the proposed project’s long-term sustainability, including options for financing, and to decrease the likelihood that this risk will occur. | | |
| **Selected Risk Factor 10** | | |
| Category | Probability | Impact |
| Technical and operational | Low | Medium |
| Description | | |
| Disaster events / hazards negatively affect or delay project interventions. | | |
| Mitigation Measure(s) | | |
| * Construction activities, i.e. permeable paving installation, will be conducted during low storm risk periods. * Project activities will be planned in coordination with Department of Meteorology and Hydrology (DMH) to reduce the risk of disaster impact. | | |
| **Selected Risk Factor 11** | | |
| Category | Probability | Impact |
| Technical and operational | Medium | Low |
| Description | | |
| High staff turnover affects the technical capacity of MONRE to implement the project. | | |
| Mitigation Measure(s) | | |
| * The establishment of the knowledge hub (Activity 1.1.2) will enable knowledge generated from project activities and knowledge products on EbA and integrated flood management to be widely disseminated. In addition, relevant decision-makers and technical staff will be trained on how to implement integrated flood management and manage EbA solutions. As a result, recipients of such information and training will be able to fast-track to take on technical roles within MONRE where required. | | |
| **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)** |
| 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 ML/TF: Money Laundering/Terrorist Financing*  *2 Sanctions: Sanctions prohibitions of the United Nations, or other relevant sanctioning authorities (including the World Bank Debarred List)*  *3 Reputational: In the context of Money Laundering/Terrorist Financing and Prohibited Practices*  *4 Prohibited practices: Abuse, Conflict of Interest, Corrupt, Retaliation against Whistleblowers or Witnesses, as well as Fraudulent, Coercive, Collusive, and Obstructive Practices* | | |
| *Describe each risk identified which should be derived from the AML/CFT integrity due diligence assessment as well as the prohibited practices due diligence assessment. This includes including corruption, fraud, abuse, retaliation against whistleblowers and any other coercive, collusive or obstructive practice. Also provide the controls and measures to mitigate each identified risk.*  *If the Executing Entity is different from the Accredited Entity, please include an annex providing further KYC details, e.g. on the beneficial ownership/control structure, and exposure to Politically Exposed Persons(PEPs) etc.*   * The risk of GCF proceeds being utilised towards money laundering or terrorist financing is low. Lao PDR has comprehensive legislation and regulations on Anti-Money Laundering and Combating the Financing of Terrorism. Specifically, in 2015 Laos enacted a new Law on Anti-Money Laundering and Counter-Financing of Terrorism[[4]](#footnote-5). In addition, Laos has been a member of the Asia/Pacific Group on Money Laundering (APG)[[5]](#footnote-6) since 2007[[6]](#footnote-7). The purpose of the APG is to ensure the adoption, implementation and enforcement of internationally accepted anti-money laundering and counter-financing of terrorism standards. In 2017, the Financial Action Task Force (FATF) welcomed Lao PDR’s significant progress in improving its AML/CFT regime and noted that the country has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in 2015. As of 2017, Lao PDR is therefore no longer subject to the FATF’s monitoring process under its on-going global AML/CFT compliance process[[7]](#footnote-8). As a member of the APG, Laos continues to work to further strengthen its AML/CFT regime. For example, in 2018, Laos’ Anti-Money Laundering Intelligence Office (AMLIO), the Lao Financial Intelligence Unit (FIU), partnered with donors to: i) complete Laos’ first-ever national risk assessment (NRA); ii) upgrade its information technology systems; iii) hold multiple workshops and training seminars throughout the country to raise awareness on AML/CFT issues; iv) build capacity among law enforcement and judicial officials; and v) finish drafting two important decrees focused on AML prosecutions. Moreover, the new penal code for Laos took effect in November 2018. This code contains articles that define terrorism financing and money laundering and set forth specific penalties for these and other crimes[[8]](#footnote-9). Furthermore, the Project Cooperation Agreement between UNEP and Govt of Lao PDR will include warranties and caveats by the Govt of Lao PDR to *inter alia* ensure compliance with the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat, as well as the Green Climate Fund Policy on Prohibited Practices. * There are no sanctions by the United Nations Security Council currently in force against Laos[[9]](#footnote-10). * As provided above, the Govt of Lao has in place regulations and mechanisms to prevent fraud and corruption. Furthermore, the Project Cooperation Agreement between UNEP and Govt of Lao PDR will include warranties and caveats by the Govt of Lao PDR to *inter alia* ensure compliance with the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat, as well as the Green Climate Fund Policy on Prohibited Practices. | | |
| 3. **Other potential risks on the horizon** | | |
| * Currency fluctuations (both national and international) could negatively influence the proposed project’s budget, including the costs of implementation. This may result in: i) suboptimal or incomplete implementation; and ii) a reduction in sustainability and upscaling potential. If there is a significant change to the funds available owing to currency fluctuations, UNEP will seek the guidance of the GCF accordingly. | | |

1. Laos ranks high in the world in terms of political stability. https://www.theglobaleconomy.com/rankings/wb\_political\_stability/ [↑](#footnote-ref-2)
2. The project’s gender targets as well as the associated gender-disaggregated indicators are presented in Annex 4. Gender Assessment. [↑](#footnote-ref-3)
3. The Exit Strategy is presented in Section C.5 of the SAP Funding Proposal. [↑](#footnote-ref-4)
4. Available at: http://laoofficialgazette.gov.la/kcfinder/upload/files/Anti-Money%20Laundering%20and%20Counter-Financing%20of%20Terrorism%20Law%20.pdf [↑](#footnote-ref-5)
5. Asia/Pacific Group on Money Laundering (2019). See https://www.fatf-gafi.org/countries/#APG [↑](#footnote-ref-6)
6. Asia/Pacific Group on Money Laundering (2019) See http://www.apgml.org/members-and-observers/members/details.aspx?m=a6c4a803-0e15-4a43-b03a-700b2a211d2e [↑](#footnote-ref-7)
7. FATF Statement re AML Strategic Deficiencies: 23 June 2017 [↑](#footnote-ref-8)
8. KnowYourCountry Limited (2019). Laos Country Report. Available at: https://www.knowyourcountry.com/laos1111 [↑](#footnote-ref-9)
9. KnowYourCountry Limited (2019). Laos Country Report. Available at: https://www.knowyourcountry.com/laos1111 [↑](#footnote-ref-10)