

## RISK ASSESSMENT AND MANAGEMENT

<b>1. Risk factors and mitigations measures (max. 2 pages)</b>		
<p><i>Please describe financial, technical and operational, social and environmental and other risks that might prevent the project/programme objectives from being achieved. Also describe the proposed risk mitigation measures.</i></p> <p>For probability: High has significant probability, Medium has moderate probability, Low has negligible probability  For impact: High has significant impact, Medium has moderate impact, Low has negligible impact</p>		
<b>Selected Risk Factor 1</b>		
Category	Probability	Impact
Governance	Medium	Medium
Description		
<p><b>Execution</b> Following the change in government of May/June 2018, procedures related to the management of international funds is currently under review. The new government is considering the possibility of transforming the current PIUs operating in most of the ministries into external state foundations. Possible impacts of such reform are related to (i) salaries and (ii) chain of command. As the government has not yet issued the mechanism to guide and regulate such transition, it is yet unclear if the salaries of PIUs staff will be still covered by the budget and the reporting/chain of command within the new setting. FAO can only report on information received by the government and its central institutions. Consequently, the described risk has a medium probability to affect the project.</p>		
Mitigation Measure(s)		
<p><i>Please describe how the identified risk will be mitigated or managed. Do the mitigation measures lower the probability of risk occurring? If so, to what level?</i></p> <p>FAO received the assurance from the Ministry of Nature Protection (Executing Entity) that such changes will only involve the legal definition of the Project Implementation Unit and it will not change its functions or composition. Additionally, given the current legal setting of Armenia, including a clear description of implementation arrangements, delivery mechanism and disbursement strategy in the project agreement between the Republic of Armenia and the FAO (as AE to the GCF). This will avoid transfer of functions and processes to others as the Agreement is higher in hierarchy.</p>		
<b>Selected Risk Factor 2</b>		
Category	Probability	Impact
Technical and operational	Medium	Low
Description		
<p><b>Resistance to Change:</b> Communities and administration will require time and incentives to shift from the BAU scenario to a low emission sustainable development. In the past decades forests have been considered a mining resource by communities and the shift to a new governance will require transparency and clear engagement of all stakeholders including the civil society and the private sector.</p>		
Mitigation Measure(s)		
<p><i>Please describe how the identified risk will be mitigated or managed. Do the mitigation measures lower the probability of risk occurring? If so, to what level?</i></p> <ul style="list-style-type: none"> <li>- The project will invest in awareness and education always approaching investments and beneficiaries with an evidence based approach and replicating good practices from the Country, the Region and from similar contexts. Additionally the project will work in the framework of the newly issued laws on Energy Efficiency, Forest Management and others.</li> <li>- Given the high cost of energy in Armenia the project will pry on the economic advantage of proposed actions/technologies with a series of tailored innovative financing schemes for rural areas.</li> <li>- As agreed in the national engagement process, concerned state actors will be involved in the whole project cycle process including monitoring and evaluation of executed activities.</li> <li>- The project will be the vehicle for new energy efficiency innovations as well as for new forest governance framework via women groups that have already being mobilized via key representatives of the Armenian Civil Society that are actively participating in the national engagement process.</li> </ul>		

- The project will create the enabling conditions for the private sector to effectively and efficiently reach rural areas with technologies and technical assistance.
- Besides working with the State authorities at the local and national levels, the Project will develop strong and active cooperation with local elected bodies (i.e. Municipalities) as well as with the communities and the civil society.

### Selected Risk Factor 3

Category	Probability	Impact
Technical and operational	Low	Low

### Description

**Ineffective National Secure Measuring and Reporting and Verification (MRV).** The Country is still building its MRV system but due to budget constraints and lack of adequate capacities in the line ministries the process is not yet established and functional.

### Mitigation Measure(s)

*Please describe how the identified risk will be mitigated or managed. Do the mitigation measures lower the probability of risk occurring? If so, to what level?*

FAO is already investing in securing a precise baseline as well as supporting the Forest Monitoring Center of the Ministry of Nature Protection in acquiring the needed technologies, skills, and resources to ensure effective and efficient measuring, monitoring and verification of the forest sub-sector. C3 of the project will provide capacity development to the Forest Monitoring Center to contribute to improving the existing MRV system. .

### Selected Risk Factor 4

Category	Probability	Impact
Technical and operational	Low	Low

### Description

**High external indebtedness.** Despite the positive economic outlook and the expectation for growth and the close monitoring from international partners (including IMF), the high external indebtedness may force the government to stricter policies with consequences on the available liquidity. As consequence, the availability of financial instruments may decrease and with it also the economic opportunities generated by the project and that represent a contribution to the paradigm shift towards greener and more sustainable forests and energy management.

### Mitigation Measure(s)

The close monitoring of the Government on the budget may reduce the risk of vulnerability. The current provision of financial services is increasing and the banking sector (coupled by other credit organizations) is becoming more accessible. Provision of capacity development and technology transfer are de-risking measures that would stabilize the target population's success rate in new economic activities.

### Selected Risk Factor 5

Category	Probability	Impact
Select	Select	Select

### Description

*Please describe the risk to the best of your knowledge at this point in time.*

### Mitigation Measure(s)

*Please describe how the identified risk will be mitigated or managed. Do the mitigation measures lower the probability of risk occurring? If so, to what level?*

### 2. AML/CFT\* and Prohibited Practices compliance due diligence assessment (max. 1 page)

Category	Probability**	Impact***
Select	Select	Select

Select	Select	Select
Select	Select	Select
Select	Select	Select
*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) <sup>1</sup> Money Laundering/Terrorist Financing <sup>2</sup> Sanction prohibitions of the United Nations, or other relevant sanctioning authorities (including the World Bank Debarred List) <sup>3</sup> In the context of Money Laundering/Terrorist Financing and Prohibited Practices <sup>4</sup> Abuse, Conflict of Interest, Corrupt, Retaliation against Whistleblowers or Witnesses, as well as Fraudulent, Coercive, Collusive, and Obstructive Practices		
N/A		
3. Other potential risks in the horizon		
None		