

Simplified Approval Process Annex 7: Risk assessment and management



RISK ASSESSMENT AND MANAGEMENT

1. Risk factors and mitigations measures (max. 2 pages)		
<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>		
Selected Risk Factor 1		
Category	Probability	Impact
Technical and operational	Low	High
Description		
<i>Limited adaptation benefits of investments due to low capacities of local governments to properly plan and execute adaptation investments</i>		
Mitigation Measure(s)		
<i>The programme envisages the deployment of both capacity building and TA to support the deployment of the PBCRG and realization of GCF-financed investments. The capacity building strategy is built around both ad-hoc trainings and on the job training to ensure a constant support all along the investment cycle (from planning to final realization). The PBCRG are performance-based grants which involve annual assessments on the use of GCF proceeds for investments, providing indication of capacity gaps, while creating an incentive system for target local governments to improve in performance for accrued resilience. Specific tools developed and deployed in the framework of the programme (LISA, Menu of eligible investments, ACCAF, APA) will mitigate such risks further guiding and equipping local governments in their adaptation planning. Such processes facilitate learning and constant improvements in technical and operational capacities of local governments.</i>		
Selected Risk Factor 2		
Category	Probability	Impact
Technical and operational	Medium	High
Description		
<i>Local governments delays in implementing their budgetary cycles, delaying overall realization of investments on the ground and achievement of set targets.</i>		
Mitigation Measure(s)		
<i>Local governments processes may be heavy and lengthy (e.g., public procurement procedures, plans/budgets approvals and controls as per country regulations, etc.) delaying overall operations on the ground and timely delivery of funding and investments. The Feasibility Study of the programme has carefully assessed local governments budgetary cycles and identified calendars and actions to ensure efficiency in processes. On the job assistance, annual performance reviews will provide local governments with the adequate support and incentives to comply with timelines and ensure a smooth delivery of PBCRG investments. The programme, working at the crossroad of adaptation and decentralization, strengthens overall governance and PFM processes, supporting local governments' delivery capacities.</i>		
Selected Risk Factor 3		
Category	Probability	Impact
Technical and operational	Medium	Medium
Description		
<i>High turn over of national and local governments' officials may compromise the effectiveness of capacity building and knowledge transfer activities, while creating disruptions in execution of the programme</i>		
Mitigation Measure(s)		

<i>The programme has a sound capacity building strategy that ensure inclusiveness and on the job assistance along the whole project investment cycle and duration of the programme. Capacity building happens at more levels (commune, departments, national level) and with a variety of stakeholders so to mitigate risks of turn over and ensure knowledge stays within the deployment architecture of the programme, minimizing disruptions.</i>		
Selected Risk Factor 4		
Category	Probability	Impact
Financial	Low	High
Description		
<i>Misuse of funds by government officials (maladministration, corruption or “clientelism”)</i>		
Mitigation Measure(s)		
<i>Misuse of funds can take place without malicious intent. Often it is a result of a lack of knowledge of capacity to properly use government systems. The capacity building component of the programme will place an emphasis on ensuring that government officials have the capacity to correctly use government systems in order to avoid inadvertent misuse of funds. Regular financial checks (FADeC audits) and annual performance assessments act as a deterrent to corruption and “clientelism” or identify any misuse of funds at the earliest opportunity.</i>		
Selected Risk Factor 5		
Category	Probability	Impact
Financial	Medium	High
Description		
<i>Local governments don't maintain GCF-financed investments using local government own-revenue given the lack of financial resource within its national budget allocation</i>		
Mitigation Measure(s)		
<i>Capacity building support will look at improving local governments abilities to budget for the operations and maintenance of adaptation investments, improving the overall planning and budgeting processes. The PBCRG design in its APA requires local governments to budget for Ops & Maintenance of investments and this condition is regularly checked during monitoring visits to investments site and APA. Community-based management will also incentivize that community measures are promoted to operate and maintain investments (e.g., through the collection of small utilisation fees that are then used to maintain the investments).</i>		
Selected Risk Factor 6		
Category	Probability	Impact
Political	Low	High
Description		
<i>Change in political buy-in and priorities in terms of decentralization and climate agendas, also limiting efforts for resources mobilization and scale up</i>		
Mitigation Measure(s)		
<i>Benin has since inception advocate and engaged on the LoCAL programme and highlighted through diverse policies and frameworks its commitment to climate change adaptation and role of local governments within in. The LoCAL-Benin Technical Committee as a multi-sectoral platform in country provides opportunity for engagements across different ministries and national agencies. The programme will ensure intensive communication, advocacy with national and local government partners to ensure it remains a priority, while working for the institutionalization of the financing model to facilitate its full integration into national systems. The programme will also benefit from the LoCAL global network, which will provide Benin leadership the opportunity to exchange and work with like minded colleagues and incentivize continued commitment.</i>		
Selected Risk Factor 7		
Category	Probability	Impact
Environmental	Low	Medium

Description		
<i>PBCRG-financed Investments have negative environmental and / or social consequences.</i>		
Mitigation Measure(s)		
<i>The pre-identified investments are aligned with the GCF standard on Category risk level C (please refer to Annex xx for the full programme's Menu of eligible investments, which include investment scope and pre-screened indicative activities that will conform with the risk and financial thresholds of the C-categorisation and of the accreditation thresholds of FNEC). As part of the development of this programme, all proposed adaptation interventions and related activities will undergo a mandatory ESS screening following the procedure by FNEC for ESS and ESMP before making the selection for direct funding from PBCRG.</i>		
2. AML/CFT* and Prohibited Practices compliance due diligence assessment (max. 1 page)		
Category	Probability**	Impact***
ML/TF	Low	LOW (<5% OF PROJECT VALUE)
Prohibited Practices	Low	LOW (<5% OF PROJECT VALUE)
Select	Select	SELECT
Select	Select	SELECT
<p>*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</p>		
<p><i>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.</i></p> <p>The programme will comply with international best practices on AML/CTF. FNEC as AE shall comply, and shall require all persons and EEs and IPs engaged in its activities under the programme to comply, with all internal anti-money laundering, counter-terrorism financing laws, rules, and regulations. FNEC encourages and promotes sound, fair, transparent and well performing procurement systems and GCF compliant procedures will be applied accordingly by national EEs, namely DGEC and CONAFIL. Procurement of services and goods under direct national execution will adhere to Benin's Public Procurement Code (Law N° 2020-26). At the subnational level, local governments are subject to the same Public Procurement Code for the procurement of goods and services. CONAFIL (through FADeC annual audits to local governments) and FNEC will ensure and verify compliant procurement standards are applied on GCF proceeds. AML/TF Due Diligence are also conducted as part of the prevention and fight against money laundering following the standards of solid Financial Security Policy. This internal document constitutes the general framework of the control system covering all FNEC activities relating to the prevention, surveillance and management of money laundering and terrorist financing risks. FNEC will ensure with EEs confirm to have obtained sufficient undertakings from all persons and entities involved in its activities under the programme that they shall not engage in any prohibited practices. UNCDF, as a UN agency affiliated to UNDP, adheres to the UNDP's policy on fraud and other corrupt practices. UNCDF has undergone a FMCA successfully, confirming compliance of financial management practices with GCF requirements.</p> <p>Consistent with numerous United Nations Security Council resolutions adopted under Chapter VII of the UN Charter, the Government of Benin and UNCDF as part of the UN system are firmly committed to the international fight against terrorism and, in particular, against the financing of terrorism. FNEC and EEs will ensure that none of their funds are used, directly or indirectly, to provide support to individuals or entities: i) associated with terrorism, as included in the list maintained by the Security Council Committee established pursuant to its Resolutions 1267 (1999) and 1989 (2011); or ii) that are the subject of sanctions or other enforcement measures promulgated by the United Nations Security Council. This provision will be included in all agreements concluded between FNEC and EEs and EEs and implementing partners under the programme.</p>		
3. Other potential risks in the horizon		
The security situation is deteriorating in northern bordering areas, which interest some local governments were the programme will be deployed. The programme will closely monitor the situation as it evolves and prepare for any corrective measures that would need to be put in place, especially pertaining access to some zones, that may be restricted as the security situation deteriorates.		