

Simplified Approval Process

Annex 7: Risk assessment and management



GREEN
CLIMATE
FUND

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
Governance	Medium	Medium
Description		
PBGM for allocation toward climate resilience not integrated into national systems		
Mitigation Measure(s)		
<p><i>The following measures are expected to lower the probability of risk occurring to low or negligible level</i></p> <p>Securing political leadership and institutional arrangements, including through NDA</p> <p>Use FIC code to track the funding from CARE-LG</p> <p>Project activities planned and budgeted for:</p> <ul style="list-style-type: none"> • Development of governance structure for performance-based climate resilience grant (PBGM) • Update and revision of PBGM guidelines and procedure including screening criteria • Integration of PBGM in the national planning and budgeting system 		
Selected Risk Factor 2		
Category	Probability	Impact
Technical and operational	Low	Low
Description		
Funds not disbursed to local authorities or delays in releases		
Mitigation Measure(s)		
Definition of clear financing circuit for the PBGM (including the relevant treasury arrangements) and financial flows; to be detailed in MoU between AE and MoF before the first transfer of CARE-LG funds.		
Selected Risk Factor 3		
Category	Probability	Impact
Technical and operational	Medium	Medium
Description		
Adaptation measures are not implemented as planned and investments do not contribute to improving climate resilience		
Mitigation Measure(s)		
<p><i>The following measures are expected to lower the project risk to low or negligible levels;</i></p> <p>CARE-LG proposal development guidance prepared including proposal template, investment menu and proposal assessment criteria to enable all CARE-LG financing proposals to target climate resilience;</p> <p>The development of Gewog Adaptation Plan is required to be preceded by local participatory climate change and vulnerability assessment.</p>		

Annual approval of annual fund allocation and disbursement to the gewogs will be performance-based whereby performance assessment includes criteria on climate resilience		
Execution rate of investments and fund utilization incentivized in Annual Performance Assessment		
Selected Risk Factor 4		
Category	Probability	Impact
Operational	Low	Low
Description		
Local communities and vulnerable groups, including women, are not involved in the selection of measures		
Mitigation Measure(s)		
<i>The following mitigation measures are expected to remove the risk or that it is negligible</i> GAP as integral part of project implementation Gender consideration and inclusion of vulnerable groups included as criteria for assessment of proposals under CARE-LG Use of the participation planning manual (2022) is incentivized in the annual performance assessment with clear indicators targeting focus on vulnerable groups.		
Selected Risk Factor 5		
Category	Probability	Impact
Reputational	Low	Low
Description		
Implemented investments have negative environmental and/or social consequences		
Mitigation Measure(s)		
<i>The following mitigation measures are expected to remove the risk or that it is negligible</i> Assessment of proposals for PBGM through CARE-LG includes an exclusion list to avoid activities that have potential adverse environmental and social risks or impacts; Performance and Proposal Assessment Criteria includes incentives on social, environmental, gender and cultural considerations. GAP and ESAP are integral part of CARE-LG project implementation and monitoring.		
Selected Risk Factor 6		
Category	Probability	Impact
Technical and operational	Low	Low
Description		
Annual performance assessments are not timely nor of a high quality in terms of neutrality and results		
Mitigation Measure(s)		
Focus on timeliness of the assessments in MoU and Letter of Agreements.		
Training of the Screening Committee planned prior to any performance of proposal assessment and screening sessions		
Selected Risk Factor 7		
Category	Probability	Impact
Technical and operational	Medium	Medium
Description		
Shortage of manpower within the government due to prevailing high attrition rates may affect project implementation		
Mitigation Measure(s)		

The PMU will to be housed within DPBP. However, it is expected to be not part of regular DPBP functionaries and will have full time focus on the project.

The Project Manager and M&E Experts are both funded fully by the project

Selected Risk Factor 8

Category	Probability	Impact
Technical and operational	Medium	Medium
Description		
Shortage of manpower within the government due to prevailing high attrition rates may affect project implementation		
Mitigation Measure(s)		
The PMU will be housed within DPBP as an independent unit managed by a full-time project manager, supported by a M&E Expert. The unit is expected to be not part of regular DPBP functionaries as the project management team will be hired on contract funded fully by the project.		

Selected Risk Factor 9

Category	Probability	Impact
Reputational	Low	Low
Description		
Problems of procurement, corruption, and embezzlement - DAE and executing agencies have well established procurement norms adapted for procurement processes, therefore, no risk is foreseen.		
Mitigation Measure(s)		
EEs and PMU shall follow the procurement process as per the procurement plan and procurement rules and regulations. In addition to the periodic monitoring by the M&E, semi-annual internal audit and annual audit will be conducted to assess fiduciary controls. Project GRM to allow raising complaints against the project.		

Selected Risk Factor 10

Category	Probability	Impact
Technical and operational	Low	Low
Description		
Cost escalations		
Mitigation Measure(s)		
Contingency of 2% considered to absorb risks related to cost escalation within the project activities		

Selected Risk Factor 11

Category	Probability	Impact
Technical and operational	Low	Low
Description		
Proposals for PBGM financing may be beyond environmental and social category C		
Mitigation Measure(s)		
PBGM guidance and template prescribed with exclusion list to be applied to all proposals submitted for PBGM financing so that all project activities remain within ESS category C (Detailed in ESAP, Annex 12 of FP)		

Selected Risk Factor 12

Category	Probability	Impact
Technical and operational	Low	Low
Description		
Mitigation Measure(s)		

Selected Risk Factor 13

Category	Probability	Impact
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Technical and operational	Low	Low
Description		
Health and safety of workers may be compromised (activity 2.1.1; 2.2.1; 2.2.2)		
Mitigation Measure(s)		
Contractual arrangement with contractors to include clauses as per occupational health and safety provisions (Detailed in ESAP, Annex 12 of FP)		
Selected Risk Factor 14		
Category	Probability	Impact
Technical and operational	Low	Low
Description		
Negligible noise may be generated from climate-smart retrofitting activities		
Mitigation Measure(s)		
The timing and extent of these activities will be determined by the affected communities to ensure no disturbances occur (Detailed in ESAP, Annex 12 of FP)		
Selected Risk Factor 15		
Category	Probability	Impact
Technical and operational	Low	Low
Description		
Unintentional and unexpected cultural assets may be encountered during the project implementation		
Mitigation Measure(s)		
Chance find procedure prescribed (Detailed in ESAP, Annex 12 of FP)		
Selected Risk Factor 16		
Category	Probability	Impact
Technical and operational	Low	Low
Description		
Stakeholders may not be adequately informed about environmental and social consequences of the project implementation and opportunity for feedback may not be availed by stakeholders		
Mitigation Measure(s)		
Implement a Stakeholders Management Plan. Implement a project specific Grievance Redressal Mechanism. Develop and implement a local outreach and communication strategy (Detailed in ESAP, Annex 12 of FP)		
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		
AML/CFT/Sanctions:		
Description		

- None of the project locations are subject to UN as well as domestic sanction lists¹.
- None of the project locations are subject to monitoring under the FATF²:

Mitigation Measure(s)

- Project's capacity building and training program under component will include sensitization and awareness on compliance to requirements for AML/CFT/sanctions;
- Prior to entering into relationship with the counterparty, the screening against the UN sanction list as well as domestic sanction list will be conducted;
- The potential counterparties of the project will also be required to fill the CDD form as part of due diligence relating to AML/CFT risk;

Prohibited Practices/Reputational

Description

Vendor/contractor and project beneficiaries might undertake the project activities that are prohibited or that might lead to fraud or misuse of funds from the intended purposes.

Mitigation Measures:

- Project's capacity building and training program under component will include sensitization and awareness on project GRM mechanism and BTFEC's whistleblower and project SEAH provisions. Further, the potential parties including EEs of the project will be required to fill the customer Due Diligence (CDD) form (attached) as part of due diligence of customer identification before establishing any relationship. Prior to entering into a relationship with the counterparty, the screening against the UN sanction list as well as domestic sanction list will be conducted.
- The project staff and the stakeholders are legally bound by the Civil Service Act of Bhutan 2010 and Bhutan Civil Service Rules and Regulations 2023 (chapter 3)³ to uphold ethical standards, transparency, accountability and avoid conflicts of interest.

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.

- Customer Due Diligence (CDD) form is attached below.

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.

¹ <https://www.un.org/securitycouncil/content/un-sc-consolidated-list#entities>
and https://www.moha.gov.bt/?page_id=2324

² <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-february-2024.html>

³ <https://www.rcsc.gov.bt/wp-content/uploads/2024/01/BCSR2023V3.1.pdf>

CUSTOMER DUE DILIGENCE (CDD) FORM

No.	Particulars	Details
1	Full Name of the Customer	
2	Legal Status	Please tick: () Individual/() Company/() Others __
3	Permanent Address	
4	Business Address	
5	CID/Business Registration No.	
7	In case of Individual	
(i)	Nationality	
(ii)	Occupation or Profession	
(iii)	Name of the Employer	
(iv)	Location of the activity	
8	In case on Company	
(i)	Country of incorporation	
(ii)	Date of incorporation	
(iii)	Principal business/activity of the customer	
9	Is the customer acting on behalf of another person? If yes:	Please tick: () Yes () No
(i)	Name of the Beneficial Owner	
(ii)	CID/Business Registration No.	
(iii)	Domicile Country	
(iv)	Nationality if Beneficial Owner is an individual	
10.	Contact Details of the Customer	
(i)	Contact Person	
(ii)	Phone No	
(iii)	E-mail address	

11.	Copies of Customer Identification Documents <i>Please submit the documents and tick () against the documents attached</i> (i) Individual: - () CID copy () Proof of Domicile Country (ii) Company: - () Company Registration () List of Board Directors (iii) Any other documents: - please list down the documents
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Declaration: I/We hereby confirm that the above information provided to you is true and correct to the best of my/our knowledge. I/We acknowledge that if the information provided is found to be false or misleading then the business relationship may be annulled anytime at your discretion. I/We hereby agree to provide any additional information/documentation that may be required. Date: _____ Signature: _____
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