

Toward Risk-Aware and Climate-resilient communities (TRACT)

**Strengthening climate services and impact-based
multi-hazard early warning in Maldives**

Annex 7

Risk Assessment and Management

1. Risk factors and mitigations measures (max. 2 pages)

Environmental and social risks are considered in the Environmental and Social Action Plan (Annex 12a). Gender-specific risks are considered in the Gender Assessment (Annex 4a) and Gender Action Plan (Annex 4b).

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

Selected Risk Factor 1

Category	Probability	Impact
Technical and operational	Medium	Medium

Description

Ineffective implementation of project activities due to technical and operational capacity limitations of national partners. Stakeholder consultations undertaken during the project development phase highlighted capacity gaps within national entities/organisations, with many stakeholders expressing the need to build capacity through the project.

Mitigation Measure(s)

Capacity building and development is a cross-cutting priority of the proposed project. The project is designed to concurrently address capacity development needs across all four pillars of an effective multi-hazard early warning system, based on the needs and priorities expressed by national stakeholders. Capacity building and capacity development activities will be instituted at multiple levels (from national to community level) and will comprise multiple modes of engagement – including hands-on technical training and workshops, peer-to-peer learning, training-of-trainers, youth engagement curricula, and international study tours. Operational capacity limitations will be further addressed through the establishment of a Project Management Unit (PMU) to provide expertise in project management, financial management, procurement, logistics, communications, and technical issues.

The mitigation measures outlined above are expected to lower the probability of the risk occurring to Low.

Selected Risk Factor 2

Category	Probability	Impact
Technical and operational	Medium	Medium

Description

Inefficient and/or ineffective implementation of project activities due to lack of sufficient risk management procedures and inadequate monitoring and evaluation (M&E) policies: The HACT micro-assessment of the national Executing Entity (EE)¹ – Ministry of Tourism and Environment (MTE), formerly Ministry of Climate Change, Environment and Energy (MCCEE) – was unable to verify any procedures for identifying and managing risks at the organisational level, or formal documentation of ongoing risk assessment at the project level. Lack of written policies or guidelines for M&E within the Ministry increases the risk that the project is not as effective as it could be due to MTE being inadequately equipped to identify project strengths and weaknesses.

Mitigation Measure(s)

The Project Cooperation Agreement (PCA) between UNEP and MTE will require the national EE to report on project implementation progress through semi-annual narrative reports, which will include information on risk management and mitigation measures and M&E activities undertaken. Regular reporting in this manner will enable prompt identification of performance and operational risks and thereby facilitate timely execution of corrective actions where required.

¹ UNEP commissioned a HACT Micro-Assessment of the Ministry of Climate Change, Environment and Energy, which was conducted by BDO from July – November 2024.

In addition, MTE will engage a Monitoring and Evaluation (M&E) Officer and a supporting M&E International Specialist who will be responsible for monitoring progress during project implementation to ensure the quality of project execution and compliance with all GCF reporting requirements. At the start of project implementation, the M&E Officer and the M&E International Specialist will design a performance monitoring and evaluation framework to track the project's progress towards achieving its targets and objectives. The framework will provide written guidelines and indicators to monitor and assess the effectiveness of project implementation. The M&E Officer and the M&E International Specialist will work closely with the Project Management Unit and will organise training for staff members of the national EE and Technical Partners in data collection and analysis, and on matters related to the effective monitoring and reporting of activities.

The mitigation measures outlined above are expected to lower the probability of the risk occurring to Low.

Selected Risk Factor 3

Category	Probability	Impact
Technical and operational	Medium	High

Description

Inequitable realisation of project benefits among target stakeholders (especially vulnerable and marginalised groups): There is a risk that the project does not sufficiently tailor climate information and early warning products to the needs of users, which would limit the project's impact potential and utilisation of the project outputs. There is also a risk that warnings do not reach all the exposed population, particularly those in remote areas.

Mitigation Measure(s)

The project includes several interventions aimed at strengthening multi-stakeholder dialogue and two-way communication between climate services and early warning systems providers – especially Maldives Meteorological Service (MMS) and the National Disaster Management Authority (NDMA) – and target end-users. This includes enhancement of the National Climate Outlook / Monsoon Forum (Sub-Activity 1.1.3), co-production of sector-specific impact-based forecasts and decision support (Sub-Activity 2.2.5) and strengthening of two-way feedback and evaluation mechanisms (Sub-Activity 3.1.5). These interventions will enable national service providers to better understand the information requirements of stakeholders and help improve comprehension amongst users of the information provided. In addition, the use of two-way feedback mechanisms will help to verify that warnings have been received and correct potential failures in dissemination and communication. These mechanisms will also assist with evaluating whether the information that has been received is understandable and actionable.

Promoting gender equality and social inclusion (GESI) is a critical priority of the project and measures to mainstream GESI considerations have been incorporated across all project output areas. The Gender Action Plan (Annex 4b) outlines concrete gender-responsive and socially inclusive actions to be implemented as part of the project, which will contribute to ensuring that the project benefits are equitably distributed across all target stakeholders. A key intervention in this regard is the development of a socially inclusive and gender-responsive risk communication strategy, which aims to ensure that communications are appropriately tailored and targeted to the vulnerable and/or marginalised groups.

The mitigation measures outlined above are expected to lower the probability of the risk occurring to Low.

Selected Risk Factor 4

Category	Probability	Impact
Governance	Low	Medium

Description

Fiduciary management risks:

1. The HACT micro-assessment of MTE reported that the Internal Audit Unit of the Ministry has not covered donor-funded activities, which represents a missed opportunity and may increase the risk of fraud or error in

donor-funded projects. The Internal Audit Unit is deemed to be insufficiently independent from management, given that it reports directly to the Permanent Secretary. *(It should be noted that the Internal Audit function of MTE is in the development phase and lacks capacity to undertake project-related audits due to budgetary and staffing constraints. Audits of donor-funded projects are conducted by an external auditor.)*

2. Risk of unethical procurement processes due to a lack of explicit reference to ethical procurement practices, or criteria by which prospective suppliers may be excluded from the procurement process, in MTE's procurement procedures and template documents. *(It should be noted that the HACT micro-assessment for MTE found the overall procurement risk to be low).*

Mitigation Measure(s)

1. The PCA between UNEP and MTE will require an annual project-specific audit to be undertaken by an external, independent and qualified auditor in line with the Terms of Reference stipulated by UNEP. The audit shall be carried out in accordance with the international audit standards issued by the International Auditing and Assurance Standards Board (IAASB). Project staff will be made aware of the requirement for an annual external audit, and this is expected to mitigate the risk of fraud or error due to staff not being subject to review by internal audit. UNEP also reserves the right to audit or review/investigate all books and records related to the project, should such measures be deemed necessary.
2. As stipulated in the PCA to be signed between UNEP and MTE, all procurement to be undertaken as part of the project will be in accordance with UN rules, policies, and procedures, which include the requirement for all procurement transactions to be conducted in alignment with the highest ethical standards. UNEP will also provide training and guidance to support the procurement actions undertaken by MTE.

Selected Risk Factor 5

Category	Probability	Impact
Technical and operational	Medium	Medium

Description

Insufficient financial resources and technical capacities to sustain the project impact beyond the implementation period

Mitigation Measure(s)

Key elements of a multi-layered exit strategy designed to ensure sustainability of the project are articulated in Section C.5 of the Funding Proposal. The exit strategy will be elaborated by the project team at the beginning of the project implementation period and further refined as needed over the lifespan of the project. This will be undertaken in partnership with national stakeholders to encourage commitment to the project sustainability.

All project interventions have designed with sustainability in mind and the project includes specific interventions aimed at strengthening technical capabilities and promoting financial sustainability. Measures to enhance technical capacity are detailed under Risk Factor 1. To facilitate the provision of sufficient financial resources to sustain the project impact beyond the implementation period, the following interventions are proposed: establishment of a legal framework for enabling private sector investment in weather and climate services (Sub-Activity 1.1.5); development of a financial framework and business delivery model for weather and climate services (Sub-Activity 1.1.6); development of an Operation and Maintenance (O&M) Plan covering existing and new infrastructure (Sub-Activity 2.1.1); and identification of a country-driven, scalable financial mechanism for forecast-based action/anticipatory action (Sub-Activity 4.2.1).

The mitigation measures outlined above are expected to lower the probability of the risk occurring to Low.

Selected Risk Factor 6

Category	Probability	Impact
----------	-------------	--------

Technical and operational	High	Medium
Description		
Delays to project implementation due to the impact of climate-related hazard events: Such events could result in damage to equipment and/or cause domestic shipping challenges that impede the travel of people or goods.		
Mitigation Measure(s)		
<p>The overall goal of the proposed project is to reduce the impact of climate change and related hazards in Maldives through targeted investment and capacity building across the entire climate information and early warning systems value chain. The probability of adverse impacts to the project implementation arising due to climate-related hazard events is therefore expected to decrease to <u>Medium/Low</u> over the course of the project implementation period. Measures such as ensuring that equipment is adequately ensured and allowing for additional time between travel and planned activities/works can further mitigate the risk.</p>		
2. AML/CFT* and Prohibited Practices compliance due diligence assessment (max. 1 page)		
Category	Probability**	Impact***
ML/TF ¹	Low	LOW (<5% OF PROJECT VALUE)
Sanctions ²	Low	LOW (<5% OF PROJECT VALUE)
Reputational ³	Low	LOW (<5% OF PROJECT VALUE)
Prohibited Practices ⁴	Low	LOW (<5% OF PROJECT VALUE)
<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><u>Money Laundering / Terrorist Financing (ML/TF):</u> ML/TF risk is low. The Executing Entities (EEs) – i.e., the Ministry of Tourism and Environment (MTE) and the United Nations Environment Programme (UNEP) – are both non-profit entities with strict regulations and procedures to prevent ML/TF. MTE operates under the Prevention for Money Laundering and Financing of Terrorism Act (Law No. 10/2014), which criminalizes ML/TF activities in the Maldives, and UNEP adheres to the United Nations financial and administrative regulations, aligned with global standards for AML and CFT.</p> <p><u>Sanctions:</u> Individuals or entities involved in the project and its activities are not subject to sanctions imposed by the UN Security Council or any other sanctioning mechanisms, including the World Bank Debarred List. Sanctions risk is assessed to be low.</p> <p><u>Reputational:</u> MTE is considered to have the relevant fiduciary and financial management capacity to act as EE; standard internal control systems regarding financial and procedural mechanisms are in place. Moreover, the successful implementation of the GCF-funded NDA capacity-building project in partnership with UNEP (2018-2020) positively supports MTE's reputation. The project is also closely aligned with the government's priorities and strategies, such as the Climate Emergency Act (2021), Updated Nationally Determined Contribution of Maldives (2020), Maldives Strategic Action Plan (2019-2023). This alignment ensures that the project's activities and its outcomes are of significant importance to national partners, thereby mitigating reputational risk by fostering accountability and compliance with regulations against ML/TF and prohibited practices. UNEP's role as EE within the project provides an additional layer of oversight, ensuring reputational risks in the context of ML/TF and prohibited practices are minimised.</p> <p><u>Prohibited Practices:</u> <u>Abuse:</u> MTE and its staff are required to follow the Civil Service Regulation of the Maldives. The Ministry also has a Code of Conduct, which is provided to all members of staff as part of their induction. Under Maldives' Civil Service</p>		

Regulation (Rule 23), every employee of the Maldivian Civil Service must not abuse the employee's position for personal gain or to obtain favours from other parties. In addition, employees shall not acquire or accept any gift or benefit from anyone in conducting their duties and responsibilities.

Conflict of Interest: Under Maldives' Civil Service Regulation (Rule 22), every employee of the Maldivian Civil Service, in performing their duties and responsibilities, shall not act in a manner that creates conflicts of interest, where of self-interest or of another person.

Corruption: MTE has an Anti-Fraud and Corruption Policy accessible to all staff. This is supplementary to central government legislation such as the Public Finance Regulation and Prevention and Prohibition of Corruption Act. As reported in the HACT micro-assessment of MTE (formerly MCCEE) conducted in 2024, an internet search indicates that there have been no known cases of fraud, or other allegations of malpractice, concerning MTE or its staff in the last five years.

Retaliation against Whistleblowers or Witnesses: Maldives has established a legal framework to protect whistleblowers through the Whistleblower Protection Act (Act No. 16/2019). If a person believes that a wrongdoing has taken place or is under the belief that it is taking place or may take place, that person is entitled to disclose that information under the Act. To implement the Act, the Human Rights Commission of the Maldives established the Whistleblower Protection Unit. This independent unit ensures rights of whistleblowers are honoured as per the Whistleblower Protection Act. The Unit forwards complaints to the relevant authorities, and investigates any filed complaints filed. These measures collectively aim to create a secure environment for individuals to report misconduct without fear of retaliation, thereby promoting integrity within Maldivian institutions. In addition, the Anti-Fraud and Corruption Policy of MTE includes provisions on how whistleblowers will be protected.

MTE will serve as the national Executing Entity (EE) and will be accountable to UNEP as the Accredited Entity (AE) for project execution at the national level and for the efficient and effective use of resources. The national EE will establish a Project Management Unit (PMU), which will be hosted within Maldives Meteorological Service and accountable to the national EE. MTE, with the support of the PMU staff, will be responsible for regularly monitoring and ensuring compliance with Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) regulations, fraud prevention, and integrity protocols.

The project will additionally benefit from the expertise of Technical Partners who will be sub-contracted by UNEP in its capacity as EE, in line with UNEP's procedures and policies. UNEP in its EE capacity will enter into legal agreements – Project Cooperation Agreement (PCA) or UN-to-UN Transfer Agreement, as relevant – with each Technical Partner. These Agreements will include clauses pertaining to prohibited practices. In addition, all Agreements will include warranties and caveats to *inter alia* ensure compliance with the Anti-Fraud and Anti-Corruption Framework of the UN Secretariat, as well as the GCF Policy on Prohibited Practices.

Prior to signing the Agreements, UNEP undertakes Fiduciary Capacity Due Diligence Assessments for Technical Partners. These assessments include an evaluation of the following policies of the partners:

- Anti-Fraud and Anti-Corruption Framework
- Anti-Fraud and Anti-Corruption Policies
- AML/CFT
- Sexual Exploitation, Abuse and Harassment.

3. Other potential risks in the horizon

No other potential risks are foreseen at the time of proposal preparation.