

Appendix I – PIDG Facility Risk Matrix

Primary responsibility in all cases - PIDG Facility

Suggested pro forma only - individual facilities free to use their own layout.

Risk area	Risk area - detail	Risk Event - Examples	Impact* H/M/L	Probability/Likelihood* H/M/L	Mitigations	Reporting	Specific actions planned	Responsibility	Retained risk* H/M/L	Change since last quarter	Comment
Over-arching / Strategic level Risks											
	Mis-use of public funds including fraud & corruption	Innocent, negligent or reckless mis-use Fraud			<ul style="list-style-type: none"> Integrity & Due Diligence Committees Whistleblower Mechanisms Audit Internal & External Due Diligence Process Risk Management Process Compliance With Operating Policies & Procedures Results Monitoring Framework Disbursement Process Travel & Expense and staff reimbursement policies 	Annual and ad hoc reporting of any mis-use of funds in accordance with anti-corruption and integrity procedure and other DPPs.					
Finance Risks											
	Credit risk	Individual investments reviewed for potential difficulties of possible funding, performance or credit risks Issues of debt-subordination and ranking			<ul style="list-style-type: none"> Clear Facility business plan established at outset and regular ongoing performance reporting against agreed kpi's; Directors and managers with strong credit experience; Reporting of portfolio on regular and timely basis, with emphasis on early identification of issues; Specific portfolio at risk (PAR) reporting; Specific project reporting of detailed issues and concerns by exception; Strong financial controls and cash flow reporting; Review of audited accounts and auditor management letter issues; Investment policies and limits by sponsor, sector country 	Individual Facility Boards to manage facility credit risk, and notify PIDG PMU of material credit issues asap;					
	Exchange risk	Evidence of understanding of fx risks at Facility level;			<ul style="list-style-type: none"> Ensure board competencies; Management reporting Appropriate fx protection, e.g. hedging strategy; 	External independent audit specific fx examination					
	Risks of not attracting additional private sector capital	PPP is key to PIDG Mission, Vision, Values, and ultimate success; Review of lack of 'good news story' to attract private funding			<ul style="list-style-type: none"> Clear marketing and communications strategy in place and executed; Transaction structures used at facility level are attractive; Sufficient equity from donors 	Shared with PIDG Members;					
	Interest Rate Risk	Evidence of understanding of interest rate issues and risks fully documented;			<ul style="list-style-type: none"> Evidence of the "what if" LIBOR +/- 3% questions thought through; Evidence of continuing monitoring and reporting of any unprotected positions; Appropriate mitigation tools utilised e.g. interest rate swaps in place as needed; 						
	Liquidity Risk	Risk of default on current or subsequent phases of facility investment;			<ul style="list-style-type: none"> Strong disciplined transparent monthly reporting evidenced; 	Manager reporting to board on monthly basis established					
	Finance Risk	Adherence to all banking covenants, e.g. interest cover, gearing, net worth etc.			<ul style="list-style-type: none"> Strong disciplined transparent monthly reporting evidenced; 	Manager reporting to board on monthly basis established					
Leadership and Governance Risks											
	Control risk	Risk of voting rights not appropriately distributed or falling into the wrong hands.			<ul style="list-style-type: none"> Legal protections in place such that ownership changes approved; Donor consent required for any change in voting rights 						
	Leadership risk	Lessening appetite from investors, sponsors governments or supporters for original intent; Change of ownership; Board constituency & competence			<ul style="list-style-type: none"> Legal protections in place such that ownership changes approved; Clear marketing and communications strategy in place and executed; Donor funding predictability Effective results monitoring; 	Direct quarterly reporting to donors on performance					
Reputational Risks											
	Reputational Risks (Donor)	Overall suitability of target investments; Mis-use of public funds and fraud and corruption; Ethical standards of suppliers or government may not be acceptable; Risk of tax haven issues; Low/no development impact Conflict of interest not disclosed Escalation process failure;			<ul style="list-style-type: none"> Evidence of full and intelligent review before commitment in all cases; Policies and procedures developed and respected; Evidence of whistle-blower policies, integrity and anti-corruption policies, procurement policies; Clear evidence that these not only documented but understood by all stakeholders and practical implementation. Evidence of ongoing investor relations / shareholder communications strategy in place and fully functioning. Development of possible efficiency / performance measures, and communication thereof? 	Board to receive quarterly reporting, and to report major risks to PMU on an immediate basis for serious risks - perceived or actual					
Macro-level Risks											
	Government Risk	Risk of government change and therefore rule change; inappropriate legislative framework;			<ul style="list-style-type: none"> Evidence of connectedness of facility into overall operating environment; 	Ongoing close monitoring of political map by board and manager					
	Regulatory Risk	Sudden & material change to financial regulatory frameworks environment e.g. nationalisation; fx			<ul style="list-style-type: none"> Finely-tuned political antennae Due diligence process and experience of directors 	Ongoing close monitoring of political map by board and manager					
	Environmental & Social Risk	Principle of do no harm; NGO pressure; Green issues; Externalities, force majeure issues of unrest or conflict, climate etc.;			<ul style="list-style-type: none"> Evidence that these taken seriously and of independent expert opinion as needed; PIDG Facilities required to apply IFC performance standards Progress reviews 	[Disclosure of ESIA's]					
Operational Risks											
	Operational Risk	Projects running behind schedule with associated diminution of impact or failure; EBITDA unsatisfactory; Changes of key personnel; Business Continuity			<ul style="list-style-type: none"> Due diligence; Experience of Directors BCP in place at project level; 	Reliance on individual facilities; Exception reporting					
HR Risks											
	HR Risks	Perception of incestuous appointments process Blend of skills at Board level Resourcing and skill levels of executive;			<ul style="list-style-type: none"> Strong HR Processes developed and in place; Strong induction processes; 	Reliance on individual facilities					
Legal Risks											
	Legal risks	Ring-fencing of appropriate entities structured to protect on liability issues; Legal deal construction fit for purpose; Jurisdiction clear – E+W Law, or other?			<ul style="list-style-type: none"> Document sign-off; Use of specialist market and infrastructure law firms; Clear approval processes and delegation of authority for execution; 	Potential litigation reporting					
Other Risks											
	Other	Are we doing enough? Are self-awareness levels high enough across the PIDG? Risk process tokenistic, box-ticking rather than fully effective and resourced accordingly; Headspace for the out of the box thinking, including: o What could go wrong? o What have we missed?			<ul style="list-style-type: none"> Specific board away-day / time evidenced on the 'what keeps you awake at night?' issues; Risk management given significant Board priority and key independent specialist skills engaged; Listening – especially grass roots 	All stakeholders					
	Compliance	Facility Board able to confidently assure compliance across all policies and procedures			<ul style="list-style-type: none"> Regular independent validation and verification including use of external specialists; 						

Possible areas for further consideration

- Regular quarterly self-certification checklist process from Boards, confirming "that to the best of our knowledge..."
 - Regular and ad hoc incident or allegation of fraud or suspected fraud as it occurs
 - Annual incident summary reporting
 - Full policy manuals completed, and authorised.
 - No fraud issues
 - No facilitation payments
 - No conflict of interest
 - We have whistleblower policies in place, they are fully understood and that there were none;
- Monitoring of external environment (e.g. Euro crisis, African political landscape etc.)
 - Role of independent audit teams
 - QA / procedural completeness
 - Financial, credit risks, cash flow etc
 - Procurement spot checks