

Simplified Approval Process

Annex 7: Risk assessment and management



Selected Risk Factor 2: Policy and regulatory change		
Category	Probability	Impact
Legal	Low	Medium
Description		
<p>The agriculture sector is subject to periodic changes in regulations and policies requiring 1AF to update its operational plans to be compliant. For example, the Government of Burundi disallowed 1AF to collect farmer contributions to the program for a period of time, which limited its sustainability. Across its countries of operation, 1AF typically collects farmer contributions to the program that help cover part of the costs of training, delivery, and other services. In 2018, the Burundian government required the removal of this contribution from our program design. After several years of extensive discussions with the government, a new structure for this contribution was approved in late 2021.</p>		
Mitigation Measure(s)		
<p>The One Acre Fund government relations team, through its active and regular engagement with the government, stays on top of any possible regulatory changes and works with the government to mitigate any negative impact on the program. In the case of some policies specific to One Acre Fund, such as the past limitations on farmer contributions, the current MoU with the government enshrines farmer contributions through 2028, during most of the course of the GCF program, and we will start the process early of negotiating an extension to it.</p>		
Selected Risk Factor 3: Climate change related environmental factors (eg. flooding or landslides)		
Category	Probability	Impact
Technical and operational	Medium	Medium
Description		
<p>As outlined in the climate risk analysis (in the Pre-Feasibility Annex of the proposal), the overall purpose of the GCF/One Acre Fund partnership is to help build the climate resilience of Burundian farmers to mitigate against a range of climate related hazards. This includes the risk of once-off shocks like flooding or landslides, the frequency of which are likely to increase as climate change worsens, and which could dilute the overall impact of the GCF funded work, and make targets more difficult to achieve.</p>		

Mitigation Measure(s)		
<p>The One Acre Fund project, supported by GCF, is designed to help farmers mitigate this risk. More details on exactly how can be found in the Pre-Feasibility Annex and the Full Proposal, but we are confident the project will allow One Acre Fund to respond to these shocks as they come, through the proposed support from GCF. (While the long-term impact of these shocks is certainly “high” for Burundi, these risks can be lessened through the project activities.)</p>		
Selected Risk Factor 4: Maintaining operational funding after the exit of the GCF project (so that GCF-funded working capital/revolving fund can continue to serve farmers)		
Category	Probability	Impact
Technical and operational	Low	Medium
Description		
<p>After the GCF project ends, there is a risk that we do not secure the operational funding required to continue running the GCF revolving working capital fund past the 5 years of the GCF project (as projected, we anticipate a large portion of this funding to remain in circulation, facilitating the provision of climate-smart inputs to farmers well after the end of the project). This is an important risk to mitigate to ensure that the long-term climate impact of the project is secured.</p>		
Mitigation Measure(s)		
<p>Overall, we are confident that our financial model will remain sustainable, built on our track record of continuous work in Burundi since 2011, from which we have scaled to serving well over 200,000 farmers today.</p> <p>Our program’s sustainability is built on the significant contribution we receive from the farmers we serve, which makes it unique from other agriculture development projects. We also have built a strong collaboration with the Government of Burundi that is key to our long-term fundraising strategy, reflected in our 5-year MoU with them (which will be renewed towards the end of the GCF project) and their support for this proposal through the NDA. It’s fair to say the government sees One Acre Fund as a key long-term partner to help them meet their agricultural transformation vision.</p> <p>However, we acknowledge that donor money is indeed still required to facilitate sustained services to the world’s most vulnerable communities, like smallholder farmers in Burundi. To enable One Acre Fund to provide these services over the long-term, we invest significant global resources into financing what we term the “farmer deficit” (the gap between what farmers contribute and our total operational costs), that will</p>		

ensure we continue serving the GCF-project covered farmers in Burundi after the project ends. This includes by:

1. Investing in a large Business Development team, with 45 permanent staff members, that raises ~\$100 million annually. This team has maintained a high level of fundraising success for well over a decade, growing our total amount raised alongside our total growth in farmers served to more than 4 million across Africa.
2. Prioritizing fundraising time and resources towards countries where we see the highest impact, and Burundi combines a very high-need market with high programmatic impact and high efficiency. As such, the Burundi program is a key part of reaching our org-wide goal of serving 10M farmers by 2030. .
3. If for some unforeseen reason we do not meet our long-term Burundi fundraising goals, we will limit future scaling of our services in the program, though we are confident that we can at least maintain the GCF program level of scale of 300,000 farmers, and thus continue to deploy the GCF Working Capital well past the end of the project.

Selected Risk Factor 5: Exchange rate volatility and inflation

Category	Probability	Impact
Forex	Medium	Medium
Description		

The sustainable delivery of climate resilience inputs through this project is facilitated by 1AF recovering the cost of the inputs from farmers which allows for the delivery of inputs again in subsequent seasons, through the revolving fund. This means the project's beneficiaries will be served by this fund past the 5 years of the project. While farmers will reimburse these costs each season in local currency (Burundian francs, BIF), certain inputs must be imported (and thus paid for in USD) each season by One Acre Fund.

Currency risk is a challenge 1AF has managed since our founding almost two decades ago. We have in particular had to manage the regular depreciation of African currencies vs the USD; which causes the USD value of our assets held in-country to decrease and for local currency farmer reimbursements to cover less of our USD costs.

On the one hand this risk is particularly pronounced in Burundi because the official BIF:USD exchange rate currently lags the unofficial rate and the government is receiving some pressure to devalue its currency; on the other hand, in Burundi some of our largest expenditures (eg. local salaries and the majority of farm inputs) are denominated in local currency, providing significant protection since we do not need to repatriate as much funds from BIF to USD for each ensuing year's purchases.

Mitigation Measure(s)		
<p>One Acre Fund has years of experience managing this risk and can deploy a range of mitigation measures. We keep cash in USD as long as possible to limit exposure, we utilize forward contracts and contractually hedge large foreign currency transactions against exchange rate fluctuations, and we conduct regular budget reviews to report on and update forecasts to closely track these trends.</p> <p>We have also raised a first-loss fund (which will be in effect throughout the duration of this project) to protect against the first several million dollars of farmer reimbursement losses (including those driven by currency depreciation) across our countries of operation.</p> <p>Finally, we have also factored for moderate estimated inflation into our project budget. Overall, a significant devaluation or depreciation of the Burundian Franc would be a net negative for this project; in such a case we would work with GCF to determine how best to manage the increased costs (e.g. raising additional co-financing).</p>		
2. AML/CFT* and Prohibited Practices compliance due diligence assessment (max. 1 page)		
Category	Probability**	Impact***
Reputational	Low	LOW (<5% OF PROJECT VALUE)
ML/TF	Low	LOW (<5% OF PROJECT VALUE)
Prohibited Practices	Low	LOW (<5% OF PROJECT VALUE)
<p>*Anti-Money Laundering/Countering the Financing of Terrorism</p> <p>**H: High (has significant probability), M: Medium (has moderate probability), L: Low (has negligible probability)</p> <p>*** H: High (has significant impact), M: Medium (has moderate impact), L: Low (has negligible impact)</p> <p>¹ Money Laundering/Terrorist Financing</p> <p>² Sanction prohibitions of the United Nations, or other relevant sanctioning authorities (including the World Bank Debarred List)</p> <p>³ In the context of Money Laundering/Terrorist Financing and Prohibited Practices</p> <p>⁴ Abuse, Conflict of Interest, Corrupt, Retaliation against Whistleblowers or Witnesses, as well as Fraudulent, Coercive, Collusive, and Obstructive Practices</p>		

Review of AML/CFT and Prohibited Practices Compliance

In April, 2024, One Acre Fund Global reviewed all relevant AML/CFT and Prohibited Practices policies as part of an assessment of the One Acre Fund Burundi's compliance. This included review of all relevant policies and procedures, and discussions with the Burundi management team. Overall, this assessment confirmed that One Acre Fund Burundi has strong systems and compliance capacity, adhering to all One Acre Fund global policies, and its management has the experience necessary to execute the full scope of work managing the following controls against key identified risk areas:

Summary Table

Risk Area	Risk	Controls
Reputational	Grievances could exist within the communities we work and live in, but complaints may not be properly escalated and social harm could continue due to lack of action.	<ul style="list-style-type: none">- "Contact us" form on web site monitored daily; queries routed by communications team.- Comments on social media (Facebook, LinkedIn, etc) are responded to or routed.- Country-specific media policies- Annual farmer satisfaction surveys.- Toll Free hotline available to all beneficiaries and published on materials they receive- Regular touch points with government officials who may be the recipient of complaints- Formal investigations into possible customer protection violations.
ML/TF	Vendors we work with could be listed on AML watch lists	<ul style="list-style-type: none">- AML policy exists and has been provided as part of the application. The Burundi One Acre Fund program has been confirmed to be in full compliance with this policy-We have a number of policies related to anti-money laundering (AML) and "know your client" (KYC).-We are compliant with norms set by our bilateral supporters (e.g. governments of the US and several European countries) to mitigate the risk of financing going to organized crime, terrorism, corruption, drugs, human trafficking, and weapons of mass destruction

Prohibited Practices	One Acre Fund protects good faith whistleblowers who report fraud, misconduct, or other harms to the organization to ensure they do not suffer personally or professionally during an inquiry.	<ul style="list-style-type: none"> - Anonymous web reporting and toll-free hotlines where available permit staff to report anonymously. - Investigations unit is housed and managed separately from Country Direction. Burundi investigations are primarily managed by country teams with oversight from the Global Internal Investigations unit. - HR Hotline exists in each country, including Burundi; refer fraud and misconduct cases to Investigations.
Prohibited Practices	Fraudulent, Coercive, Collusive, and Obstructive Practices	<ul style="list-style-type: none"> - One Acre Fund code of conduct - internal policies around Foreign Corrupt Practices Act compliance (covering both legal compliance and gift giving/taking, hosting and travel policies)

Detailed Description of AML Compliance Structure

One Acre Fund has created and complies with a robust AML Policy, which can be found through this link. This will be applied in full to all GCF project activities and staff.

Preventative Measures and Monitoring and Detection Strategies: Our AML compliance is rooted in a risk-based approach. In thinking through related risks, we consider the following groups we interact with regularly:

1. **Suppliers:** To mitigate this risk, our procurement team has created a thorough vendor verification process that each new vendor has to go through. This process is performed by our Finance Compliance team and reviewed by our Global Sourcing Director.

2. **Farmers (project beneficiaries):** we perceive the risk to be fairly low that our farmers are using funding received from One Acre Fund to finance illicit activities. There are several components to our client profile and operating model that mitigate against this risk:
- a. **Client poverty:** One Acre Fund clients are fairly homogeneous and generally have a low resource base. In Burundi they meet the World Bank definition of extreme poor.
 - b. **Asset-based farm bundles:** One Acre Fund is not a financial institution: we do not take deposits, make transfers, or offer saving accounts. One Acre Fund provides asset-based farm bundles: we provide seed, fertilizer, solar lights, and other goods and farmers reimburse us the cost. One Acre Fund does not make cash loans in Burundi, so there is a lower risk of redirection than most financial intermediaries.
 - i. **Client monitoring:** One Acre Fund conducts regular monitoring regarding client use of products, e.g., crops to which fertilizer was applied, and does not observe evidence of significant resale of products.
 - c. **Low transaction sizes:** One Acre Fund's average input bundle sizes are low, typically around \$40 per season or \$80 a year in Burundi (which will remain the same general range for the GCF project).
 - d. **Client recruitment:** Farmers are recruited to work with One Acre Fund through our staff members - the Field Officers. Field Officers live and work in the communities we serve and therefore have a good understanding of the activities their clients engage in. Furthermore, Field Officers typically meet with clients every 1-2 weeks, so are able to get to know clients even better through this frequent interaction.
 - e. **Group model:** Farmers organize into groups of ~10 farmers to engage in One Acre Fund's core program—all activities from training to planting and harvesting. Groups vouch for each other when enrolling together. This model further reduces the risk of financing being diverted to illicit activities without someone speaking up. One Acre Fund has a customer hotline in place in each country where clients can file complaints anonymously.
 - f. **ID check:** It is One Acre Fund's policy to check national IDs during enrollment to verify identity.

Regardless of this low risk, since early 2024, we screen all farmer beneficiaries who take input packages from us against UN, France, and EU sanctions lists, as well as the Specially Designated Nationals (SDN) list of the Office of Foreign Assets Control (OFAC) prior to input delivery. This is outlined in page 3 of the AML policy.

All staff also need to review and accept the One Acre Fund Code of Conduct, which addresses AML requirements on pages 17 to 20.

- English version [linked here](#); French version [linked here](#); Kirundi version **linked here**.

Internal Controls and Overall Compliance Framework

Our General Counsel and Legal department are responsible for organization compliance on legislation that governs our operations, as well as our internal policies (e.g., AML, Code of Conduct). The Legal

department currently employs 24 staff, 3 of them are lawyers and 21 are investigators (to be increased to 29 total, 26 investigators by July 2024).

The GCF project staff and activities, through the supervision channels they report to within the Burundi Country Program, will be overseen and held accountable by these global structures.

Reporting protocols: Our existing reporting structure for AML violations (as well as fraud) would apply in full to the GCF project staff and activities. Beneficiaries or staff can report via one of several mechanism both in country and without:

1. This information is disseminated to staff in particular via trainings, our HR and Code of Conduct manuals, and separate policy documents.
 - a. Beneficiary contracts provide access to a local number they can call which is managed by the Burundi team.
 - b. Reports received on the local hotlines report issues to Burundi HR, which then can be escalated to Global Legal.
2. A separate Global Hotline Email, anonymous reporting form, and separate emails to senior team members in Legal are all present in the Code of Conduct (in French and Kirundi) as well as annual compliance training and standalone policies.
3. Upon receipt of complaints, Global Legal triages this information and decides to assign an investigator to look into the matter.
 - a. For severe cases, a senior team member will be dispatched to manage the investigation directly.
 - b. Final reports are typically issued, and disciplinary actions will be dealt with by a separate wing of HR that has not been involved in the process.
 - c. Legal and HR record and archive the case report and disciplinary actions. Burundi HR is responsible for maintaining the documentation locally.

Detailed Description of Financial Management and Oversight Systems (including farmer credit worthiness)

This project will be implemented by the One Acre Fund Burundi Country Program, which falls under the compliance supervision and control systems of One Acre Fund's global entity. Detailed policies and information outlining the below controls were made available to KPMG in their accreditation audit, and more detail can be shared from this review if required. In summary though:

Financial Management and Oversight Systems

These systems will ensure that project staff will:

- Adhere to One Acre Fund's global AML policy - which you can access with this link. More on this policy was also discussed in comment #54565

- The project's finances will be managed according to our global Accounting and Financial Control Manual, which can [be accessed using this link](#).
 - The project management and accounting staff will be supervised by the Burundi Country Program's finance team - supported closely by One Acre Fund's global finance team based in Kigali, will provide close oversight of this project.
- The project will fall under One Acre Fund's existing compliance audit systems
 - In addition to our external auditor (BDO), we also have a robust internal audit team, a 16-person independent internal audit department which regularly evaluates compliance with controls and policies (with its mandate outlined in One Acre Fund's bylaws).
 - While these staff are not based in Burundi, they carry out audits of projects in Burundi as needed.
 - We also have a global internal investigation unit with 24 staff that investigates major fraud allegations. (With a global team that runs or supports investigations in Burundi, that would include oversight over the GCF project staff; eg. recently we had a Senior Associate from this team travel to Burundi for an investigation, which we would do as needed for oversight of the GCF project.)
 - This investigation function also monitors compliance with the AML policy, as outlined in more detail in the response to comment 54564 (also including in our updated Annex 7)
- As discussed under the ESAP, we also have a range of other compliance and control functions (including an independent investigation function and grievance redress mechanisms) which will be applied to this project.

Farmer Creditworthiness

Risks with farmer creditworthiness are mitigated by our use of groups and quantity restrictions.

It is important to note that most farmers in Burundi are unbanked, and that there aren't systems in place in the country that would allow for formal credit scores even for the small minority of farmers who might have an account with an MFI or commercial bank.

While farmers order farm inputs/products according to the needs of their individual household, we require farmers to register as part of a group of 6-25 farmers. These solidarity groups ensure that the amounts that need to be reimbursed (around \$80 per farmer annually) by every member of the group are reimbursed. If the group doesn't finish the reimbursement by the deadline, the entire group will not be able to access the program the next season. Therefore, the incentive is high for group members to cover each other if someone is having difficulty. Additionally, there is a natural incentive for groups to self-police against a group member ordering more than they would be able to handle.

New members are restricted in terms of the amount and type of farmer inputs/products they are allowed to take. There are lower caps for example on bags of fertilizer. Also new members are not allowed to take products that require multi-season repayment such as harvest drying sheets.

Finally, all members are restricted to caps for the amount of farm inputs/products they are allowed to take. Each product has a cap depending on the product type. For more expensive multi-season products, the cap is generally set at 2 per farmer at a time. After they have reimbursed for the first two, they are free to take two more if they wish.

These processes have helped us maintain our excellent reimbursement rates since 2012 (usually above 99%, always above 98%).

Beneficiary Screening

As mentioned above in our response to Comment 54564, the beneficiaries of this project are Burundian smallholder farmers, living well below the poverty line and in rural areas of the country. We will not be providing cash, but rather productive assets that will be improving their food security and climate resilience. As such, given the demographic we are working with and the program model, we are confident there is not a risk for any illicit activities to arise from the services we provide to farmers.

However, as mentioned in our response to Comment 54564 regardless of this low risk, since early 2024, we screen all farmer beneficiaries who take input packages from us against UN, France, and EU sanctions lists, as well as the Specially Designated Nationals (SDN) list of the Office of Foreign Assets Control (OFAC) prior to input delivery. This is outlined in page 3 of the AML policy.

Staff Training on Compliance:

One Acre Fund provides annual trainings for staff at our low-middle manager and above job grades in three languages, including French and English for our Burundi staff. In the last round, these trainings were sent to 1150 staff members. We commit that all GCF project staff will take these trainings. The trainings are (with links to each):

- “General Risk and Compliance Training” covering a broad range of topics that relate to policy compliance (completion rate in last round: 97%)
 - English version [linked here](#); French version [linked here](#).
- “Fraud Training” focusing on understanding, detecting, and reporting fraud specifically (completion rate in last round: 92%)
 - English version [linked here](#); French version [linked here](#).
- “Safe Spaces for All Training” that primarily concerns prevention and reporting of sexual harassment and misconduct (completion rate in last round: 95%)
 - English version [linked here](#); French version [linked here](#).

- In addition to these trainings, select staff, such as Government Relations and Human Resources, take a training on compliance with the Foreign Corrupt Practices Act.
- All staff also need to review and accept the One Acre Fund Code of Conduct, which addresses AML/CFT requirements on pages 17 to 20.
 - English version [linked here](#); French version [linked here](#); Kirundi version [linked here](#).

Compliance monitoring- A quiz is required from staff who complete the three core trainings, to be considered passed and disciplinary action is recommended against delinquent staff (staff who have not completed the quizzes are tracked, and follow up emails are sent directly to them and their managers as needed).

Due Diligence

Sanction Lists

We can confirm that no individual or entity on any UN Security Council sanctions list will be involved in any manner with the project or its activities, either as a counterparty, implementer or beneficiary.

If Burundi becomes subject to sanction in the future we will apply processes to further check for sanction-listed individuals like we have previously, and as we currently do for our programs in the DRC and Ethiopia, which still have individuals on these sanctions lists.

Counter-Parties

As One Acre Fund is the sole implementor of this project, we do not have any program counterparties that we need to conduct due diligence screenings of.

We do have co-financier counterparties in the form of the three foundations who have generously pledged the \$10m of collective co-financing to our proposal.

Importantly, One Acre Fund has worked with each of these partners for over ten years, and we have not experienced any challenges of any kind. For instance, these donors have always honored their grant payments, engaged with us on good terms and shown deference to One Acre Fund's local expertise in running the programs they are funding, demonstrated high responsiveness to our requests, and so on.

While One Acre Fund has not conducted a formal diligence assessment, we have continually assessed the risks of working with these co-financiers, in particular along the following key dimensions:

1. Legitimacy of funds: One Acre Fund has routinely checked that none of the underlying principals behind these foundations are on the U.S. Department of Treasury's OFAC list. Further, the source of wealth for each of the underlying principals is publicly available.

2. Solvency: One Acre Fund has no concerns about the solvency of these foundations, including their ability to honor the pledge made to Green Climate Fund. Each of these foundations regularly files US Federal Tax Form 990-PF, and those forms show a strong financial position in each case (e.g., zero external debt, assets are largely liquid or in publicly traded markets). In our decade-plus working with each co-financier, we have never had a situation where a grant payment was canceled or postponed for any reason.

Because of our long track record working with these co-financiers, we did not feel it was necessary to conduct any additional due diligence. We would be happy to annually reassess and report to the Green Climate Fund in the areas above. That said, if conducting a more rigorous due diligence check now or in the future with these co-financiers is important, we would be open to discussing what this could look like, weighing the benefits and drawbacks for each party.

A Note on How One Acre Fund Decision Making Is Structured

While One Acre Fund is registered as a U.S. 501c3 (which has been vital for attracting resources to fuel our mission), with branches to or subsidiaries under this parent entity in our operating countries, decisions are made and control is exercised from what we would consider to be our global headquarters in Kenya and Rwanda, where our CEO, CFO, and the majority of our global board members are based, while adhering to US Legal requirements. The policies discussed above are written, and compliance monitored, through the following global leadership teams.

An overview of our structure can be found on our [website here](#), but follows the following principles:

- Organizational Leadership:
 - Finance controls and CEO: Major organizational decisions are made in either Rwanda, where our global finance team and CEO are based, or in Kenya, where other key organizational leaders and the CFO are based.
 - This includes all final decisions on annual budgets, strategic plans and final decisions on country program growth trajectories.
 - We also have an [18-member leadership council](#), almost all of whom are based in East Africa, that advises on long-term strategic decisions. They meet semi-annually in-person.
- Governing Board: our Board is made up of [global leaders](#) most of whom are based across Africa, and occupy prominent professional positions in their home countries. Board meetings are virtual, with a multi-day in-person meeting in a 1AF operating country every other year.
- Global teams: Sitting under these decision-making leadership structures, “global directors” and their teams are responsible for providing in-country teams with both technical support and key compliance oversight. They provide support on policy development, and internal audits of adherence to these policies (eg. HR, ESAP). For some functions they offer direct services to country programs such as donor relations, legal, or supply chain management.

- Country Program Leadership: Country Directors located in each country program have significant levels of responsibility for operational decisions, but report upwards to the global leadership structure above, who approve their overall budget and strategic plans.

3. Other potential risks in the horizon

N/A