

RISK ASSESSMENT AND MANAGEMENT

REDD+ RESULTS-BASED PAYMENTS IN PARAGUAY FOR THE PERIOD 2015-2017

September 2019



Environmental, social and economic risks

The [Environmental, Social and Economic Sustainability Framework](#) (ESES) of UN Environment guides the application of safeguard standards with the aim of anticipating and managing environmental, social and economic problems in a holistic way. As part of the due diligence process to be applied for the activities, an initial screening of risks¹ was carried out, which identified the project as of “moderate risk”. The risk identification process identified moderate risks in the following safeguard standards: SS 1: Biodiversity, natural habitat and Sustainable Management of Living Resources; SS 4: Involuntary resettlement; SS 5: Indigenous peoples.² Risk mitigation measures to address these risks have been incorporated in the Environmental and Social Management Framework (ESMF)³, and the Gender Action Plan⁴.

In addition, an indigenous peoples plan; a resettlement and livelihood restoration plan; and a stakeholder engagement plan will be developed at project inception. It is expected that these plans will provide minimum criteria for the execution of activities or to define actions for the development of stakeholder involvement processes, indigenous people participation and coordination, gender mainstreaming, and processes of resettlement and livelihood restoration. The safeguards plans will put emphasis on the determination of processes and tools for risk monitoring, under the premises of zero tolerance to actions that could trigger risks or impacts related to the prohibited practices specified in the Green Climate Fund policy covering this issue.

Risks pertaining to Prohibited Practices

UNEP, the Accredited Entity, is a subsidiary organ of the United Nations and is governed by UN Regulations, Rules, and policies⁵, including the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat⁶.

The financial management and procurement in the use of the RBPs will be guided by UN Financial Regulations⁷, Rules and practices, as well as UN Environment's operations manual.

The risk of GCF proceeds being utilized towards money laundering or terrorist financing is low and will be mitigated through the legal instruments with the Executing Entities. The legal instruments will include warranties and caveats by the Executing Entities to *inter alia* ensure compliance with the [Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat](#), as well as the Green Climate Fund Policy on Prohibited Practices.

The govt of Paraguay has in place regulations and mechanisms to prevent fraud and corruption. Paraguay has strong support for respecting individual and collective rights as provided by the country's Constitution. From this the country derives several laws that set a precedent for the implementation of REDD+ policies and measures in a transparent, efficient and participatory way. As part of the country's legal framework, the Law 1728/01 on administrative transparency, establishes rules and procedures to promote transparency in public management and to guarantee access to information related to

¹ UNEP's screening process is a qualitative assessment to determine the level of environment, social and economic risks and the direct, indirect, cumulative and associated impacts. It is based on the project description, the description of the physical, biological, socio-cultural and economic setting, and the potential impacts and risks that can be foreseen at this early stage. The assessment tool is the UNEP Environment, Social and Economic Review Note, Annex 5, available at <http://open.unep.org/project/GCF-FP0007>

² For more information pls see Annex 5, available at <http://open.unep.org/project/GCF-FP0007>

³ Please see Annex 4, available at <http://open.unep.org/project/GCF-FP0007>

⁴ Please see Annex 6, available at <http://open.unep.org/project/GCF-FP0007>

⁵ <https://www.unenvironment.org/about-un-environment/policies-and-strategies/reporting-wrongdoing>

⁶ <https://www.unenvironment.org/resources/report/anti-fraud-and-anti-corruption-framework-united-nations-secretariat-information>

⁷ Please see <https://digitallibrary.un.org/record/754957?ln=en>

administrative and government acts. Also, Law 5282/14 on Free Access of Citizens to Public Information and Government Transparency has provided important support for transparency and accountability.

Moreover, the Anti-Corruption Secretariat (SENAC) is the governing, normative and strategic entity in charge of the design, execution, implementation, monitoring, and evaluation of the National Government's public policies on anti-corruption, integrity, and transparency. The National Anti-Corruption Office is a specialized technical and management agency of the Republic's Presidency and full capacity to act in accordance with regulations and other legislative and/or administrative norms that may be dictated, for the direction, supervision, coordination, execution and evaluation of programs, projects, plans and activities within its sphere of competence.

Paraguay has developed a legal framework in accordance with international treaties to prevent money laundering and financing of terrorism. The country also has access to an information law that has been comprehensively implemented and has demonstrated significant changes in transparency and accountability of public institutions. For the implementation of the legal framework the government has an agency within the Executive Branch called the Money Laundering Prevention Secretariat ("*Secretaría de Prevención de Lavado de Dinero o Bienes*", SEPRELAD) under the Presidency.

SEPRELAD's main objective is to prevent and avoid the use of the financial system and other sectors of the economy for money laundering that comes from illegal activities. It carries out its actions in accordance with its obligations and faculties as established in Law 1015/97 "That Prevents and Represses Illicit Acts destined to the Legitimation of Money or Goods" and also to determine with precision the need for structural, legal, administrative changes, among others."⁸ Other instruments which complement the above legislation include the articles of the Criminal Code (Law 1160/1997), the Strategic Plan of the Paraguayan State to Combat Money Laundering, Financing of Terrorism and the Proliferation of Weapons of Mass Destruction" (Decree 11200/2013), among others.

More information on the compliance with GCF policies for the use of proceeds can be found in the Funding Proposal document: environmental and social safeguards (section E.1.2, pp. 61-62); risk assessment (section E.2.2, pp. 66-67) and interim policy on prohibited practices (section E.4, pp. 70-71). Further details about the risk assessment, mitigation measures, and the framework determined for managing risks is provided in the Environmental and Social Management Framework (ESMF) document.

There are no sanctions by the United Nations Security Council currently in force against Paraguay.⁹

Furthermore, beneficiaries of the National Climate Change Fund will be pre-screened for eligibility including alignment to UN and GCF values, and a confirmation that the beneficiaries are not complicit in human rights abuses, tolerant of forced or compulsory labour or the use of child labour or violate sanctions established by the UN Security Council¹⁰.

⁸ <http://www.seprelad.gov.py/>

⁹ Please see <https://www.un.org/securitycouncil/search/node/paraguay?page=1>

¹⁰ As referenced in the [United Nations Security Council Consolidated List](#)