

# Simplified Approval Process

## Annex 7: Risk assessment and management



## RISK ASSESSMENT AND MANAGEMENT

1. Risk factors (R) and mitigations measures (M) (max. 2 pages)		
<b>Selected Risk Factor 1: The number of potential beneficiaries who voluntarily apply to receive support under Component 1.1 is less than expected and proposals do not achieve the desired geographic connectivity.</b>		
Category	Probability	Impact
Technical and operational	Low	Medium
Description		
<p>Maintaining and restoring ecological connectivity across landscapes is crucial for adaptation to climate change. If the number of expected beneficiaries is not enough to mitigate the effects of landscape fragmentation and habitat loss, this could reduce the possibilities to restore structural and functional connectivity at the extent required for climate change adaptation. The reasons for a low enrollment could include that the prospective beneficiaries were unfamiliar with the project's benefits; did not know how to participate, or have insufficient information on eligibility criteria.</p>		
Mitigation Measure(s)		
<p>In both watersheds, a consultation process on the overall project design was carried out (March 2020). These sessions allowed to identify the concerns and visions from potential beneficiaries and other relevant stakeholders affected by the project. They will be used during the request for proposals design, so that appropriate mechanisms with suitable incentives based on the local context will be devised and included to encourage participation.</p> <p>Culturally appropriate information and materials (considering language, location, literacy levels, among others) on the request for proposals will be widely disseminated through a varied spectrum of communication channels (e.g. local radio, newspaper, social media) and local stakeholders, including the Regional Funds, to engage the relevant beneficiaries (see Institutional Arrangements).</p> <p>The proposed eligible areas will be those most likely to achieve geographical connectivity (i.e. conservation or restoration in adjacent or nearby natural areas). However, the desirable areas will not be limited to a small portion of the landscape, but will be open to a much wider area to support actions that could improve connectivity; thus, illustrating the trade-offs between different conservation strategies and the characteristics of the sites where they are carried out.</p> <p>These mitigation measures will lower the probability of the identified risk occurring.</p>		
<b>Selected Risk Factor 2: The producers who could be beneficiary of the specialized credit lines do not have the capacity to access this support.</b>		
Category	Probability	Impact
Technical and operational	Medium	Medium
Description		
<p>The producer's lack of access to credit is partly linked to poor financial literacy. Most producers cannot effectively manage financial concepts or products, leading to poor money management and below-par financial planning for their business to meet credit requirements. The lack of familiarity with financial products may even mean that the producers do not know what financial products they want or need, which translates into producers not using them.</p>		
Mitigation Measure(s)		
<p>During project implementation, the producers will strengthen their capacities to access credit and manage it well. By investing in addressing specific capacity gaps related to technical, organizational, financial, and commercial skills, producers will prioritize and develop bankable projects and meet due diligence requirements. They will also improve their capacity to understand credit appraisal processes and prepare business plans and credit proposals to evaluate their market position and the financial options available for expansion and consolidation. The CONECTA, which is co-financing RIOS, project will complement this Component. This mitigation measure will lower the probability of the risk occurring.</p>		
<b>Selected Risk Factor 3: The National River Restoration Strategy is not implemented by the government.</b>		
Category	Probability	Impact
Technical and operational	Low	Low

**Description**

The governance of riparian forests is often influenced by multiple agencies, operating at different levels and leading to fragmentation of interests, priorities, and actions either horizontally (e.g. agriculture versus environment ministries) or vertically (e.g. national versus municipal government).

**Mitigation Measure(s)**

The National Institute of Ecology and Climate Change (INECC), as the federal agency primarily responsible to coordinate and conduct studies and projects of scientific or technological research in the field of climate change, environmental sustainability, green growth, and assessment of climate change policy, has been participating in the project’s design and will be involved in all activities concerning the NRRS. Also, other relevant actors and institutions, such as the Nation Water Commission (CONAGUA) and the Mexican Institute of Water Technology (IMTA), will be involved during the NRSS design process, assuring interagency planning and collective actions to coordinate restoration policies and activities. Furthermore, INECC will be part of the Technical Project Committee for RIOS operation and supervision, while CONAGUA and IMTA will be part of the RIOS Coordinating Committee to orient the project technical development. The project will be implemented and executed by FMCN and the regional funds, respectively. These organizations will exercise their leadership to articulate government actors around a common objective and promote the implementation of the riparian forest policy to achieve the project’s goals. As civil society organizations, they will have the advantage of working beyond political-administrative boundaries or electoral cycles. These mitigation measures will lower the probability of the risk occurring.

**2. AML/CFT\* and Prohibited Practices compliance due diligence assessment (max. 1 page)**

Category	Probability**	Impact***
Prohibited Practices	Low	<b>LOW (&lt;5% OF PROJECT VALUE)</b>
Select	Select	SELECT
Select	Select	SELECT

\*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)  
<sup>1</sup> Money Laundering/Terrorist Financing  
<sup>2</sup> Sanction prohibitions of the United Nations, or other relevant sanctioning authorities (including the World Bank Debarred List)  
<sup>3</sup> In the context of Money Laundering/Terrorist Financing and Prohibited Practices  
<sup>4</sup> Abuse, Conflict of Interest, Corrupt, Retaliation against Whistleblowers or Witnesses, as well as Fraudulent, Coercive, Collusive, and Obstructive Practices

The potential risk considers working partly through two Regional Funds under the purview of FMCN. Nevertheless, FGM and FONNOR are familiar with FMCN’s standards, which are consistent with the international standards, and had passed through appropriate due diligence process to assess their integrity and capacity to implement RIOS activities. Both Regional Funds will follow FMCN’s sound policies, procedures, and controls related to anti-corruption, AML/CFT, anti-fraud, “know your customer” checks, gender equity, and grievance redress mechanism to comply with the objectives of the Policy on Prohibited Practices, the Policy for the Resolution of Procurement Disputes, and the Anti-Fraud Policy. Besides, both Regional Funds have policies, procedures, and internal control rules that are complemented by those of FMCN. For subprojects selection, for example, reviewing of proposals will help to identify risks of potential money laundering or prohibited practices through risk analysis of subproject budgets, proposed activities, implementation arrangements, and counterparty engagement. The relevant bidding documents and project-financed contracts with staff, Regional Funds, CSOs, consultancy firms, and service providers will include specific clauses to ensure compliance with FMCN’s policies and procedures. The procurement arrangements shall incorporate clear methods comprising: (i) a simplified capacity assessment methodology for the beneficiaries; (ii) eligible expenditures; (iii) procurement methods; (iv) templates for simplified procurement plan, request for quotations, contracts, among others; and (iv) supervision arrangements. Besides, the Coordinating Committee (CC), with representatives from participating government agencies and implementing partners, will be commissioned with reviewing and approving the operational budget, providing policy guidance, supervising and supporting the implementing agencies, and ensuring timely channeling of resources, and solutions in real-time. The deep involvement of the CC will foster a shared sense of responsibility and accountability for success, attesting that the project and involved staff do not incur any illicit practice.

**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.*