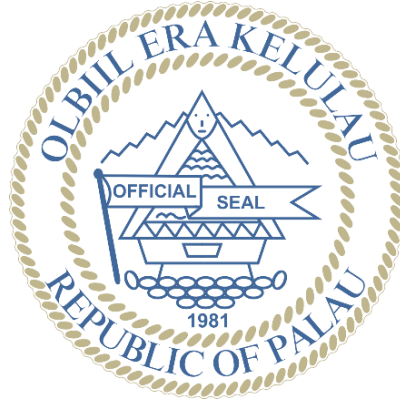


Simplified Approval Process

Annex 7: Risk assessment and management





Annex 7: Risk Assessment and Management



1. Risk factors and mitigations measures (max. 2 pages)		
<p>Please describe financial, technical and operational, social and environmental and other risks that might prevent the project/programme objectives from being achieved. Also describe the proposed risk mitigation measures.</p> <p>For probability: High has significant probability, Medium has moderate probability, Low has negligible probability</p> <p>For impact: High has significant impact, Medium has moderate impact, Low has negligible impact.</p>		
Geographic remoteness and accessibility of sub-grant entities		
Category	Probability	Impact
Technical and operational	Low	Low
Description		
<p>Given the nature of the programme and the remoteness of the three northern Pacific SIDS – it is likely that some of the entities receiving sub-grants can be located in outer atolls, which are far from main islands/atolls. Transportation and accessibility and communication will be a significant challenge, as well as ensuring that the entities in far off locations are able to meet programmatic standards as well as sub-grant level project delivery requirements.</p>		
Mitigation Measure(s)		
<p>Through the SAP EDA Programme, entities will be engaged, and their capacities will be scaled up (through training activities) to ensure that geographic remoteness is reduced as a hurdle. MCT has well established and efficient procurement protocols and teams that will also adjust to transportation and accessibility needs. Additionally, each of the three countries will have its own Executing Entity¹, and this will ensure that country-level operations are owned nationally, and advantage positionality in terms of reaching outer islands.</p> <p>The peer-to-peer learning activities will also ensure that sub-project implementing entities/partners have a community of practice and are able to work cohesively.</p>		
Sub-grant entities have insufficient technical capacity, operational capabilities and resources to implement projects		
Category	Probability	Impact
Technical and operational	Medium	Medium
Description		
<p>Through stakeholder engagement and analysis of prior MCT engagement in the region, a potential risk among the sub-grant entities would be insufficient capacity and resources to implement grants disbursed through the SAP EDA Programme. This could result in stranded or underperforming projects, and then limit both project scope and results for local communities as well as for improved resilience of ecosystems goods and services.</p>		
Mitigation Measure(s)		
<p>During programme preparation, issues relating to existing capacities and resources for the provisional list of sub-grant entities (available in Annex 2: Pre-feasibility Study) were identified. This is why the SAP EDA Programme has been deliberately designed to deliver multi-stage training on climate change, project development, and project management as well as sustained technical support, guidance, and oversight from project support bodies.</p>		
Data and information paucity in the region to help support the development and design of sub-grant projects		
Category	Probability	Impact
Technical and operational	Medium	Medium
Description		

It is well established that the Pacific SIDs experience data and information paucity, particularly in some of the region's most remote locations – this remains a critical roadblock to the region's actions on poverty, welfare and social developments. ² This can impact the design (as well as delivery) of localised climate adaptation projects for ecosystem goods and services, leading to underdeveloped projects, sub-optimal design, and uneven implementation of sub-grant activities, and ultimately limited climate adaptation outcomes.		
<i>Mitigation Measure(s)</i>		
<i>The SAP EDA Programme has been designed to upscale successful ecosystem-based adaptation interventions from other projects in the region, including the Pacific Ridge to Reef (R2R) and Adaptation Fund project: Enhancing the climate resilience of vulnerable island communities in the Federated States of Micronesia. This will ensure there is a strong baseline of information and data to act upon, for the sub-grant entities, when they design, propose and prioritise projects. Through the stratified training that the different programme components will provide, capacity to collect, assess and analyse, and use data among sub-grant entities will be scaled up as well. Furthermore, activities under Output 3.1. will entail a review of existing data collected by MCT on ongoing and closed sub-projects and establish a knowledge management and applied learning protocol, that will support the region and the different entities in assessing, analysing and documenting their impact. This will also support planning for further finance mobilization in the region.</i>		
Limited interest and engagement from local-level entities as well as limited support and buy-in from local communities and individual households		
Category	Probability	Impact
Governance	Medium	Medium
Description		
Limited interest of engagement from local authorities and governance bodies lead to underdeveloped project pipeline and limited impact for the SAP EDA Programme. Additionally, local communities and individual households may not or may (in a limited manner) support or engage with the sub-grant projects, stemming from misaligned project objectives and priorities, as well as insufficient stakeholder engagement and co-production.		
<i>Mitigation Measure(s)</i>		
<i>MCT has past and ongoing experience as a grant-making mechanism for mini and mid-sized projects in the region, as well as maintains a provisional list of eligible entities. Under Component 1, the Programme also includes a capacity building component which aims at identifying a roster of eligible organizations, undertakes a capacity assessment framework which will map the baseline capacities of entities, and administer the capacity building programme based on this foundational exercise. An indicative list of eligible organisations, by country, can be found as Appendix I of Annex 2.</i>		
<i>The Programme includes essential and extensive training, which will shift the needle on participatory governance and project design, focused outreach, and inclusive stakeholder engagement. The core principle of this SAP EDA Programme is to upscale successful ecosystem-based adaptation interventions. Community engagement and buy-in will be a key principle of the sub-grant training, application and review processes, so extensive due diligence will be undertaken to hedge against this risk. Further, the Programme will enlist formal/informal civil society organizations and other groups to help support Programme outreach and development, as needed.</i>		
<i>MCT also conducts capacity needs assessments with key partners and able to also fund top prioritized action identified from the results of the assessment.</i>		
Coordination between CSOs/NGOs, communities, and government may be impeded by mandates over natural resource management and land rights		
Category	Probability	Impact

² <https://www.worldbank.org/en/news/press-release/2020/02/12/regional-statistics-project-will-help-close-data-gaps-on-poverty-and-gender-in-the-pacific>

Governance	Low	Medium
Description		
It should also be noted that overall tenure and rights security over land in the region varies. Land rights and mandates over natural resource management can lie with governments in these SIDS. All three participating countries have their own respective Protected Areas Network (PAN) framework as well as other sub-national protected area frameworks that have established protected areas and other natural habitats with restricted use measures that will be eligible for sub-project implementation. Land tenure will not be a risk because any sub-projects that have land-tenure issues or potential conflict will be excluded from funding, any conflict or potential land tenure issues will exclude a sub-project from funding. This is included as part of the exclusionary measures listed in Annex 12.		
Mitigation Measure(s)		
MCT has past and ongoing experience in each of the participating SIDS. The Programme includes essential and extensive training, which will shift the needle on participatory governance and project design, focused outreach, and inclusive stakeholder engagement. Since the PAN Offices and MIMRA are EEs, this will allow for direct channels of negotiation with the governments in each of the countries, and ensure the above risk is bypassed. Furthermore, MCT has been working with over 150 communities in the region and has insights as to how to provide support to work with governments. MCT has relations with community leaders, government leaders and the cultural knowledge needed to navigate communities and work alongside them. Any conflict or potential land tenure issues will exclude a sub-project from funding. This is included as part of the exclusionary measures listed in Annex 12.		

2. AML/CFT* and Prohibited Practices compliance due diligence assessment (max. 1 page)		
Category	Probability**	Impact***
ML/TF	Low	LOW (<5% OF PROJECT VALUE)
Sanctions	Low	LOW (<5% OF PROJECT VALUE)
Reputational	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> <p>Describe each risk identified which should be derived from the AML/CFT integrity due diligence assessment as well as the prohibited practices due diligence assessment. This includes including corruption, fraud, abuse, retaliation against whistleblowers and any other coercive, collusive or obstructive practice. Also provide the controls and measures to mitigate each identified risk.</p> <p>If the Executing Entity is different from the Accredited Entity, please include an annex providing further KYC details, e.g. on the beneficial ownership/control structure, and exposure to Politically Exposed Persons (PEPs) etc.</p> <p>MCT has not handled any such issues. However, MCT does have a binding Whistleblower Protection Policy and Procedure.</p>		

3. Other potential risks in the horizon

Environmental and Social: Under Component 2, which includes three country-level Small Grants Facility (SGF) there is potential E&S risk – the risk is considered low especially given the size of the grants (USD 25,000-200,000). The sub-grants will be approved during project implementation, as such, each grant will be screened to ensure the activities are low-risk. Below is an overview of the potential risks for the SGF and mitigation measures for each PS.

- **PS 1: Assessment and Management of E&S Risks and Impacts:** Each sub-grant will undertake individual screenings and will include an E&S action plan to ensure proper management of any risks.
- **PS 2: Labor and Working Conditions:** The scale of physical works envisaged under the programme is limited.
- **PS 3: Resource Efficiency and Pollution Prevention:** Mostly, the envisioned sub-grant activities will focus on improving resource efficiency through the implementation of EbA activities. However, each will be screened for risk, and small grants (USD 50-200,000) will be required to include an ESAP.
- **PS 4: Community Health, Safety and Security:** A grievance redress mechanism will be included in the Environmental and Social Management System to be developed, and will be published in transparent and accessible places for all beneficiaries. Additionally, adequate communication channels will be established between the project management unit and all project beneficiaries and stakeholders.
- **PS 5: Land Acquisition and Involuntary Resettlement:** There will be no involuntary resettlement under this programme.
- **PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources:** Most sub-grants will work to improve biodiversity and conservation and, due to their size and will need to be classified as Category C (low risk) to receive funding, so the overall impact is quite low.
- **PS 7: Indigenous Peoples:** The programme is specifically designed to support indigenous communities and provide funds directly to the most vulnerable groups.
- **PS 8: Cultural Heritage:** Where needed, additional empowerment activities will include vulnerability assessments and disaster action plans, with considerations for preserving cultural heritage.

It is important to note, the programme's sub-grant priority areas were selected in part due to the fact that they have the potential to themselves mitigate possible E&S risks. For example, sub-grant projects which focus on the expansion and improvement of "buffer zones" will be viewed and assessed in the context of other sub-grant projects such as watershed management or agro-forestry to ensure balance and coherence with one another during project implementation. In addition, because each of the sub-grants will either be designated as "micro" or "small" in terms of size, any risks that they might pose are quite limited in terms of reach and impact. To address any potential risks that programme activities are not designed and implemented to optimally respond to specific local vulnerabilities (resulting in exacerbated impacts over time), all sub-grants will be screened during the EOI stage, and "small" grants will develop an ESAP. Potential sub-grant E&S risks include:

- Noise/Air Quality (low risk/low impact)
- Waste (medium risk/low impact)
- Climate and GHG Emissions (low risk/low impact)
- Building Hazards (low risk/low impact)
- Limited Community Ownership of Sub-Projects (low risk/medium impact)
- Working conditions (low risk/low impact)
- Cultural Heritage (low risk/low impact)
- Gender Mainstreaming (low risk/low impact)

For further details, refer to Annex 12: Environment and Social Management Plan.