

Simplified Approval Process

Annex 7: Risk assessment and management



RISK ASSESSMENT AND MANAGEMENT

1. Risk factors and mitigations measures (max. 2 pages)		
<p><i>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.</i></p> <p>For probability: High has significant probability, Medium has moderate probability, Low has negligible probability For impact: High has significant impact, Medium has moderate impact, Low has negligible impact</p>		
Selected Risk Factor 1		
Category	Probability	Impact
Technical and operational	Low	Low
Description		
<p>The access to Marajó is complex and while this has been considered in project planning, additional operational challenges may be faced during rainy seasons due to difficulties in accessing communities. This may impact project activities and timeframes.</p>		
Mitigation Measure(s)		
<p>The project coordination will monitor activities and workplans daily and when significant operational challenges are identified, an action plan and appropriate measures will be put in place. If the operational risk significantly affects the overall timeframe for project implementation, communication to GCF secretariat and other relevant stakeholders will be made in a timely manner.</p>		
Selected Risk Factor 2		
Category	Probability	Impact
Governance	Low	Low
Description		
<p><i>A risk identified relates to loss of interest and commitment by local government authorities and staff to engage in project activities . Change in government authorities after 2024 subnational elections or other factors could affect the commitment and interested of local stakeholders.</i></p>		
Mitigation Measure(s)		
<p><i>The project proposal has received formal commitment in the form of support letters from local authorities involved in the project to ensure their continued engagement and participation throughout project implementation. In addition, representatives of the three municipal authorities and the Environmental Secretary of Pará state (SEMA) will have a seat at the Project Steering Committee, and the three municipal authorities will also have representatives assigned to the Local Advisory Committee. These will ensure they are constantly engaged with the project and mitigate the risk of distancing and losing interest.</i></p>		
Selected Risk Factor 3		
Category	Probability	Impact
Legal	Low	Low
Description		
<p><i>A legal risk identified relates to o lack of land tenure of many smallholders in Marajo, which is a requirement to access credit and may restrict access to Pronaf as part component 3 of the project proposal</i></p>		
Mitigation Measure(s)		
<p><i>The project is creating a first loss mechanism to support the lack land tenure or guarantees required as a condition to access credits from the Pronaf Program. The Reserve Fund for Community Access to Credit will support smallholders that are part of collectives or cooperatives formed or strengthened by the project proposal that are unable to meet the eligibility criteria established by existing mechanisms.</i></p>		

Selected Risk Factor 4		
Category	Probability	Impact
Credit	Low	Low
Description		
<p><i>The project proposal does not envision facing any credit related risks given that Fundación Avina is requesting grant-based resources from the GCF and activities under the project will be supported the same way.</i></p>		
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 **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) ¹ Money Laundering/Terrorist Financing ² Sanction prohibitions of the United Nations, or other relevant sanctioning authorities (including the World Bank Debarred List) ³ In the context of Money Laundering/Terrorist Financing and Prohibited Practices ⁴ Abuse, Conflict of Interest, Corrupt, Retaliation against Whistleblowers or Witnesses, as well as Fraudulent, Coercive, Collusive, and Obstructive Practices</p>		
<p><i>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.</i></p> <p><i>Regarding Money Laundering and Terrorism Financing, Fundación Avina has established institutional policies and practices to ensure that all funds managed by Fundación Avina are carefully managed, following strict protocols of control and with clear rules on both sources of finance as well as deployment. Through our CRM system, which helps to monitor the day-to-day expenses related to all projects and programs implemented across Avina, the institution is able to monitor every expense, transfer and payment being made to ensure all the protocols are being followed. Before financing any partner, Fundación Avina applies several filters. The first refers to references, as Fundación Avina works very close to partners on the ground and under a participatory approach, it constantly maps trustworthy partners as well as risks. The second filter is the practice of checking all potential recipients of funds against the U.S. Department of Treasury Office of Foreign Assets Control's "Specially Designated Nationals and Blocked Persons" list as part of its proposal review process. The third filter refers to the requirement for all recipient of funds to fill in and sign a Due Diligence form.</i></p> <p><i>Regarding Sanction prohibitions of the United Nations, or other relevant sanctioning authorities, Fundación Avina fully complies with prohibitions presented by UN. In addition, Fundación Avina has strict protocols for monitoring the use of Avina resources.</i></p> <p><i>Fundación Avina has over 25 years of experience operating in Latin America and more than 15 years operating in the Brazilian Amazon Region. Given the nature of the organization and our bottom-up approach to action, Fundación Avina works with stakeholders at the local level ensuring that effective participation and engagement in all our activities and decision-making processes are implemented. Thus, reputational risks are minimal overall.</i></p> <p><i>Fundación Avina has a number of policies that regulate the commitment by all staff and contractors to act on an ethical manner in any activity related to Avina's projects and initiatives. Given the strict processes to register, approve, monitor, and deploy financial resources in any given project managed by Fundación Avina, there is little room for prohibited practices to undertake.</i></p> <p><i>All policies can be accessed through the following link https://www.avina.net/en/policies-and-procedures/</i></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.

Fundación Avina will make sure that any potential Executing Entities (EE) fully comply with Avina's policies, while demonstrating capacity to meet them and apply them before adopting any formal agreement to act as EE.

Fundación Avina applies the due diligence verification by means of requesting basic legal and supporting documentation that proves the existence and legality of the organization, by filling out a form for public exposed people (PEP), and by verifying the sanction list of the Office of Foreign Assets Control (OFAC) of the United States – verification at OFAC considers not only the organization but also the legal representatives, including members of the corresponding boards.

For the first time and responding to the guidelines established by Green Climate Fund, we have developed and applied an assessment procedure that permits to measure the capabilities (operating and technical) of the two organizations that will act as Executing Entities (EE) for the project "Marajo Resiliente: Enhancing the resilience of smallholders to climate change impacts through adapting and scaling up diversified agroforestry systems in the Marajo Archipelago of Brazil". Through this assessment, Fundación Avina seeks to evaluate the capabilities of the organization, as well as to build and/or reinforce those areas that will allow the organization to better respond to any requirement any potential funder may have. Please refer to the letter of assessment with details about these assessments

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.

Fundación Avina may face difficulties accessing a pool of potential contractors to execute different services and consultancies at the local level given the geographic and remote location of Marajo and difficulties in accessing this region. Thus, there may be cases in which period for calls for services and consultancies will need to be extended. In other cases Fundación Avina may need to use the wide expertise found in Brazil of contexts that are similar to Marajo to compensate for the lack of local capacities.

Another risk refers to the effects of currency fluctuation in project activities. In order to mitigate this risk, the socio, economic and financial study undertook as part of the project preparation recommended a projected exchange rate, which was used as a reference in budget preparation.