

# Simplified Approval Process

## Annex 7: Risk assessment and management



## RISK ASSESSMENT AND MANAGEMENT

<b>1. Risk factors and mitigations measures (max. 2 pages)</b>		
<p><i>Please describe c measures.</i></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>		
<b>Selected Risk Factor 1:</b> Vulnerability to climate change impacts could undermine project sustainability		
<b>Category</b>	<b>Probability</b>	<b>Impact</b>
Technical and operational	Medium	Medium
<b>Description</b>		
Vulnerability to climate change impacts could undermine project sustainability.		
<b>Mitigation Measure(s)</b>		
<p>Ecosystem conservation, ecological restoration, and sustainable production activities fostered by ACCIÓN will promote risk-informed strategies for mitigating the impacts of climate change and extreme weather events; for example, through Component 1 there will be an increased adaptive capacity of communities for coastal and marine ecosystem management and climate change resilience through local Ecosystem based Adaptation measures and through Component 2 an increased adaptive capacity of Natural Protected Areas (PAs) in coastal and marine ecosystems. Diverse, healthy, and restored ecosystems are often more productive and better able to withstand and recover from extreme events. They enhance carbon sequestration, regulate local climates, act as natural infrastructure protecting against extreme weather events, reduce disaster risks, and increase the adaptive capacity of local communities, significantly building a more sustainable and resilient future (for example, through activity 1.1.3 monitor the climatic events and implement climate early warning systems linked to sub-projects).</p>		
<b>Selected Risk Factor 2</b>		
<b>Category</b>	<b>Probability</b>	<b>Impact</b>
Technical and operational	Medium	Medium
<b>Description</b>		
Lack of technical capacity and knowledge to implement EbA measures and insufficient funding to maintain EbA measures in the long term could jeopardize project success.		
<b>Mitigation Measure(s)</b>		
<p>ACCIÓN aims to support in mitigating the impacts of climate change on communities' livelihoods and the ecosystems they depend on. Thus, the project will integrate key climate adaptation strategies, such as adopting and leveraging EbA measures at the local level through capacity building and technical assistance, to enhance ecosystems' resilience and enable coastal communities to reduce their vulnerability to climate change. For example, Activity 1.1.1. will include financing technical assistance to sub-projects to conserve, restore, and improve productive practices to increase communities' adaptive capacities in coastal and marine landscapes. ACCIÓN will also implement a robust learning and knowledge management component to emphasize the economic and livelihood benefits of EbA and boost collective action to tackle climate change impacts, promote ecosystem integrity, and adopt sustainable economic activities. For example, through component 4 it is expected a improved knowledge management and coordination mechanisms in the region. Moreover, through Component 3 the project will foster private sector opportunities and align public and private investments to improve the financial sustainability, scalability, and replicability of these EbA measures.</p>		
<b>Selected Risk Factor 3</b>		
<b>Category</b>	<b>Probability</b>	<b>Impact</b>
Governance	Low	Medium
<b>Description</b>		
Inadequate Indigenous Populations and vulnerable groups' engagement in ecosystem conservation, ecological restoration, and sustainable production activities could undermine project support and long-term sustainability.		
<b>Mitigation Measure(s)</b>		

Engaging Indigenous populations and other vulnerable groups is crucial for the ownership, success, and sustainability of ACCIÓN. These groups often have deep connections to the land and traditional ecological knowledge that can inform and enhance project activities. Incorporating and involving their perspectives in decision-making can lead to more equitable and sustainable outcomes. Thus, the project conducted a consultation process to ensure stakeholders, especially Indigenous communities and other vulnerable groups, were fully aware of the project, the identified environmental, social, and gender risks, and the proposed mitigation measures. This process also allowed these groups to provide feedback, which was incorporated into the project design to make implementation more robust, safeguarding that the proposed interventions are supported and endorsed by different stakeholders and that the project included appropriate mechanisms with suitable incentives based on the local context to encourage participation. ACCIÓN also developed, and will operate throughout the project lifespan, a Stakeholder Engagement Plan, an Indigenous Population Plan and a project-level Grievance Redress Mechanism to enable meaningful engagement of indigenous peoples, and vulnerable groups in project planning, implementation, and monitoring and address concerns or conflicts that may arise during project implementation. Additionally, the project will also design and disseminate culturally appropriate materials (considering language, location, and literacy levels, among others) through various communication channels (e.g., local radio, newspaper, and social media) to effectively inform, transmit, and incentivize local participation in project activities and support the resilience of communities and ecosystems.

#### **Selected Risk Factor 4**

<b>Category</b>	<b>Probability</b>	<b>Impact</b>
Governance	Low	Medium
<b>Description</b>		
The lack or low participation of women and the manifestation of any form of violence against them within the framework of the project could reproduce gender inequalities and affect the proper implementation of ACCIÓN and its long-term sustainability under an approach of equality and inclusion.		
<b>Mitigation Measure(s)</b>		
<p>The involvement of women and their contributions to the project are essential for ACCIÓN to achieve positive impacts on local ecosystems and communities. For this reason, a consultation process was necessary to ensure that women's perspectives were incorporated into the project proposal and its action plans.</p> <p>During the socialization and consultation sessions, women shared their knowledge in identifying potential environmental and social risks associated with the project activities. They also expressed their needs and suggestions for ACCIÓN to respond to them in a culturally appropriate manner.</p> <p>Additionally, ACCIÓN has developed and will implement a Gender Action Plan (GAP) throughout the project's lifespan, which has been reviewed and refined based on feedback from potential female beneficiaries. This plan will serve as a guide to promote meaningful participation of women in all stages and activities through inclusive requests for Proposals; ongoing monitoring of gender perspective integration, including training programs; and the appropriation and dissemination of a Grievance Redress Mechanism to address any form of violence against women.</p> <p>The Gender Action Plan (GAP) will also ensure that information reaches women effectively through culturally appropriate materials, considering their diversity in ethnic background, literacy levels, age, location, and access to information technology. These materials will be disseminated through various communication channels, such as local radio, newspapers, and social media, to encourage the participation of this demographic and support the resilience of communities and ecosystems.</p>		

#### **Selected Risk Factor 5**

<b>Category</b>	<b>Probability</b>	<b>Impact</b>
Governance	Low	Medium
<b>Description</b>		
Insufficient coordination and alignment with government agencies could lead to conflicting objectives and inefficiencies.		
<b>Mitigation Measure(s)</b>		
<p>ACCIÓN will establish a robust Coordination Committee to drive alignment, coordination, resources, and long-term sustainability, ensuring strong government ownership and leadership. This high-level committee will unite pivotal governmental representatives with clear roles and responsibilities. The committee will meet regularly to coordinate project activities and ensure alignment with national and regional climate change adaptation priorities; identify and mobilize diverse sources of funding to support the project and secure long-term funding commitment to safeguard project impacts;</p>		

facilitate open dialogue among stakeholders and build trust and collaboration, and monitor and supervise overall project progress and make timely adjustments to ensure targets are met.

## 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>

\*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

FMCN has established a solid institutional framework to prevent, detect, and report Money Laundering and Terrorist Financing activities or malpractices. FMCN standards and guidelines related to AML/CFT are aligned with national regulations and international standards. As a Civil Association established under the Mexican Civil Code, FMCN complies with all applicable laws, including the Federal Law for the Prevention and Identification of Operations with Illicit Proceeds. Likewise, it takes the necessary actions to ensure its partners, beneficiaries, and associates comply with all anti-fraud regulations.

Annex 3 of FMCN's Operations Manual contains the Policy for the Prevention of Money Laundering and Terrorist Financing, whose objectives are to prevent, detect, and report operations that may be linked to money laundering and terrorist financing crimes and to collaborate with the competent authorities against money laundering and terrorist financing. Section 3.3.6 of the Operations Manual states that FMCN declares zero tolerance toward any fraudulent activity or activity linked to acts of corruption. All recipients of its resources must comply with the current legislation and regulations established by the authorities, as well as with the Policy for the Prevention of Money Laundering and Terrorism Financing, the Policy on Conflict of Interest, FMCN's Environmental and Social Safeguards, and the Clauses against fraud and corruption. FMCN also has a Prohibited Practices Policy, which aims to prevent and deter prohibited practices, declare zero tolerance to prohibited practices, and ensure that the use of resources is for the purposes established by the institution.

That is why all contracts signed between FMCN and its counterparties include an annex document stating that the counterparty entirely agrees to comply with FMCN's Organizational Manual and Operations Manual. Additionally, Annex 8 of the Operations Manual contains the Anti-Fraud and Corruption Clauses, which are part of any contract and aim to require the counterpart to observe the highest ethical standards during the application and execution process of the resources.

Section 3 of the Risk Control Manual contains the Fraud Risk, which describes situations of diversion of resources and the control actions to mitigate them. The Risk Control Manual also mentions in Section 4 the operational risk procedures, including procurement-related ones. If there is a procurement dispute or unconformity, the responsible area determines whether or not to suspend the procurement process, defines the situation in which things will be decided, and establishes the pertinent measures to conserve the evidence that is the object of the unconformity. When the responsible area notices omissions in the procurement process, it will suspend the same. The Internal Audit is responsible for receiving procurement disputes and investigating the facts and circumstances that gave rise to them.

Finally, FMCN has an Institutional Grievance Redress Mechanism, which establishes an effective, transparent, and impartial means of communication for presenting complaints and reports related to fraud, acts of corruption, non-compliance with the Code of Ethics, and disputes over institutional procurement. The procedure also identifies the Internal Auditor as responsible for opening an investigation file and proceeding to obtain information, documentation, and evidence to attend the case.

FMCN will work with Sureste Sostenible A.C (SSAC) as a co-executer in the ACCION project. SSAC is a regional fund in Mexico created in 2022 through close collaboration with FMCN, intending to have a re-granter in the Yucatan Peninsula, more accessible and with a wider understanding of the local context. In 2023, based on the request of FMCN and with funding from the Green Climate Fund (GCF), the Global Green Growth Institute conducted due diligence on the five Regional Funds, including SSAC, based on the GCF standards. This due diligence confirmed that SSAC fully complies with Anti-Money Laundering/Countering the Financing of Terrorism policies through its policies, procedures, and internal controls. All contracts signed between FMCN and SSAC include annex 8, which contains the Anti-Fraud and Corruption Clauses to be respected during the project implementation. To mitigate any AML/CFT risk, the procurement arrangements shall

incorporate precise 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, and contracts, among others; and (iv) supervision arrangements. Besides, the Coordination Committee, with representatives from participating government agencies and implementing partners, will review and approve the operational budget, provide policy guidance, supervise and support the implementing agencies, and ensure effective channeling of resources and solutions. 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**

1. National elections will take place in 2024, creating the potential risk of changes in key personnel with government agencies supporting the ORIGEN project and/or changing policies and priorities of a new government. To mitigate these risks, the project has included key federal government agencies within its governance structure (CONANP and state ministries) to ensure all project strategies and activities are aligned with government policies and priorities. Close coordination will also take place with Sureste Sostenible at the site level.
2. Project sites are in areas of high poverty and socioeconomic marginalization and heavily dependent on natural resource use, often under unsustainable practices that maximize shorter-term gains. Although the Yucatán Peninsula remains as a secure region, some of these areas are also characterized by security concerns. There will be a constant monitoring of security risks, relying on local networks of allies.