



ADAPTATION FUND

AFB/B.21/6
14 June 2013

Adaptation Fund Board
Twenty-first Meeting
Bonn, Germany, 3-4 July 2013

Agenda item 9 b)

PROPOSAL OF ENVIRONMENTAL AND SOCIAL POLICY

Note by the secretariat

1. The Adaptation Fund Board (the Board) at its twentieth meeting considered the application of environmental and social safeguards in the context of the Adaptation Fund (the Fund) project/programme review process, at the request of the Chair. The Chair remarked that although safeguards were covered at the technical review stage through the project/programme review criteria, the Fund still lacked a policy document on environmental and social safeguards, the development of which may further clarify and streamline the safeguard requirements as well as help the secretariat in the technical review process and the application of the safeguards.

2. Following a discussion on the matter, the Board

[D]ecided to request the secretariat to prepare a document for the consideration of the Board at its twenty-first meeting that:

(a) Compiles and provides an overview of the safeguards applicable to Adaptation Fund projects/programmes with a view to streamlining the application of such safeguards; and

(b) Takes into account the existing safeguards in the Adaptation Fund portfolio and other projects/programmes of a comparable nature, the current project/programme review criteria, the instructions for preparing a request for project/programme funding from the Adaptation Fund, as well as national and international safeguards systems in developed and developing countries.

(Decision B.20/21)

3. In response to the decision above, the attached policy document has been prepared by the Program on International and Comparative Environmental Law of American University, Washington College of Law, in consultation with the secretariat.

4. The proposed policy may benefit from inputs by civil society organizations and other interested stakeholders, collected through a public call for comments that the Board may want to consider launching.

Recommendation

5. The Board may want to consider to:

(a) Endorse the Adaptation Fund social and environmental policy as contained in document AFB/B.21/6;

(b) Launch a public call for comments on the policy mentioned above;

(c) Incorporate the above mentioned policy into the operational policies and guidelines for Parties to access resources from the Adaptation Fund (OPG) of the Adaptation Fund as an annex, making the necessary changes in the text of the OPG to reference the policy; and

(d) Request the secretariat to present at the twenty-second Board meeting:

- (i) A proposal operationalizing the policy, including any necessary changes to the current project/programme review criteria, project proposal and review templates, project/programme progress report template, and evaluation framework. In developing this proposal the secretariat will also present options on how the accreditation process could be modified to ensure that implementing entities have the ability to implement the policy; and
- (ii) A compilation of comments received from interested stakeholders by 23 September 2013 and a proposal on how to incorporate them into the endorsed policy.

Annex: Proposed Adaptation Fund Social and Environmental Policy

I. Background

This paper presents a proposal for establishing a social and environmental policy for the Adaptation Fund (AF). The proposed policy is intended to ensure that in furthering the AF's mission of addressing the adverse impacts of and risks posed by climate change, the AF-supported projects and programmes do not result in unreasonable environmental and social harms. The proposed policy is intended to build on the AF's existing policies, operating procedures and project cycle.

The proposed social and environmental policy will bring AF practices generally into line with the practice of other leading financing institutions active in environment and development financing. Over the last twenty years, international financial and development institutions have increasingly adopted environmental and social safeguard policies to enhance sustainable development benefits and avoid unnecessary harm to the environment and affected communities. These safeguard policies allow the institutions to identify and manage the environmental and social risks of their activities, by assessing potential environmental and social harms and then by identifying and implementing steps to avoid, minimize or mitigate those harms.

Among the finance and development institutions that have adopted environmental and social policies are the following:

- the World Bank (i.e. the International Bank for Reconstruction and Development and International Development Agency);¹
- the regional development banks, including the European Bank for Reconstruction and Development,² the Inter-American Development Bank,³ the Asian Development Bank,⁴ and the African Development Bank;⁵
- the International Finance Corporation and Multilateral Investment Guarantee Agency⁶;
- the Global Environment Facility⁷;

¹ World Bank, Safeguard Policies, <http://go.worldbank.org/BA5ILYC6B0> (the World Bank is currently undergoing the first phase of a multi-year process to review and update of its environmental and social safeguards policies).

² European Bank for Reconstruction and Development, Environmental and Social Policy 2008, <http://www.ebrd.com/pages/research/publications/policies/environmental.shtm> (EBRD is currently updating and receiving comments on its Environmental and Social Policy).

³ Inter-American Development Bank, Environment and Safeguards Compliance Policy, <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=665902> (this website links to information about IADB institutional reforms to improve the environmental and social safeguard policies: <http://www.iadb.org/en/insitutional-reforms/better-environmental-and-social-safeguards,1830.html>).

⁴ Asian Development Bank, Safeguard Policy Statement, <http://www.adb.org/site/safeguards/policy-statement>.

⁵ African Development Bank, Environmental and Social Safeguards Policies and Procedures, <http://www.afdb.org/en/documents/project-operations/environmental-and-social-safeguards-policies-and-procedures/> (the African Development Bank has just completed its Consultations on Integrated Safeguards System, <http://www.afdb.org/en/consultations/closed-consultations/afdb-integrated-safeguards-system/> and is expected to release a new policy soon).

⁶ International Finance Corporation, Performance Standards on Environmental and Social Sustainability, http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/publications_handbook_pps.

- the United Nations Development Programme;⁸
- most export credit and insurance agencies;⁹ and
- many leading private commercial banks.¹⁰

The prevalence of environmental and social policies at international finance and development institutions reflects a broad consensus among governments, development economists, civil society, and other stakeholders that such policies are critical to achieving positive sustainable development outcomes and avoiding any unreasonable harm.

The proposed environmental and social policy set forth below is designed to be integrated with the AF's existing policies, practices, and project cycle, although some issues will have to be addressed further to operationalize the policy. If approved, the draft environmental and social policy could be attached as an annex to and incorporated into the current AF operational policies and guidelines for Parties to access resources from the Adaptation Fund (OPG).

The proposed policy would not shift the current relative roles and responsibilities between the AF, implementing entities (IEs) and executing entities (EEs). The IEs will continue to be responsible for project/programme risk management associated with the projects, but the risk will be explicitly understood to include environmental and social risks presented by the proposed projects. The future accreditation or re-accreditation of IEs may need to reflect the capacity and commitment to address environmental and social risks. Many of the multilateral IEs already have environmental and social policies and management systems that will meet the AF standards. Some of the national IEs may also have this capacity and commitment, but for others there may be a need for capacity building to manage environmental and social risks.

The requirements to assess and manage environmental and social risks will be integrated into existing requirements for risk assessment and management. The initial screening for environmental and social risks can be included in the project/programme concept document. The requirements for effective consultation are consistent with AF's current requirements for consultative processes in the development of project/programmes with "particular reference to vulnerable groups, including gender considerations."¹¹

The scope of the environmental assessment shall be commensurate with the scope and severity of potential risks. It is expected that many AF-supported projects will entail few, if any, environmental and social risks, and thus no environmental assessment may be required. If an environmental assessment is required, the assessment accompanied by any proposed risk management plan could be included with the project/programme document submitted for project approval. In those instances where the assessment and/or management plan cannot be completed in time or where mitigation measures extend into project implementation, the AF can

⁷ Global Environment Facility, http://www.thegef.org/gef/sites/thegef.org/files/documents/C.40.10_GEF_Policies_on_Safeguards_and_Gender.April_26_2011.pdf.

⁸ United Nations Development Programme, Guidance Note: Environmental and Social Screening Procedure for UNDP Projects (March 19, 2012), https://info.undp.org/global/.../ESSP_Guidance_19Mar12_English.docx.

⁹ OECD, Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (The "Common Approaches"), <http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=TAD/ECG%282012%295&doclanguage=en>.

¹⁰ Equator Principles Members, <http://www.equator-principles.com/index.php/members-reporting>.

¹¹ Adaptation Fund, OPG, "Instructions for Project or Programme Funding for Adaptation Fund," part II(H).

approve the projects/programmes subject to assurances included in the agreement signed between the Board and the IE that any environmental and social risks will be adequately and timely addressed. The existing system of annual project/programme performance reports and the terminal evaluation report can be modified to monitor implementation and compliance with any environmental and social management plan over the life of the project.

A. Social and Environmental Policy Statement

Social and environmental policies are fundamental to ensuring that the Adaptation Fund (AF) does not support projects/programmes that unnecessarily harm the environment, public health or vulnerable communities. As part of the implementing entities' (IEs') responsibilities for the project/programme, the AF expects that all IEs shall have an environmental and social management system that ensures environmental and social risks are identified and assessed at the earliest possible stage of project/programme design, adopt measures to avoid or where avoidance is impossible to minimize or mitigate those risks during implementation, and monitor and report on the status of those measures during and at the end of implementation. The AF expects that there be an opportunity for the informed participation of stakeholders in the formulation and implementation of AF-supported projects/programmes.

B. Environmental and Social Management System

The AF shall ensure that the Implementing Entities' risk management systems include the commitment and capacity to assess and respond to the environmental and social risks of AF-supported projects/programmes in light of this environmental and social policy. The IEs shall be responsible for screening all projects/programmes to determine the extent to which they present environmental or social risks, taking into account AF's environmental and social principles identified below. The environmental and social risk management system shall be commensurate in scope and ambition to the potential scope and severity of environmental and social risks inherent in the project design. Projects with low environmental or social risk will require a more limited environmental and social risk management system. IEs proposing projects or programmes presenting significant environmental and social risks shall ensure that the environmental and social impacts of such programmes and projects are thoroughly assessed; that measures are identified for avoiding or reducing environmental and social risks, and that the implementation of such measures is monitored and reported on through the life of the project.

1. Screening of Environmental and Social Risks

All proposed projects/programmes shall be screened by the IE to determine their potential to cause significant environmental or social harm. The screening process shall seek to identify potential social and environmental impacts and risks, taking into consideration the AF's social and environmental principles outlined below. The screening will determine whether or not the project/programme requires further social and environmental assessment, mitigation and management. The results of the environmental screening shall be included in the project/programme concept initially submitted to the AF. If the Board determines the screening to be inaccurate, it can require the project to provide further social and environmental assessment, mitigation, and management. This will be reflected in the agreement between the Board and the IE. Regardless of the outcome of the screening procedure, all proposed projects/programmes shall comply with the AF's social and environmental principles and applicable national and local laws and regulations.

2. Environmental and Social Assessment

For projects/programmes that have the potential to cause significant environmental or social harm, the Implementing Entity shall prepare an environmental and social assessment that identifies any significant environmental or social risks, including any potential risks associated with the AF's environmental and social principles set forth below. If feasible, the environmental assessment shall be included in the project/programme proposal submitted to the AF. Where this is not feasible, a timeline for completing the environmental assessment shall be incorporated in the agreement between the Board and the IE following the project/programme's approval and be reflected in the monitoring and reporting plan for that project.

3. Environmental and Social Management Plan.

Where the environmental and social assessment identifies significant environmental or social risks, the assessment shall be accompanied by an environmental and social management plan that identifies those measures necessary to avoid, minimize or mitigate the potential environmental and social risks. Effective implementation of the management plan shall be a condition of the project's approval and reflected in the monitoring and reporting plan for that project.

4. Monitoring, Reporting and Evaluation.

Monitoring and evaluation of AF-funded projects/programmes shall address all environmental and social risks identified during project/programme assessment, design and implementation. The IEs' annual project/programme performance reports shall include a report on the status of implementation of any environmental and social management plan, including those measures required to avoid, minimize or mitigate environmental and social risks. The terminal evaluation report shall also include an evaluation of the project/programme's performance with respect to environmental and social risks.

5. Public Disclosure and Consultation.

Stakeholders shall be identified and involved as early as possible in planning any AF-supported programme, project or activity. The results of the environmental and social screening and assessment, including any management plan, shall be made available for public consultations that are timely, effective, inclusive, and held free of coercion and in a culturally appropriate way for communities that are directly affected by the proposed project/programme. Project/programme performance reports including the status on implementation of environmental and social measures shall be publicly disclosed. Any significant proposed changes in the project/programme during implementation shall be made available for effective and timely public consultation with directly affected communities.

Environmental and Social Principles

All AF-supported projects/programmes shall be designed and implemented to meet the following environmental and social principles, although it is recognized that given the nature and scale of AF-supported projects/programmes some of these principles may not be applicable to every AF-supported project/programme.

1. Compliance with the Law

All AF-supported programmes, projects or other activities shall be in compliance with all applicable domestic and international law.

2. Access and Equity

AF projects/programmes shall provide fair and equitable access to benefits in a manner that is culturally appropriate and inclusive and does not impede access to basic health services, clean water and sanitation, energy, education, housing, safe and decent working conditions, and land rights.

3. Marginalized and Vulnerable Groups.

AF programmes, projects and other activities shall avoid imposing any disproportionate impact on marginalised and vulnerable groups including children; women and girls; the elderly; indigenous people; tribal groups; disabled people; and people at risk of, or affected by, HIV/AIDS.

4. Human Rights

AF-supported programmes, projects and other activities shall respect and where applicable promote international human rights.

5. Gender Equality and Women's Empowerment

AF-supported programmes, projects and other activities shall be designed and implemented in such a way that both women and men (a) are able to participate fully and equally; (b) receive culturally comparable social and economic benefits; and (c) do not suffer disproportionate adverse effects during the development process.

6. Core Labour Rights.

The AF shall only support programmes, projects or activities that meet the core labour standards as identified by the International Labor Organization.

7. Indigenous Peoples

The AF shall not support projects/programmes that are inconsistent with the rights and responsibilities set forth in the UN Declaration on the Rights of Indigenous Peoples and other applicable international instruments relating to indigenous peoples.

8. Involuntary Resettlement

AF-supported projects/programmes shall be designed and implemented in a way that avoids or minimizes the need for involuntary resettlement. When involuntary resettlement is unavoidable, displaced persons shall be informed of their rights, consulted on their options, and offered technically and economically feasible resettlement alternatives or fair and adequate compensation.

9. Protection of Natural Habitats

The AF shall not support programmes/projects that would involve significant conversion or degradation of critical natural habitats, including those that are (a) legally protected, (b) officially proposed for protection, (c) identified by authoritative sources for their high conservation value, or (d) recognized as protected by traditional local communities.

10. Conservation of Biological Diversity

AF-supported programmes/projects shall be designed and implemented in a way to avoid any significant reduction or loss of biological diversity or to the introduction of known invasive species.

11. Climate Change

AF-supported programmes/projects shall not result in any significant increase in greenhouse gas emissions or other drivers of climate change.

12. Pollution Prevention and Resource Efficiency

AF projects/programmes shall be designed and implemented in a way that maximizes energy efficiency and minimizes material resource use, the production of wastes and the release of pollutants.

13. Public Health

AF-supported programmes/projects shall be designed and implemented in a way that avoids significant negative impacts on public health.

14. Physical and Cultural Heritage

AF-supported programmes/projects shall be designed and implemented in a way that avoids the alteration, damage or removal of any physical cultural resources, including archaeological, paleontological, historical, architectural, sacred sites including graveyards and burial sites, and sites with unique natural values.