



## ADAPTATION FUND

### Proposed Adaptation Fund Environmental and Social Policy

#### I. Background and Introduction

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

The proposed environmental and social policy will bring the Fund's 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);<sup>1</sup>
- regional and subregional development banks, including the European Bank for Reconstruction and Development,<sup>2</sup> the Inter-American Development Bank,<sup>3</sup> the Asian

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<sup>1</sup> World Bank, Safeguard Policies, <http://go.worldbank.org/BA51LYC6B0> (the World Bank is currently undergoing the first phase of a multi-year process to review and update of its environmental and social safeguard policies).

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

<sup>3</sup> 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/institutional-reforms/better-environmental-and-social-safeguards.1830.html>).

Development Bank,<sup>4</sup> the African Development Bank,<sup>5</sup> the Caribbean Development Bank,<sup>6</sup> and the Black Sea Trade and Development Bank.<sup>7</sup>

- the International Finance Corporation<sup>8</sup> and Multilateral Investment Guarantee Agency;<sup>9</sup>
- the Global Environment Facility;<sup>10</sup>
- the United Nations Development Programme;<sup>11</sup>
- most export credit and insurance agencies;<sup>12</sup>
- some bilateral development agencies;<sup>13</sup> and
- many leading private commercial banks.<sup>14</sup>

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. Many countries, both donor and recipient countries, have also adopted domestic laws that are similar to many of these international environmental and social policies.

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

<sup>5</sup> 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 an Integrated Safeguards System, <http://www.afdb.org/en/consultations/closed-consultations/afdb-integrated-safeguards-system/> and is expected to release a new policy soon).

<sup>6</sup> Caribbean Development Bank Policies and Strategies, <http://www.caribank.org/about-cdb/bankpolicies-strategies> (the CDB has a gender equality and information policy and its environmental policy is forthcoming).

<sup>7</sup> Black Sea Trade & Development Bank, Environment Policy, [http://www.bstdb.org/about-us/key-documents/policy-documents/Environmental\\_policy.pdf](http://www.bstdb.org/about-us/key-documents/policy-documents/Environmental_policy.pdf)

<sup>8</sup> 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](http://www1.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/publications/publications_handbook_pps).

<sup>9</sup> Multilateral Investment Guarantee Agency, Environmental and Social Safeguards, <http://www.miga.org/projects/index.cfm?stid=1822>

<sup>10</sup> Global Environment Facility, GEF Policies on Environmental and Social Safeguard Standards and Gender Mainstreaming, [http://www.thegef.org/gef/sites/thegef.org/files/documents/C.40.10\\_GEF\\_Policies\\_on\\_Safeguards\\_and\\_Gender.April\\_26\\_2011.pdf](http://www.thegef.org/gef/sites/thegef.org/files/documents/C.40.10_GEF_Policies_on_Safeguards_and_Gender.April_26_2011.pdf).

<sup>11</sup> 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](https://info.undp.org/global/.../ESSP_Guidance_19Mar12_English.docx)

<sup>12</sup> 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>.

<sup>13</sup> See, e.g., Japan International Cooperation Agency, [http://www.jica.go.jp/english/our\\_work/social\\_environmental/guideline/pdf/guideline100326.pdf](http://www.jica.go.jp/english/our_work/social_environmental/guideline/pdf/guideline100326.pdf); UK Department for International Development, Guide to Environmental Screening, <http://www.eldis.org/vfile/upload/1/document/0708/DOC12943.pdf>; Nordic Investment Agency, [http://www.nib.int/about\\_nib/environment/environmental\\_analysis](http://www.nib.int/about_nib/environment/environmental_analysis);

<sup>14</sup> Equator Principles, <http://www.equator-principles.com/index.php/members-reporting>. Several of the Equator Principle member banks are located in developing countries, including Absa Bank Limited in South Africa; Access Bank Plc in Nigeria; Arab African International Bank in Egypt; Banco Bradesco S.A., Banco Pine S.A., and Banco do Brasil S.A. in Brazil; Banco de Crédito (BCP) in Peru; Banco de Galicia y Buenos Aires S.A. in Argentina; Banco de la República Oriental del Uruguay in Uruguay; Bancolombia S.A. in Colombia; Ecobank Transnational Incorporated in Togo; IDFC Limited in India; and Industrial Bank Co., Ltd. in China; among others.

The proposed environmental and social policy set forth below is designed to be integrated with the Fund'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 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 Adaptation Fund Board (the Board), implementing entities, and executing entities. Implementing entities will continue to be responsible for risk management associated with the projects and programmes, but the risk will be explicitly understood to include environmental and social risks presented by the proposed projects and programmes. The future accreditation or re-accreditation of implementing entities may need to reflect the capacity and commitment to address environmental and social risks. Many of the multilateral implementing entities already have environmental and social policies and management systems that will meet the standards of the Fund. Some of the national and regional implementing entities 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 proposal document. The requirements for effective consultation are consistent with the Fund's current requirements for consultative processes in the development of projects/programmes with "particular reference to vulnerable groups, including gender considerations."<sup>15</sup>

The policy does not include an explicit requirement that proposed projects/programmes be screened into formal categories according to the significance of their environmental and social impacts. Because of the current nature and scale of projects/programmes supported by the Fund, it is not anticipated that many projects that would warrant the highest level of categorization (Category A, for example, in the system of categorization followed by the World Bank and other multilateral development banks). The policy is aimed at allowing for a wide variety of approaches. Implementing entities that use a system of categorization can continue to use that system and still meet the requirements of the policy. Implementing entities that do not follow a formal system of categorization can also meet the policy requirements. Regardless of whether a project/programme is screened into a specific category, all environmental and social risks shall be adequately identified and assessed in an open and transparent manner with appropriate consultation. If the scale or nature of projects and programmes supported by the Fund warrants a change over time, the need for a system of categorization can be revisited.

The scope of the environmental and social assessment shall be commensurate with the scope and severity of potential risks. It is expected that many projects/programmes supported by the Fund will entail few, if any, environmental and social risks, and thus no environmental and social assessment may be required. If an environmental and social assessment is required, the assessment should assess all potential environmental and social risks and include a proposed risk management plan. The plan could be included with the project/programme document submitted for project/programme approval. In those instances where the assessment and/or management plan cannot be completed in time or where mitigation measures extend into project/programme implementation, the Board can approve the project/programme subject to assurances included in the agreement signed between the Board and the implementing entity

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<sup>15</sup> Adaptation Fund, OPG, "Instructions for Project or Programme Funding for Adaptation Fund," part II(H).

that any environmental and social risks will be adequately and timely addressed through a management plan or changes in project/programme design. The existing system of annual project/programme performance reports and the mid-term and terminal evaluation reports can be modified to track any required environmental and social risk management plan or changes in project/programme design.

## **II. Environmental and Social Policy Statement**

### **A. General Environmental and Social Commitment**

Environmental and social policies are fundamental to ensuring that the Fund does not support projects/programmes that unnecessarily harm the environment, public health or vulnerable communities. As part of the implementing entities' responsibilities for the project/programme, all implementing entities shall (i) 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, (ii) adopt measures to avoid or where avoidance is impossible to minimize or mitigate those risks during implementation, and (iii) monitor and report on the status of those measures during and at the end of implementation. There shall be adequate opportunities for the informed participation of all stakeholders in the formulation and implementation of projects/programmes supported by the Fund.

### **B. Environmental and Social Principles**

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

#### *1. Compliance with the Law*

Projects/programmes supported by the Fund shall be in compliance with all applicable domestic and international law.

#### *2. Access and Equity*

Projects/programmes supported by the Fund shall provide fair and equitable access to benefits in a manner that is 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 Projects/programmes supported by the Fund shall avoid imposing any disproportionate impact on marginalized 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*

Projects/programmes supported by the Fund shall respect and where applicable promote international human rights.

## *5. Gender Equality and Women's Empowerment*

Projects/programmes supported by the Fund shall be designed and implemented in such a way that both women and men (a) are able to participate fully and equally; (b) receive comparable social and economic benefits; and (c) do not suffer disproportionate adverse effects during the development process.

## *6. Core Labour Rights*

Projects/programmes supported by the Fund shall meet the core labour standards as identified by the International Labor Organization.

## *7. Indigenous Peoples*

The Fund 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*

Projects/programmes supported by the Fund 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 Fund shall not support projects/programmes 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*

Projects/programmes supported by the Fund shall be designed and implemented in a way that avoids any significant reduction or loss of biological diversity or the introduction of known invasive species.

## *11. Climate Change*

Projects/programmes supported by the Fund shall not result in any significant increase in greenhouse gas emissions or other drivers of climate change.

## *12. Pollution Prevention and Resource Efficiency*

Projects/programmes supported by the Fund shall be designed and implemented in a way that meets applicable international standards for maximizing energy efficiency and minimizing material resource use, the production of wastes, and the release of pollutants.

### *13. Public Health*

Projects/programmes supported by the Fund shall be designed and implemented in a way that avoids significant negative impacts on public health.

### *14. Physical and Cultural Heritage*

Projects/programmes supported by the Fund shall be designed and implemented in a way that avoids the alteration, damage, or removal of any physical cultural resources, cultural sites, and sites with unique natural values recognized as such at the community, national or international level.

### *15. Agricultural Lands and Soil Conservation*

Projects/programmes supported by the Fund shall be designed and implemented in a way that promotes soil conservation and avoids degradation or conversion of productive agricultural lands.

## **C. Environmental and Social Management System**

The Board 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 projects/programmes supported by the Fund in light of this environmental and social policy. The implementing entities shall be responsible for screening all projects/programmes to determine the extent to which they present environmental or social risks, taking into account the Fund's environmental and social principles identified above. Implementing entities proposing projects or programmes presenting 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/programme. 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/programme design. Projects and programmes with low environmental or social risk will require a more limited environmental and social risk management system.

## **D. Environmental and Social Policy Delivery Process**

### *1. Screening of Environmental and Social Risks by the Implementing Entity*

All proposed projects/programmes shall be screened by the implementing entities to determine their potential to cause environmental or social harm. The screening process shall seek to identify potential environmental and social impacts and risks, taking into consideration the Fund's environmental and social principles outlined above. The screening process shall consider all potential direct, indirect, transboundary, and cumulative impacts and risks that could result from the proposed project/programme. The screening will determine whether or not the project/programme requires further environmental and social assessment, mitigation, and management. The results of the environmental screening shall be included in the project/programme proposal initially submitted to the Adaptation Fund Board secretariat (the secretariat). If during the review process the Board or secretariat determines that further information on the environmental and social assessment, mitigation, and management of risks is required, the implementing entities can be asked to provide it. If appropriate, this will be reflected in the agreement between the Board and the implementing entity. Regardless of the

outcome of the screening procedure, all proposed projects/programmes shall comply with the Fund's environmental and social principles and applicable national and local laws and regulations.

## *2. Environmental and Social Assessment*

For projects/programmes that have the potential to cause environmental or social harm, the implementing entity shall prepare an environmental and social assessment that identifies any environmental or social risks, including any potential risks associated with the Fund's environmental and social principles set forth above. The assessment shall (i) consider all potential direct, indirect, transboundary, and cumulative impacts and risks that could result from the proposed project/programme; (ii) assess alternatives to the project/programme; and (iii) assess possible measures to avoid, minimize, or mitigate environmental and social risks of the proposed project/programme. If feasible, the environmental and social assessment shall be included in the project/programme proposal submitted to the secretariat. Where this is not feasible, a timeline for completing the environmental and social assessment before substantial construction begins shall be incorporated in the agreement between the Board and the implementing entity following the project/programme approval. A copy of the environmental and social assessment shall be provided to the secretariat as soon as the assessment is completed. Prior to submitting the environmental and social assessment to the Board, the secretariat may require further information from the implementing entity on the environmental and social assessment, mitigation, and management of risks, if deemed necessary.

## *3. Environmental and Social Management Plan*

Where the environmental and social assessment identifies 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. A commitment to implement the management plan shall be a condition of the project/programme approval and reflected in the monitoring and reporting plan for that project/programme.

## *4. Monitoring, Reporting, and Evaluation*

Monitoring and evaluation of projects/programmes supported by the Fund shall address all environmental and social risks identified during project/programme assessment, design, and implementation. The implementing entities' annual project/programme performance reports shall include a section 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 reports shall also include, if necessary, a description of any corrective actions that are deemed necessary. The mid-term and terminal evaluation reports shall also include an evaluation of the project/programme 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 project/programme supported by the Fund. The results of the environmental and social screening and a draft environmental and social assessment, including any proposed management plan, shall be made available for public consultations that are timely, effective, inclusive, and held free of coercion and in an 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.

#### *6. Grievance Mechanism*

The implementing entities shall identify an available grievance mechanism that provides people affected by projects/programmes supported by the Fund with access to a transparent and effective process that will receive and facilitate resolution of their complaints about environmental or social harms caused by any such project/programme. The mechanism can be pre-existing, national, local, or project-specific. Complaints regarding compliance with the Fund's environmental and social policy can be filed with the secretariat at the following address:

Adaptation Fund Board secretariat  
Mail stop: MSN P-4-400  
1818 H Street NW  
Washington DC  
20433 USA

[afbsec@adaptation-fund.org](mailto:afbsec@adaptation-fund.org)