



ADAPTATION FUND

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Adaptation Fund Board
Ethics and Finance Committee
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Bonn, Germany, 15-16 March 2016

Agenda item 6.

**GENDER POLICY: REVISED OPERATIONAL POLICIES AND
GUIDELINES FOR PARTIES TO ACCESS RESOURCES
FROM THE ADAPTATION FUND**

INTRODUCTION

1. The Kyoto Protocol (KP), in its Article 12.8, states that “The Conference of the Parties serving as the meeting of the Parties to this Protocol shall ensure that a share of the proceeds from certified project activities is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.”¹ This is the legal basis for the establishment of the Adaptation Fund.
2. At the seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), held in Marrakech, Morocco, from October 29 to November 10, 2001 (COP7), the Parties agreed to the establishment of the Adaptation Fund (the Fund).²
3. In Montreal, Canada in November 2005³ and in Nairobi, Kenya in December 2006,⁴ the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), decided on specific approaches, principles and modalities to be applied for the operationalization of the Fund.
4. In Bali, Indonesia, in December 2007, the CMP decided that the operating entity of the Fund would be the Adaptation Fund Board (the Board), serviced by a Secretariat and a Trustee.⁵ Parties invited the Global Environment Facility to provide secretariat services to the Board (the Secretariat), and the World Bank to serve as the trustee (the trustee) of the Fund, both on an interim basis.
5. In particular, Decision 1/CMP.3, paragraph 5(b), lists among the functions of the Board to develop and decide on specific operational policies and guidelines, including programming guidance and administrative and financial management guidelines, in accordance with decision 5/CMP.2, and to report to the CMP.
6. In Poznan, Poland, in December 2008, through Decision 1/CMP.4, the Parties adopted:
 - (a) the *Rules of Procedures of the Adaptation Fund Board*;
 - (b) the *Memorandum of Understanding between the Conference of the Parties serving as the meeting of the Parties of the Kyoto Protocol and Council of the Global Environmental Facility regarding secretariat services to the Adaptation Fund Board*, on an interim basis;
 - (c) the *Terms and Conditions of Services to be Provided by the International Bank for Reconstruction and Development (the World Bank) as Trustee for the Adaptation Fund*, on an interim basis; and
 - (d) the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* (see Annex 1).

¹ See FCCC/KP/Kyoto Protocol.

² See Decision 10/CP.7, “Funding under the Kyoto Protocol”.

³ See Decision 28/CMP.1, “Initial guidance to an entity entrusted with the operation of the financial system of the Convention, for the operation of the Adaptation Fund” in Annex I to this document.

⁴ See Decision 5/CMP.2, “Adaptation Fund”, in Annex I to this document.

⁵ See Decision 1/CMP.3, “Adaptation Fund”, in Annex I to this document.

7. In Decision 1/CMP.4, paragraph 11, the CMP decided that the Adaptation Fund Board be conferred such legal capacity as necessary for the execution of its functions with regard to direct access by eligible developing country Parties. Further, in decision 4/CMP.4, paragraph 1, the Parties endorsed the Board decision to accept the offer of Germany to confer legal capacity on the Board. The German Act of Parliament which conferred legal capacity to the Board entered into force on February 8, 2011.
8. This document (hereafter “the operational policies and guidelines”), in response to the above CMP decisions, outlines operational policies and guidelines for eligible developing country Parties to access resources from the Fund. The operational policies and guidelines are expected to evolve further based on experience acquired through the operationalization of the Fund, subsequent decisions of the Board and future guidance from the CMP.

DEFINITIONS OF ADAPTATION PROJECTS AND PROGRAMMES

9. The Adaptation Fund established under decision 10/CP.7 shall finance concrete adaptation projects and programmes.
10. A concrete adaptation project/programme is defined as a set of activities aimed at addressing the adverse impacts of and risks posed by climate change. The activities shall aim at producing visible and tangible results on the ground by reducing vulnerability and increasing the adaptive capacity of human and natural systems to respond to the impacts of climate change, including climate variability. Adaptation projects/programmes can be implemented at the community, national, regional and transboundary level. Projects/programmes concern activities with a specific objective(s) and concrete outcome(s) and output(s) that are measurable, monitorable, and verifiable.
11. An adaptation programme is a process, a plan, or an approach for addressing climate change impacts that is broader than the scope of an individual project.

OPERATIONAL AND FINANCING PRIORITIES

12. The overall goal of all adaptation projects and programmes financed under the Fund will be to support concrete adaptation activities that reduce vulnerability and increase adaptive capacity to respond to the impacts of climate change, including variability at local and national levels.
13. Provision of funding under the Fund will be based on, and in accordance with, the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* adopted by the CMP, attached as Annex 1.
14. Funding will be provided on full adaptation cost basis of projects and programmes to address *the adverse effects of climate change*.⁶ *Full cost of adaptation* means the costs associated with implementing concrete adaptation activities that address the adverse effects of climate change. The Fund will finance projects and programmes whose principal and explicit aim is to adapt and increase climate resilience. The project/programme proponent is to provide justification of the extent to which the project contributes to adaptation and climate resilience. The Board may provide further

⁶ Decision 5/CMP.2, paragraph 1 (d).

guidance on financing priorities, including through the integration of information based on further research on the full costs of adaptation and on lessons learned.

15. In developing projects and programmes to be funded under the Fund, eligible developing country Parties may wish to consider the guidance provided in 5/CP.7. Parties may also consult information included in reports from the Intergovernmental Panel on Climate Change (IPCC) and information generated under the Nairobi Work Programme (NWP) on Impacts, Vulnerability and Adaptation to Climate Change.⁷
16. Decisions on the allocation of resources of the Fund shall take into account the criteria outlined in the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund*, adopted by the CMP, specifically:
 - (a) Level of vulnerability;
 - (b) Level of urgency and risks arising from delay;
 - (c) Ensuring access to the fund in a balanced and equitable manner;
 - (d) Lessons learned in project and programme design and implementation to be captured;
 - (e) Securing regional co-benefits to the extent possible, where applicable;
 - (f) Maximizing multi-sectoral or cross-sectoral benefits;
 - (g) Adaptive capacity to the adverse effects of climate change.
17. Resource allocation decisions will be guided by paragraphs 9 and 10 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund*.
18. The Board will review its procedures for allocating resources of the Fund among eligible Parties at least every three years, and/or as instructed by the CMP.

PROJECT/ PROGRAMME PROPOSAL REQUIREMENTS

19. To access Fund resources, a project /programme will have to be in compliance with the eligibility criteria contained in paragraph 15 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* and using the relevant templates (templates attached as Annex 4).

DESIGNATED AUTHORITY

20. Each Party shall designate and communicate to the secretariat the authority that will represent the government of such Party in its relations with the Board and its secretariat. The Designated Authority shall be an officer within the Party's government administration. The communication to the secretariat shall be made in writing and signed by either a Minister, an authority at cabinet level, or the Ambassador of the Party.

⁷ IPCC Assessment Report 4, see <http://www.ipcc.ch/ipccreports/assessments-reports.htm> and NWP see http://unfccc.int/adaptation/sbsta_agenda_item_adaptation/items/3633.php.

21. The main responsibility of the Designated Authority is the endorsement on behalf of the national government of: a) accreditation applications as National Implementing Entities submitted by national entities; b) accreditation applications as Regional or Sub-regional Implementing Entities submitted by regional or sub-regional entities; and c) projects and programmes proposed by the implementing entities, either national, regional, sub-regional, or multilateral.
22. The Designated Authority shall confirm that the endorsed project/programme proposal is in accordance with the government's national or regional priorities in implementing adaptation activities to reduce adverse impacts of, and risks posed by, climate change in the country or region.

FINANCING WINDOWS

23. Parties may undertake adaptation activities under the following categories:
 - (a) Small-size projects and programmes (proposals requesting up to \$1 million); and
 - (b) Regular projects and programmes (proposals requesting over \$1million).

ELIGIBILITY CRITERIA

Country Eligibility

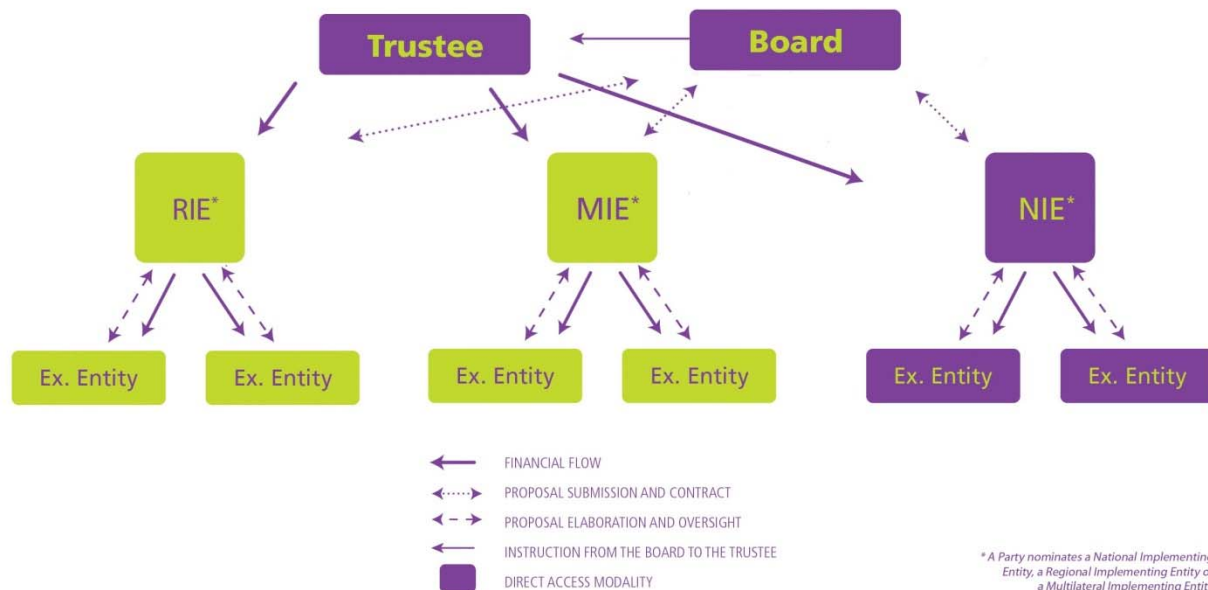
24. The Fund shall finance concrete adaptation projects and programmes in developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change.
25. Paragraph 10 of the *Strategic Priorities, Policies and Guidelines of the Adaptation Fund* provides the country eligibility criteria.
26. A cap in resource allocation per eligible host country, project and programme will be agreed by the Board based on a periodic assessment of the overall status of resources in the Adaptation Fund Trust Fund and with a view to ensuring equitable distribution.

Implementing and Executing Entities

27. Eligible Parties who seek financial resources from the Adaptation Fund shall submit proposals directly through their nominated National Implementing Entity (NIE).⁸ They may, if they so wish, use the services of Multilateral Implementing Entities (MIE). The implementing entities shall obtain an endorsement from the government through the Designated Authority referred to in paragraph 20 above. The options of submitting different projects/programmes through an NIE and through an MIE are not mutually exclusive. The modalities for accessing resources of the Adaptation Fund are outlined in Figure 1.

⁸ They may include *inter alia*, ministries, inter-ministerial commissions, government cooperation agencies.

FIGURE 1: MODALITIES FOR ACCESSING RESOURCES OF THE ADAPTATION FUND



28. National Implementing Entities (NIE) are those national legal entities nominated by Parties that are recognized by the Board as meeting the fiduciary standards and demonstrating ability to comply, as a minimum, with the environmental and social policy and the gender policy approved by the Board. The NIEs will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring and reporting responsibilities.
29. A group of Parties may also nominate regional and sub-regional entities as implementing entities (RIE/SRIE), and thereby provisions of paragraph 28 will apply. In addition to the nomination of an NIE an eligible Party may also nominate a RIE/SRIE and may submit project/programme proposals through an accredited RIE/SRIE that is operating in their region or sub-region. The application for accreditation shall be endorsed by at least two country members of the organization. The RIE/SRIEs will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring and reporting responsibilities.
30. Multilateral Implementing Entities (MIE) are those Multilateral Institutions and Regional Development Banks invited by the Board that meet the fiduciary standards and demonstrate commitment and ability to comply, as a minimum, with the environmental and social policy and the gender policy approved by the Board. The MIEs, chosen by eligible Parties to submit proposals to the Board, will bear the full responsibility for the overall management of the projects and programmes financed by the Adaptation Fund, and will bear all financial, monitoring and reporting responsibilities.
31. In the case of regional (i.e., multi-country) projects and programmes, the proposal submitted to the Board should be endorsed by the Designated Authority of each participating Party.

32. Executing Entities are organizations that execute adaptation projects and programmes supported by the Fund under the oversight of Implementing Entities.

ACCREDITATION OF IMPLEMENTING ENTITIES

Fiduciary Standards

33. Among principles established for the Fund (Decision 5/CMP.2) is “sound financial management, including the use of international fiduciary standards.” At its 7th meeting the Board adopted fiduciary standards governing the use, disbursement and reporting on funds issued by the Adaptation Fund covering the following broad areas (refer to Annex 2 for details):

(a) Financial Integrity and Management:

- (i) Accurately and regularly record transactions and balances in a manner that adheres to broadly accepted good practices, and are audited periodically by an independent firm or organization;
- (ii) Managing and disbursing funds efficiently and with safeguards to recipients on a timely basis;
- (iii) Produce forward-looking financial plans and budgets;
- (iv) Legal status to contract with the Fund and third parties

(b) Institutional Capacity:

- (v) Procurement procedures which provide for transparent practices, including in competition;
- (vi) Capacity to undertake monitoring and evaluation;
- (vii) Ability to identify, develop and appraise project/programme;
- (viii) Competency to manage or oversee the execution of the project/programme including ability to manage sub-recipients and to support project /programme delivery and implementation.

(c) Transparency and Self-investigative Powers: Competence to deal with financial mismanagement and other forms of malpractice.

Environmental and Social Policy

34. All applicant implementing entities shall demonstrate commitment and ability to comply, as a minimum, with the most recent environmental and social policy approved by the Board (refer to Annex 3 for details) in any projects/programmes supported by the ~~Adaptation~~ Fund. The environmental and social policy shall be applied throughout all the project/programme implementation phases, including design, execution, monitoring, and evaluation.

Gender Policy

34.35. All applicant implementing entities shall demonstrate commitment and ability to comply, as a minimum, with the most recent gender policy approved by the Board (refer to Annex 4 for details) in any projects/programmes supported by the Fund. The gender policy shall be applied throughout all the project/programme implementation phases, including design, execution, monitoring, and evaluation.

Accreditation Process

35.36. Accreditation for the implementing entities would follow a transparent and systematic process through an Adaptation Fund Accreditation Panel (the Panel) supported by the Secretariat. The Panel will consist of two Board Members and four experts. The different steps for accreditation are as follows:

- (a) The Board will invite Parties⁹ to each nominate a National Implementing Entity (NIE); the Board will issue a call to potential Multilateral Implementing Entities (MIE) to express interest in serving as an MIE;
- (b) Potential implementing entities (NIEs, RIEs, or MIEs), will submit their accreditation applications to the Secretariat together with the required supporting documentation to verify how they meet the fiduciary standards and their commitment and ability to comply with the eEnvironmental and sSocial pPolicy and gender policy;
- (c) The Secretariat will screen the documentation to ensure that all the necessary information is provided, and will follow-up with the potential implementing entities to ensure that the application package is complete. The Secretariat will forward the complete package to the Panel within 15 (fifteen) working days following receipt of a candidate implementing entity's submission;
- (d) The Panel will undertake a desk-review of the application and forward its recommendation to the Board; should the Panel require additional information prior to making its recommendation, a mission and/or a teleconference may be undertaken with regard to the country concerned.¹⁰
- (e) The Board may provide further guidance on the required information in the future on the basis of lessons learned; and
- (f) The Board will make a decision and in writing will notify the entity of the outcome, which could fall into one of the following categories:
 - (ix) Applicant meets requirements and accreditation is approved; or
 - (x) Applicant needs to address certain requirements prior to full accreditation.

36.37. In case the nominated NIE does not meet the criteria, an eligible Party may resubmit its application after addressing the requirements of the Board or submit an application nominating a new NIE. In the meantime, eligible Parties are encouraged to use the services of an accredited RIE/SRIE or MIE, if they so wish, to submit project/programme

⁹ The Designated Authority referred to in paragraph 20 above shall endorse the application for accreditation on behalf of the Party.

¹⁰ The Panel will specify areas requiring further work to meet the requirements and may provide technical advice to address such areas. In exceptional circumstances, an external assessor may be used to help resolve especially difficult/contentious issues.

proposals for funding. An applicant MIE that does not meet the criteria for accreditation may also resubmit its application after addressing the requirements of the Board.

~~37-38.~~ Accreditation will be valid for a period of 5 years with the possibility of renewal. The Board will develop guidelines for renewal of an implementing entity's accreditation based on simplified procedures that will be established at a later date.

~~38-39.~~ The Board reserves the right to review or evaluate the performance of implementing entities at any time during an implementing entity's accreditation period. A minimum notification of 3 months will be given to an implementing entity if they have been identified by the Board as being the object of a review or evaluation.

~~39-40.~~ If there is any allegation or evidence of misuse of funds, implementing entity will investigate the alleged misuse using its own internal investigators or hire investigator(s) acceptable to the Board. All investigations would be consistent with the general principles and guidelines for investigation based on the International Financial Institutions Principles and Guidelines for Investigation.¹¹

40. The Board may consider suspending or cancelling the accreditation of an implementing entity for reasons that include, but are not limited to:

- (a) Misrepresentation or intentional provision of false information to the Board;
- (b) Substantive changes of the implementing entity's fiduciary standards and/or capacity and/or commitment to comply with the environmental and social policy and gender policy as determined by a review in accordance with paragraph 38 above; or
- (c) Misuse of project/programme resources as determined by the Ethics and Finance Committee (EFC) or by the implementing entity's investigative function.

41. A decision to suspend or cancel the accreditation of an implementing entity may be made at the recommendation by the EFC following a review by the Accreditation Panel in accordance with paragraph 38. A decision to suspend includes the necessary corrective actions for achieving compliance by a certain date and identifying the relevant fiduciary standards and/or environmental and social policy and/or gender policy requirements, which is reviewed by the Accreditation Panel and the EFC as appropriate. The Board makes the final decision on the removal of suspension for the implementing entity to resume its accreditation status. Before the Board makes its final decision on whether to suspend or cancel the accreditation of an implementing entity, the implementing entity concerned is given a fair chance to present its views to the Board.

42. Each existing implementing entity will be subject to the most recent Operational Policies and Guidelines during any re accreditation process.

PROJECT/PROGRAMME CYCLE

43. The project/programme cycle of the Adaptation Fund for any project or programme size begins with a proposal submission to the Secretariat by the NIE/RIE/MIE chosen by the Party/ies. The Designated Authority referred to in paragraph 20 above shall endorse the

¹¹ http://www.un.org/Depts/oios/investigation_manual/ugi.pdf

proposal submission. The submission is followed by an initial screening, project/programme review and approval.¹²

Review and Approval of Projects and Programmes

44. Both small-size and regular proposals may undergo either a one-step or a two-step¹³ approval process. In the one-step approval process the proponent shall submit a fully-developed project/programme document. In the two-step approval process a brief project/programme concept shall be submitted as first step followed by a fully-developed project/document¹⁴. Funding will only be reserved for a project/programme after the approval of a fully-developed project document in the second step.
45. The project/programme cycle steps for both concept and fully-developed project document are as follows:
 - (a) The project/programme proponent submits a concept/fully-developed project document based on a template approved by the Board (Annex 4, Appendix A). A disbursement schedule with time-bound milestones will be submitted together with the fully developed project/programme document. Proposals shall be submitted to the Board through the Secretariat. The timetable for the submission and review of proposals will be synchronized with the meetings of the Board as much as possible. Project/programme proposals shall be submitted at least nine weeks before each Board meeting in order to be considered by the Board at its next meeting.
 - (b) The Secretariat will screen all proposals for consistency and provide a technical review based on the criteria approved by the Board (Annex 4). It will then forward the proposals and the technical reviews to the PPRC for review. The Secretariat will forward comments on the project/programme proposals and requests for clarification or further information to the implementing entities, as appropriate. The inputs received and the conclusions of the technical review by the secretariat will be incorporated in the review template.
 - (c) The Secretariat will send all project/programme proposals with technical reviews to the PPRC at least seven (7) days before the meeting. The PPRC will review the proposals and give its recommendation to the Board for a decision at the meeting. The PPRC may use services of independent adaptation experts to provide input into the review process if needed. In the case of concepts, the Board can endorse, not endorse, or reject a proposal with a clear explanation to the implementing entities. In the case of fully-developed proposals, the Board can approve, not approve, or reject a proposal with a clear explanation to the implementing entities. Rejected proposals cannot be resubmitted.
46. Proponents with endorsed concepts are expected to submit a fully developed proposal at subsequent Board meetings for approval and funding, following the steps described in paragraph 46 above.

¹² The Designated Authority referred to in paragraph 21 above shall endorse the proposal submission.

¹³ A two-step process, while time consuming minimizes the risk that a proponent does not invest time and energy in fully developing a project or program document that fails to meet the criteria of the Fund.

¹⁴ A fully developed project/programme is one that has been appraised for technical and implementation feasibility and is ready for financial closure prior to implementation.

47. All proposals approved for funding by the Board will be posted on the Adaptation Fund website. Upon the decision, the Secretariat will notify the proponent of the Board decision in writing.

Project/Programme Formulation Grants

48. NIE project/programme proponents are eligible to submit a request for a Project/Programme Formulation Grant (PFG) together with a project/programme concept, using the PFG form approved by the Board. The secretariat will review the request and forward it to the PPRC for a final recommendation to the Board. A PFG can only be awarded when a project/programme concept is presented and endorsed.
49. Small-size project/programme proposals are eligible for PFG, at the time of endorsement of the concept for such proposal, provided that the total budget of the proposed concept is not less than US\$ 500,000.
50. Only activities related to country costs are eligible for funding through a PFG.
51. The project/programme proponent shall return any unused funds to the Trust Fund through the trustee.
52. The project/programme proponent shall submit a fully developed project/programme document within twelve (12) months of the disbursement of the PFG. No PFG for other projects/programmes can be awarded until the fully developed project/programme document has been submitted.

Transfer of funds

53. The Secretariat will draft a standard legal agreement between the Board and implementing entities using the template approved by the Board, and any other documents deemed necessary. The secretariat will provide these documents for signature by the Chair or any other Member designated to sign. The Board may, at its discretion, review any of the proposed agreements.
54. The Trustee will transfer funds on the written instruction of the Board, signed by the Chair, or any other Board Member designated by the Chair, and report to the Board on the transfer of funds.
55. The Board will ensure a separation of functions between the review and verification of transfer requests, and the issuance of instructions to the Trustee to transfer funds.
56. The Board will instruct the Trustee to transfer funds in tranches, based on the disbursement schedule with time bound milestones submitted with the fully developed project/programme document. The Board may require a progress review from the Implementing Entity prior to each tranche transfer. The Board may also suspend the transfer of funds if there is evidence that funds have been misappropriated.
57. If an implementing entity does not sign the standard legal agreement within four (4) months from the date of notification of the approval of the project/programme proposal, the funds committed for that project/programme will be cancelled and retained in the Trust Fund for new commitments.

Monitoring, Evaluation and Review

58. The Board is responsible for strategic oversight of projects and programmes implemented with resources from the Fund, in accordance with its overarching strategic results framework, a *Strategic Results Framework for the Adaptation Fund* and the *Adaptation Fund Level Effectiveness and Efficiency Results Framework* [Available: <http://www.adaptation-fund.org/document/results-framework-and-baseline-guidance-project-level>], to support the *Strategic Priorities, Policies, and Guidelines of the Adaptation Fund*. The EFC, with support of the Secretariat, will monitor the Fund portfolio of projects and programmes.
59. The Board will oversee results at the fund-level. Implementing entities shall ensure that capacity exists to measure and monitor results of the executing entities at the country-level. The Board requires that projects and programmes under implementation submit annual status reports to the EFC. The EFC with the support of the Secretariat shall provide an annual report to the Board on the overall status of the portfolio and progress towards results.
60. All regular projects and programmes that complete implementation will be subject to terminal evaluation by an independent evaluator selected by the implementing entity. All small projects and programmes shall be subject to terminal evaluation if deemed appropriate by the Board. Terminal evaluation reports will be submitted to the Board after a reasonable time after project termination, as stipulated in the project agreement.
61. The Board requires that all projects' and programmes' objectives and indicators align with the Fund's Strategic Results Framework. Each project/programme will embed relevant indicators from the strategic framework into its own results framework. Not all indicators will be applicable to all projects/programmes but at least one of the core outcome indicators should be embedded.
62. The Board reserves the right to carry out independent reviews, evaluations of the projects and programmes as and when deemed necessary. The costs for such activities will be covered by the Fund. Lessons from evaluations will be considered by the PPRC when reviewing project/programme proposals.
63. The Board has approved *Guidelines for project/programme final evaluations*. [Available: <http://www.adaptation-fund.org/document/guidelines-projectprogramme-final-evaluations>]. These guidelines describe how final evaluations should be conducted for all projects/programmes funded by the Adaptation Fund, as a minimum, to ensure sufficient accountability and learning in the Fund. They should be complementary to the implementing entities' own guidelines on final evaluation.
64. If the Board becomes aware of any allegation or evidence of misuse of funds, it will notify the implementing entity of such allegation or evidence so that the implementing entity can handle in accordance with paragraph 39 above.
65. The implementing entity will provide regular updates to the Board on any investigation and a final report on the conclusions of the investigation as well as provide regular updates on actions taken to address any illegal or corrupt practice involving the Fund's funds.

66. This project cycle will be kept under review by the Board.

Procurement

67. Procurements by the implementing entities or any of their attached organizations shall be performed in accordance with internationally accepted procurement principles, good procurement practices and the procurement regulations as applicable to a given Party. Implementing entities shall observe the highest ethical standards during the procurement and execution of the concrete adaptation projects/programmes.
68. The project/programme proposal submitted to the Board shall contain adequate and effective means to punish and prevent malpractices. The implementing entities should promptly inform the Board of any instances of such malpractices.

Project/Programme Suspensions and Cancellations

69. At any stage of the project/programme cycle, either at its discretion or following an independent review-evaluation or investigation, the EFC may recommend to the Board to suspend or cancel a project/programme for several reasons, notably:
- (a) financial irregularities in the implementation of the project/programme; and/or
 - (b) material breach of the legal agreement, and poor implementation performance leading to a conclusion that the project/programme can no longer meet its objectives.
70. Before the Board makes its final decision whether to suspend or cancel a project/programme, the concerned implementing entity and the DA will be given a fair chance to present its views to the Board.
71. In accordance with their respective obligations, implementing entities suspending or cancelling projects/programmes, after consulting with the DA, must send detailed justification to the Board for the Board's information.
72. The Secretariat will report to the Board on an annual basis on all approved projects and programmes that were suspended or cancelled during the preceding year.

Reservations

73. The Board reserves the right to reclaim all or parts of the financial resources allocated for the implementation of a project/programme, or cancel projects/programmes later found not to be satisfactorily accounted for or found to be in material breach of the legal agreement. The implementing entity and the DA shall be given a fair chance to consult and present its point of view before the Board.

Dispute Settlement

74. In case of a dispute as to the interpretation, application or implementation of the project/programme, the implementing entity or the DA shall first approach the EFC through the Secretariat with a written request seeking clarification. In case the issue is not resolved to the satisfaction of the implementing entity, the case may be put before

the Board at its next meeting, to which a representative of the implementing entity or the DA could also be invited.

75. The provisions of the standard legal agreement between the Board and implementing entity/DA on settlement of disputes shall apply to any disputes that may arise with regard to approved projects/programmes under implementation.

Administrative costs

76. Every project/programme proposal submitted to the Board shall state the management fee requested by the Implementing Entity if any. Fully developed proposals shall include a budget on fee use. The reasonability of the fee will be reviewed on a case by case basis. The requested fee shall not exceed the cap established by the Board.
77. Fully developed project/programme proposals shall include an explanation and a breakdown of all administrative costs associated with the project/programme, including the execution costs.

Where to send a Request for Funding

78. All requests shall be sent to:

Adaptation Fund Board Secretariat
Tel: +1 202 473 0508
Fax: +1 202 522 3240/5
Email: afbsec@adaptation-fund.org

79. Acknowledgment of the receipt shall be sent to the proposing implementing entities within a week of the receipt of the request for support. All project proposals submitted will be posted on the website of the Adaptation Fund Board. The Secretariat will provide facilities that will enable interested stakeholders to publicly submit comments about proposals.

Review of the Operational Policies and Guidelines

80. The Board shall keep these operational policies and guidelines under review and will amend them as deemed necessary.

ANNEX 3: ENVIRONMENTAL AND SOCIAL POLICY

Background and Introduction

1. This document outlines an environmental and social policy for the Adaptation Fund (the Fund). The 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 unnecessary environmental and social harms. The policy is intended to build on the Fund's existing policies, operating procedures, and project cycle.
2. The 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.
3. 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);¹⁵
 - regional and subregional development banks, including the European Bank for Reconstruction and Development,¹⁶ the Inter-American Development Bank,¹⁷ the Asian

¹⁵ 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 safeguard policies).

¹⁶ 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).

¹⁷ 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>).

Development Bank,¹⁸ the African Development Bank,¹⁹ the Caribbean Development Bank,²⁰ and the Black Sea Trade and Development Bank;²¹

- the International Finance Corporation²² and Multilateral Investment Guarantee Agency;²³
- the Global Environment Facility;²⁴
- the United Nations Development Programme;²⁵
- most export credit and insurance agencies;²⁶
- some bilateral development agencies;²⁷ and
- many leading private commercial banks.²⁸

4. The prevalence of environmental and social policies at international finance and development institutions reflects a broad consensus among governments, development

¹⁸ Asian Development Bank, Safeguard Policy Statement, <http://www.adb.org/site/safeguards/policy-statement>.

¹⁹ 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).

²⁰ 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).

²¹ Black Sea Trade & Development Bank, Environment Policy, http://www.bstdb.org/about-us/key-documents/policy-documents/Environmental_policy.pdf

²² 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.

²³ Multilateral Investment Guarantee Agency, Environmental and Social Safeguards, <http://www.miga.org/projects/index.cfm?stid=1822>

²⁴ 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.

²⁵ 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

²⁶ 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>.

²⁷ See, e.g., Japan International Cooperation Agency, 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>;

²⁸ 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.

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.

5. The 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. The environmental and social policy is attached as Annex 3 to and incorporated into the current Operational Policies and Guidelines for Parties to access resources from the Adaptation Fund (OPG).

6. The 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 now 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 their 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.

7. The requirements to assess and manage environmental and social risks by the implementing entity 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."²⁹

8. The policy requires that all projects/programmes be screened for their environmental and social impacts, that those impacts be identified, and that the proposed project/programme be categorized according to its potential environmental and social impacts. Projects/ programmes likely to have significant adverse environmental or social impacts that are for example diverse, widespread, and irreversible should be categorized as Category A. Projects/programmes with potential adverse impacts that are less adverse than Category A projects/programmes, because for example they are fewer in number, smaller in scale, less widespread, reversible or easily mitigated should be categorized as Category B. Those projects/programmes with no adverse environmental or social impacts should be categorized as Category C. Regardless in which category a specific project/programme is screened, all environmental and social risks shall be adequately identified and assessed by the implementing entity in an open and transparent manner with appropriate consultation. The policy is aimed at allowing for a variety of approaches.

²⁹ Adaptation Fund, OPG, "Instructions for Project or Programme Funding for Adaptation Fund," part II (H).

Implementing entities that use a different but functionally equivalent system of categorization can continue to use that system and still meet the requirements of the policy.

9. The scope of the environmental and social assessment shall be commensurate with the scope and severity of potential risks. 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 should typically be included with the project/programme document submitted for approval. In some Category B projects/programmes where the proposed activities requiring such assessment represent a minor part of the project, and when 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 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. Implementing entities shall screen compliance with this policy on a project-by-project basis.

Environmental and Social Policy Statement

A. General Environmental and Social Commitment

10. 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

11. All projects/programmes supported by the Fund shall be designed and implemented to meet the following environmental and social principles, although it is recognized that depending on the nature and scale of a project/programme all of the principles may not be relevant to every project/programme.

Compliance with the Law

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

Access and Equity

13. 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. Projects/programmes should not exacerbate existing inequities, particularly with respect to marginalized or vulnerable groups.

Marginalized and Vulnerable Groups

14. Projects/programmes supported by the Fund shall avoid imposing any disproportionate adverse impacts on marginalized and vulnerable groups including children, women and girls, the elderly, indigenous people, tribal groups, displaced people, refugees, people living with disabilities, and people living with HIV/AIDS. In screening any proposed project/programme, the implementing entities shall assess and consider particular impacts on marginalized and vulnerable groups.

Human Rights

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

Gender ~~Equity~~ Equality and Women's Empowerment

16. 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 equitably~~ have equal opportunities to participate as per the Fund gender policy (refer to Annex 4 for details); (b) receive comparable social and economic benefits; (b) receive comparable social and economic benefits; and (c) do not suffer disproportionate adverse effects during the development process.

Core Labour Rights

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

Indigenous Peoples

18. 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.

Involuntary Resettlement

19. Projects/programmes supported by the Fund shall be designed and implemented in a way that avoids or minimizes the need for involuntary resettlement. When limited involuntary resettlement is unavoidable, due process should be observed so that displaced persons shall be informed of their rights, consulted on their options, and offered technically, economically, and socially feasible resettlement alternatives or fair and adequate compensation.

Protection of Natural Habitats

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

Conservation of Biological Diversity

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

Climate Change

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

Pollution Prevention and Resource Efficiency

23. 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.

Public Health

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

Physical and Cultural Heritage

25. 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. Projects/programmes should also not permanently interfere with existing access and use of such physical and cultural resources.

Lands and Soil Conservation

26. 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 lands or land that provides valuable ecosystem services.

C. Environmental and Social Management System

27. The implementing entities' capacity and commitment to reducing environmental and social risks —will be assessed through the accreditation process. The implementing entities' risk management systems shall 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, including all risks associated with the Fund's environmental and social principles identified above. Implementing entities proposing projects/ programmes that present environmental and social risks shall ensure that the environmental and social impacts of such projects/programmes are thoroughly assessed; that measures are identified for avoiding, reducing or mitigating all environmental and social impacts; 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.

D. Environmental and Social Policy Delivery Process

Screening of Environmental and Social Risks by the Implementing Entity

28. 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 in the project's/programme's area of influence that could result from the proposed project/programme. All proposed projects/programmes shall be categorized according to the scale, nature and severity of their potential environmental and social impacts. Projects/programmes likely to have significant adverse environmental or social impacts that are for example diverse, widespread, or irreversible should be categorized as Category A projects/programmes. Projects/programmes with potential adverse impacts that are less adverse than Category A projects/programmes, because for example they are fewer in number, smaller in scale, less widespread, reversible or easily mitigated should be categorized as Category B. Those projects/programmes with no adverse environmental or social impacts should be categorized as Category C.

29. The screening will determine the extent to which 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 by the implementing entity to the Adaptation Fund Board secretariat (the secretariat). If during the project/programme 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.

Environmental and Social Assessment

30. For all projects/programmes that have the potential to cause environmental or social harm (i.e. all Category A and B projects/programmes), 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. As a general rule, the environmental and social assessment shall be completed before the project/programme proposal submission to the Adaptation Fund. In some Category B projects/programmes where the proposed activities requiring such assessment represent a minor part of the project, and when inclusion in the proposal is not feasible, a timeline for completing the environmental and social assessment before construction begins shall be incorporated in the agreement between the Board and the implementing entity following the project/programme approval, and reported through the annual project/programme performance report. 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.

Environmental and Social Management Plan

31. 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 by the implementing entity 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.

Monitoring, Reporting, and Evaluation

32. Implementing entities' monitoring and evaluation of projects/programmes supported by the Fund shall address all environmental and social risks identified by the implementing entity 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.

Public Disclosure and Consultation

33. Implementing entities shall identify stakeholders and involve them 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. The secretariat will publicly disclose the final environmental and social assessment through the Fund's website as soon as it is received. The implementing entity is responsible for disclosing the final environmental and social assessment to project-affected people and other stakeholders. 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.

Grievance Mechanism

34. The implementing entities shall identify a grievance mechanism that provides people affected by projects/programmes supported by the Fund with an accessible, transparent, fair and effective process for receiving and addressing their complaints about environmental or social harms caused by any such project/programme. The mechanism can be pre-existing, national, local, or institution- or project-specific. Complaints regarding projects/programmes supported by the Fund can also 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
Tel: 001-202-478-7347
afbsec@adaptation-fund.org

35. The secretariat will respond promptly to all such complaints. Where appropriate, the secretariat will refer complainants to a grievance mechanism identified by the implementing entity as the primary place for addressing complaints.

ANNEX 4: GENDER POLICY