



ADAPTATION FUND

AFB/B.32-33/7
15 February 2019

Adaptation Fund Board

**FURTHER COMPLIANCE WITH THE ENVIRONMENTAL AND
SOCIAL POLICY AND THE GENDER POLICY OF THE FUND:
UPDATE OF THE PROJECT/PROGRAMME PERFORMANCE
REPORT AND GUIDANCE FOR UNIDENTIFIED SUB-
PROJECTS**

Background

The project/programme reporting requirements: project/programme performance reports (PPRs)

1. The Board at its sixteenth meeting had considered the first Annual Performance Report of the Fund¹, which provided the details of the performance monitoring and reporting system for the Fund. After reviewing the report, the Board approved the reporting process requirements outlined, and requested the secretariat to develop a review process of the project performance reports (PPRs) and establish a set of criteria for clearing PPRs.

2. The Board subsequently decided at its eighteenth meeting to approve:

(a) *The process for the secretariat's review of project performance reports (PPRs) as outlined in the amendment to document AFB/EFC.9/4/Rev.1; and*

(b) *The guidance document to complete PPRs and the revised PPR template as contained in Annex IV of the present report.*

(Decision B.18/29)

3. The approved template for PPRs was updated when the Board, at its twenty-first meeting, had approved a proposal for steps to take to improve the Fund's results tracking system. As part of that work, the secretariat had identified a preliminary set of six indicators to track at the Fund level. Document AFB/EFC.14/6 including the methodology for measuring each of those indicators was then presented at the twenty-third meeting of the Board, which *decided* to approve the use of the proposed core indicators and *request[ed]* the secretariat to:

(a) *Make the necessary changes to incorporate the core indicators and revised results tracker into the Fund's results management system;*

(b) *Inform implementing entities of the changes to the results tracking system including the requirements to provide indicative core indicator targets for fully developed project proposals and their inclusion in project performance reports (PPRs);*

(c) *Request implementing entities already implementing projects and programmes to provide project-level information as it relates to the core indicators; and*

(d) *Complete the development of guidance for the modified results tracker and an exit survey for the accreditation process.*

(Decision B.23/19)

The Environmental and Social Policy of the Adaptation Fund (the Fund)

4. The Adaptation Fund Board (the Board) at its twentieth meeting considered the application of environmental and social safeguards in the context of the Fund's 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

¹ Document AFB/EFC.7/4/Rev 2

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.

5. Following a discussion on the matter, the Board *decided* 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)

6. The Adaptation Fund Board (the Board) at its twenty-first meeting:

(a) *Recognized the importance of strengthening and streamlining the application of environmental and social safeguards in the policies and procedures of the Adaptation Fund;*

(b) *Welcomed the draft Adaptation Fund environmental and social policy as contained in document AFB/B.21/6;*

(c) *Decided to:*

(i) *Launch a public call for comments on the aforementioned policy with a deadline of 23 September 2013; and*

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

(1) *A revised proposal for an Adaptation Fund environmental and social policy incorporating inputs from Board members and interested stakeholders received through the public call for comments;*

(2) *A proposal on how to operationalize the environmental and social policy, including any necessary changes to the relevant Adaptation Fund policies and procedures. 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;*

(3) *A compilation of comments received through the public call for comments; and*

(4) *An estimate of the costs related to operationalizing the policy.*

(Decision B.21/23)

7. Following the mandate above the secretariat had prepared for the twenty-second meeting of the Board the following documents:

- Document AFB/B.22/5 which contained the revised environmental and social policy (ESP) as Annex I, the compilation of comments received as a result of the public call launched following the above-mentioned decision (Annex II), and an estimate of the costs related to operationalizing the policy (Annex III). The revised policy incorporates comments made at the twenty-first Board meeting and those received through the public call.

- Document AFB/B.22/5/Add.1 which contained the proposed amendments to the operational policies and guidelines for Parties to access resources from the Adaptation Fund (OPG), its related templates, and instructions. The standard legal agreement has not been revised because the most recently approved version of the OPG is referenced in the agreement (please see paragraph 3.02). Thus, any changes made to the OPG are automatically binding as per the reference in the agreement.

- Document AFB/B.22/5/Add.2 which presented options on how the accreditation process could be modified to ensure that implementing entities have the ability to implement the policy. This document also includes a staged approach suggested by the secretariat for aligning already accredited implementing entities and applicants currently under review with the proposed policy.

8. Following a discussion on the documents, the Board decided to:

(a) *Approve:*

(i) *The environmental and social policy contained in document AFB/B.22/5;*

(ii) *The amendments to the operational policies and guidelines for Parties to access resources from the Adaptation Fund, its related templates, and instructions as contained in document AFB/B.22/5/Add.1;*

(iii) *The tiered approach recommended by the secretariat to deal with already accredited implementing entities and applicants under review, as contained in document AFB/B.22/5/Add.2. The approach should include guidance or support to these entities for compliance with the environmental and social policy through the Fund's Readiness Programme, as outlined in document AFB/B.22/6, and report back to the Board;*

(iv) *The amendments to the accreditation application contained in the annex to document AFB/B.22/5/Add.2; and*

(b) *Request the secretariat to communicate the approval of this decision to the accredited implementing entities.*

(Decision B.22/23)

9. Following the approval of the policy, the secretariat had drafted a guidance document² to assist implementing entities in complying with the ESP, which was posted on the website of the Fund and circulated to the designated authorities, the Board members and the implementing entities (IEs). The document included guidance to IEs on reviewing compliance of project/programme proposals with the ESP through their environmental and social management system (ESMS) and included guidance on activities/sub-projects which could be unidentified at the time of proposal submission, as follows:

For projects/programmes with activities/sub-projects unidentified at the time of submitting a proposal for funding, the IE will develop an ESMS for the project/programme and describe it with details in the proposal. In such cases, the project/programme ESMS will contain a process for identifying environmental and social risks for the unidentified activities/sub-projects and, when needed, the development of commensurate environmental and social management elements that will complement and be integrated in the overall ESMP. The project/programme ESMS will specify any other related procedures, roles, and responsibilities.

The Gender Policy of the Fund

10. At its twenty-fifth meeting the Board discussed the possibility of having a separate gender policy for the Fund and decided to request the secretariat to prepare a compilation and analysis of any of the Fund's gender-related policies and procedures in order to inform the seventeenth meeting of the EFC (Decision B.25/21). The document "Gender-related Policies and Procedures of the Fund"³ was prepared for the twenty-sixth meeting of the Board and included a proposal for a Gender Policy (GP) for the Fund as an annex. The Board then decided to:

- a) *Recognize the importance of streamlining and strengthening the integration of gender considerations in the policies and procedures of the Adaptation Fund;*
- b) *Welcome the draft Adaptation Fund gender policy as contained in Annex I of document AFB/EFC.17/5;*
- c) *Launch a public call for comments on the aforementioned policy with a deadline of 31 December 2015; and*
- d) *Request the secretariat to present, at the 27th meeting of the Board:*
 - (i) *A revised proposal for an Adaptation Fund gender policy incorporating the inputs received from Board members and interested stakeholders through the public call for comments;*
 - (ii) *An action plan to operationalize an Adaptation Fund gender policy, including any necessary changes to the relevant Adaptation Fund policies and procedures;*

² http://www.adaptation-fund.org/wp-content/uploads/2016/07/ESP-Guidance_Revised-in-June-2016_Guidance-document-for-Implementing-Entities-on-compliance-with-the-Adaptation-Fund-Environmental-and-Social-Policy.pdf

³ Document AFB/EFC.17/5

(iii) *A compilation of the comments received through the public call for comments; and*

(iv) *An estimate of the costs related to operationalizing the policy.*

(Decision B. 26/32)

11. A revised document including the GP and its proposed action plan was presented to the Board at its twenty-seventh meeting and the Board decided to:

(a) *Approve:*

(i) *The gender policy as contained in annex I of document AFB/EFC.18/5/Rev.1;*

(ii) *The gender action plan as contained in annex II of document AFB/EFC.18/5/Rev.1; and*

(iii) *The amendments to the main text of the operational policies and guidelines for Parties to access resources from the Adaptation Fund (the OPG) and annex 3 to the OPG, as contained in document AFB/EFC.18/5/Add.1; and*

(b) *Request the secretariat to revise annex 4 to the OPG taking into account comments submitted by members of the Board by 30 June 2016 for consideration by the EFC at its nineteenth meeting.*

(Decision B.27/28)

12. As for the ESP, the secretariat had prepared, following the approval of the GP and its action plan, a guidance document⁴ for IEs to comply with the policy.

Proposed additional update of the Project Performance Report template to comply with the Environmental and Social Policy and the Gender Policy of the Fund

13. The ESP included in its paragraph 32 a section on *Monitoring, Reporting and Evaluation*, as follows:

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.

⁴ <http://www.adaptation-fund.org/wp-content/uploads/2017/03/GenderGuidance-Document.pdf>

14. Following the approval of the ESP, the secretariat had monitored environmental and social risks reported in the PPRs, including changes in the presence of those risks, and the corresponding measures to avoid, minimize and mitigate them. However, the inclusion of a separate section in the reports was delayed, partly due to the fact that as the gender policy was being developed and later approved, it was considered appropriate to combine all necessary changes together, in a coordinate manner.

15. The GP included in its paragraph 17 reporting requirements to demonstrate compliance with the GP at project/programme level, as follows:

Already accredited implementing entities will apply the gender policy requirements to the project/programme submitted for funding. Moreover, reporting requirements in an amended project performance report (PPR) will apply to projects/programmes currently under implementation.

16. The work plan for fiscal year 2019, contained in document AFB/EFC.22/7, and approved by the Board through decision B.31/28, outlined improvement of the performance monitoring and evaluation system in line with the GP, including through updating the PPR template and tracker.

17. The present document introduces proposed amendments to the PPR to address the requirements of the ESP and GP, including reporting elements and guidance notes for the implementing entities (Annex 1).

18. The ESP requires that environmental and social risks associated with all the activities that will be undertaken by a project/programme have been identified at the time of submission of the proposal. This either assumes that all project/programme activities have been identified and formulated at that time to the extent that effective identification of all environmental and social risks is possible, or, alternatively, implies that environmental and social risk identification will be completed once all project/programme activities have been identified.

19. There are cases where it is impossible to identify by the time of submission of a proposal all the environmental and social risks associated with the proposed activities because of the nature of the activities or the specific environment in which they will take place, or both. Such activities are referred to as Unidentified Sub-Projects (USPs).

20. The present document includes in annex 2 further guidance for implementing entities to comply with the ESP and GP during the formulation and implementation of projects and programmes including USPs.

21. The Board may wish to:

a) Approve the amendments made to the project/programme performance report (PPR) template to comply with the reporting requirements of the Environmental and Social Policy (ESP) and Gender Policy (GP) of the Adaptation Fund at the project/programme level, included in Annex 1 of document AFB/B.32-33/7;

b) Approve the guidance document for implementing entities to comply with the ESP and the GP during the formulation and implementation of projects and programmes including unidentified sub-projects, as presented in Annex 2 of document AFB/B.32-33/7; and

c) Request the secretariat to inform implementing entities of the amendments to the PPR template and to make available the amended template and the guidance document, referred to above, on the Adaptation Fund website.

Annex 1

Environmental and Social Policy compliance

ESP-related conditions and requirements attached to project/programme approval decision

Condition or requirement

Current status

Planned actions, including a detailed time schedule

List all ESP-related conditions and requirements included in the Board decision that need to be met. For each condition and requirement, list the current status. (Add lines as needed) [1]

Section 1: Identified ESP risks management

Was the ESP risks identification complete at the time of funding approval? [2]

ESP principle [3]

Are environmental or social risks present as per table II.K (II.L for REG) of the proposal? [4]

During project/programme formulation, an impact assessment was carried out for the risks identified. Have impacts been identified that require management actions to prevent unacceptable impacts? (as per II.K/II.L) [5]

List the identified impacts for which safeguard measures are required (as per II.K/II.L)

List here the safeguard measures (i.e. avoidance, management or mitigation) identified for each impact that are supposed to be (or had to be) implemented during the reporting period. Please break down the safeguard measures by activity. [6]

List the monitoring indicator(s) for each impact identified. [7]

- 1 - Compliance with the law
- 2 - Access and equity
- 3 – Marginalized and vulnerable Groups
- 4 – Human rights
- 5 – Gender equality and women’s empowerment
- 6 – Core labour rights
- 7 – Indigenous peoples
- 8 – Involuntary resettlement
- 9 – Protection of natural habitats
- 10 – Conservation of biological diversity
- 11 – Climate change
- 12 – Pollution prevention and resource efficiency
- 13 – Public health
- 14 – Physical and cultural heritage
- 15 – Lands and soil conservation

State the baseline condition for each monitoring indicator

Describe each safeguard measure that has been implemented during the reporting period [8]

Describe the residual impact for each impact identified - if any - using the monitoring indicator(s) [8]

Describe remedial action for residual impacts that will be taken. [8]

Section 2: Monitoring for unanticipated impacts / corrective actions required

Has monitoring for unanticipated ESP risks been carried out?

Have unanticipated ESP risks been identified during the reporting period?

If unanticipated ESP risks have been identified, describe the mitigation measures that have been taken in response and how an ESMP has been prepared/updated

Section 3: Categorisation

Is the categorisation according to ESP standards still relevant? Yes No

If No, please describe the changes made at activity, output or outcome level, approved by the Board, that resulted in this change of categorization.

Section 4: Implementation arrangements

What arrangements have been put in place *by the Implementing Entity* during the reporting period to implement the required ESP safeguard measures?

Have the implementation arrangements been effective during the reporting period?

What arrangements have been put in place *by each Executing Entity* during the reporting period to implement the required ESP safeguard measures?

Have the implementation arrangements at the EEs been effective during the reporting period?

Section 5: Projects with Unidentified Sub-Projects (USPs) [9]

Have the arrangements for the process described in the ESMP for ESP compliance for USPs been put in place? [10] Yes No Partially

Is the required capacity for ESMP implementation present and effective with the IE and the EE(s)? Have all roles and responsibilities adequately been assigned and positions filled? Please provide details.

Has the overall ESMP been updated with the findings of the USPs that have been identified in this reporting period? [11]

List each USP that has been identified in the reporting period to the level where effective ESP compliance is possible [12]	Has the ESMP been applied to the USP that has been identified?	List all the ESP risks that have been identified for the USP	Has an impact assessment been carried out for each ESP risk that has been identified for the USP?	Has adequate consultation been held during risks and impacts identification for the USP? [13]	Have the data used to identify risks and impacts been disaggregated by gender as required?
USP 1: [name the USP] USP 2: [name the USP] USP 3: [name the USP] USP 4: [name the USP] USP 5: [name the USP]					

Section 6: Grievances

Was a grievance mechanism established capable and known to stakeholders to accept grievances and complaints related to environmental and social risks and impacts?

List all grievances received during the reporting period regarding environmental and social impacts of project/programme activities [14] For each grievance, provide information on the grievance redress process used and the status/outcome

Gender Policy compliance

Section 1: Quality at entry [1]

Was an initial gender assessment conducted during the preparation of the project/programme's first submission as a full proposal?

Does the results framework include gender-responsive indicators broken down at the different levels (objective, outcome, output)?

List the gender-responsive elements that were incorporated in the project/programme results framework

Gender-responsive element [2]	Level [3]	Indicator	Baseline	Target	Rated result for the reporting period (poor, satisfactory, good)

Section 2: Quality during implementation and at exit [4]

List gender equality and women's empowerment issues encountered during implementation of the project/programme. For each gender equality and women's empowerment issue describe the progress that was made as well as the results. [5]

Gender equality and women's empowerment issues [6]	Rated result for the reporting period (poor, satisfactory, good)

Section 3: Implementation arrangements

What arrangements have been put in place *by the Implementing Entity* during the reporting period to comply with the GP

Have the implementation arrangements at the IE been effective during the reporting period?

What arrangements have been put in place *by each Executing Entity* during the reporting period to comply with the GP?

Have the implementation arrangements at the EE(s) been effective during the reporting period?

Have any capacity gaps affecting GP compliance been identified during the reporting period and if so, what remediation was implemented?

Section 4: Grievances

Was a grievance mechanism established capable and known to stakeholders to accept grievances and complaints related to gender equality and women's empowerment? [7]

List all grievances received through the grievance mechanism during the reporting period regarding gender-related matters of project/programme activities [8]

For each grievance, provide information on the grievance redress process used and the status/outcome

ESP and GP Guidance Notes

Reference	Guidance
Environmental and social policy	
1	ESP-related conditions and requirements refer to all those that relate directly or indirectly to compliance with the ESP. These conditions are usually included in “Schedule II of the legal agreement” with the name of “requirements and conditions for disbursements and disbursement schedule.”
2	The ESP requires that environmental and social risks are identified for <i>all</i> project/programme activities prior to funding approval. If all the project/programme activities have not been sufficiently formulated at the time of submission of funding application to the extent that adequate risks identification is possible, the ESP risks identification is deemed incomplete.
3	Complete this section for all the ESP risks that have been identified, without taking into account any USPs
4	The project proposal includes an overview table of identified environmental and social risks (Section II.K of the proposal, Section II.L for regional projects). For each of the 15 principles of the ESP, please copy here the findings on the presence or absence of risks by ticking the corresponding box.
5	Only complete for those ESP principles for which risks were identified
6	The safeguard measures that must be implemented during a project/programme are normally described in detail in the ESMP of the project/programme
7	See the monitoring plan in the ESMP
8	For the first PPR report of the project/programme, this column needs to be completed with full information. For subsequent PPR reports, an update of the information previously provided is sufficient.
9	This section needs only to be completed if the project/programme includes USPs.
10	The case being, please include details on the planned timing to have all the USP implementation arrangements in place.
11	Please submit the updated ESMP together with the PPR
12	Add lines as appropriate, one line for each USP identified
13	Clarify also if the grievance mechanism has been made widely known to identified and potentially affected parties
14	If any grievances were received that cannot be made public, please inform the AF Secretariat of such grievances, detailing the reasons for them to remain confidential. Confidential information may be redacted by the IE in the report
Gender Policy	
1	To be completed at PPR1
2	Add lines as appropriate, one line for each gender-responsive element

- 3 Objective, outcome, output
- 4 To be completed at final PPR
- 5 Risks related to gender equality and women's empowerment should be reported in the ESP compliance tab
- 6 Add lines as appropriate, one line for each issue
- 7 To be completed at PPR1
- 8 If any grievances were received that cannot be made public, please inform the AF Secretariat of such grievances, detailing the reasons for them to remain confidential. Confidential information may be redacted by the IE in the report

Annex 2

Projects/programmes with Unidentified Sub-Projects (USPs): compliance with the ESP and GP

Background

The Environmental and Social Policy (ESP) requires that environmental and social risks associated with all the activities that will be undertaken by a project/programme have been identified at the time of submission of the proposal.⁵ This either assumes that all project/programme activities have been identified and formulated at that time to the extent that effective identification of all environmental and social risks is possible, or, alternatively, implies that environmental and social risk identification will be completed once all project/programme activities have been identified.

Effective environmental and social risks identification takes into account risk factors inherent to an activity as well as the specific environmental and social context in which the activity will take place. The combination of both inherent and environmental factors determines the level and nature of the risk of undesirable negative environmental and social impacts.

The ESP has no provisions for projects/programmes where comprehensive risks identification has not been possible or has not been carried out by the time the proposal is submitted. As such, this is a ground for not approving an application for project/programme funding. Part of the justification for requiring that all ESP-related risks be identified for all project/programme activities by the time of submission is to ensure that all funding requests are treated equally and fairly in terms of ESP compliance.

In some particular cases, it is acceptable that not all project/programme activities have been identified by the time of submission of the funding application. For examples, projects/programmes may include activities that are critically dependent for their formulation on the outcome of other project/programme activities and that can only be fully formulated on the basis of these prior achievements. This is for instance the case for projects/programmes that include a grants facility, where applications for funding of (small) activities will be invited during implementation, within an objectives and operational framework that is clearly defined in the project/programme proposal. The establishment of the grants facility, with the required capacity building, including development of rules, is a

⁵ *Adaptation Fund Operational Policies and Guidelines Annex 3: Environmental and Social Policy (approved in November 2013; revised in March 2016)*: Para 30: [...] As a general rule, the environmental and social assessment shall be completed before the project/programme proposal submission to the Adaptation Fund. Para 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. [...] all environmental and social risks shall be adequately identified and assessed by the implementing entity in an open and transparent manner with appropriate consultation; Paras 27, 32, 33.

pre-condition for the formulation of the activities it will fund. In such cases, it may be impossible to identify by the time of submission all the environmental and social risks associated with these grant activities since the nature of the activities or the specific environment in which they will take place, or both, may not be known. Such activities are then referred to as Unidentified Sub-Projects (USPs).

The present document is intended to guide IEs in the process of ensuring ESP compliance in the development of project/programme proposals that include USPs. Projects/programmes with such type of activities must include a justification as to why these activities cannot be identified prior to submission of the funding application. In all other cases, identifying project/programme activities to the extent that adequate and comprehensive ESP risks identification is possible is considered to be a part of project/programme formulation.

Furthermore, in case a project/programme includes justified USPs, the IE has to ensure that the same level of ESP-risks identification and subsequent compliance is comprehensively applied to all the USPs during implementation and to the same standards as if all risks had been identified at the time of submission.

Funding applications for projects/programmes are reviewed by the Adaptation Fund Board Secretariat in terms of compliance with the ESP among other issues. The applying implementing entity is always informed of the outcome regarding the funding application and in most cases the IE will receive (detailed) feedback on any outstanding ESP compliance issues, as well as suggestions on how to achieve and to demonstrate compliance. In most cases, the Secretariat is available to provide further guidance and recommendations to the IE on how to comply with the ESP and to reflect compliance in the funding application. In case of projects/programmes with USPs, such review and subsequent guidance are not available to the IE as the Secretariat is not involved during project/programme implementation in the identification of ESP risks and any subsequent actions. The ensuing requirements for demonstrating ESP compliance have been a challenge to most implementation partners, especially under the direct access modality where the NIE is accountable for the adverse impacts of its project/programme.

Generally, including USPs in AF projects/programmes makes it more difficult to demonstrate compliance with the ESP. Compared to projects/programmes without USPs, the funding approval of projects/programmes with USPs takes considerably longer, because of the challenge posed to IEs to meet the additional safeguard requirements to ensure comprehensive and adequate compliance with the ESP during project implementation. Whilst the same standards apply to all AF-funded projects/programmes, the burden on the IE to demonstrate ESP compliance for projects/programmes with USPs is considerably high.

Similarly, the Gender Policy applies to all the activities of a project/programme. Gender-responsive consultations, the identification of key gender goals and target groups, the formulation of gender-responsive project/programme indicators and the initial gender assessment are accordingly required but may not be adequate when not all project/programme activities have been formulated.

Formulating a project/programme with USPs – additional requirements

When the use of USPs is justified, the IE must ensure that during project/programme implementation all USPs also comply with the ESP. This implies that during implementation for each USP the environmental and social risks are identified, that impact assessments are conducted for the USPs for which risks are found, and that measures are identified and implemented to prevent, mitigate or manage the unwanted negative impacts.

The requirements for each USP in terms of ESP compliance are the same as for activities that have been fully formulated by the time of funding application submission. The project/programme proposal, therefore, has to include a detailed description of the process that will be applied during project implementation to ensure ESP compliance for the USPs. During the review of the funding application for a project/programme with USPs, such process will be reviewed for its potential and likelihood to deliver the same ESP compliance outcome as is required for fully formulated applications. Projects/programmes with USPs are therefore required to include an Environmental and Social Management Plan (ESMP).

The ESMP of a project/programme with USPs contains two main elements. For the already fully formulated activities, it describes how the unwanted environmental and social impacts that have been identified and assessed during project/programme formulation will be addressed. For the USPs, it includes the review process that will ensure that as for a USP, as and when it is being formulated to the point where effective ESP risks identification is possible, such risks are identified and subsequent measures are taken according to the risks findings. Effective risks identification requires that the risks inherent to both an activity and the specific environment and social setting in which it will take place, are known.

The review process of USPs during project/programme implementation follows the same steps as are specified in the ESP for activities that are formulated prior to submission: (1) identification of environmental and social risks according to the 15 ESP principles following an evidence-based, comprehensive and commensurate process; (2) assessment of anticipated impacts for those risks that have been identified; (3) the identification of adequate measures to avoid, minimise or manage such impacts; (4) a plan to apply and implement these measures. Consultation and gender considerations are essential elements of this process.

The project/programme-wide ESMP is updated with the outcome of the safeguard activities for the USPs. For this purpose, it is recommended that the ESMP for the project/programme is written in a way suitable to be also used as a stand-alone document.

The proposal should demonstrate what the capacity requirements are and how these are met by the responsible entities and what capacity gaps may exist therein. Whilst it is a growing global trend in environmental and social safeguard mechanisms for large development funds⁶ that findings are required to be evidence- rather than opinion- based, and that safeguard efforts should be commensurate to their involved risks, there is generally little experience with these innovative aspects of the Fund's ESP, especially as it is not prescriptive.

⁶ See e.g. the new Environmental and Social Framework of the World Bank.

Depending on the number of USPs, their complexity and scale, and the sensitivity of the environments and social settings in which they will take place, the effort to comply with the ESP may be substantial and may require allocation of funds for this purpose. Such budgetary provisions should be adequate to cover the worst-case scenario as would become apparent from the ESP compliance work during project formulation. In addition to identifying ESP risks according to its 15 principles, budgetary provisions should be made for impact assessments and the identification of avoidance, mitigation or management measures as required. The annotated budget should show how the budget allocated to this purpose is adequate. Contingency provisions may be needed as well. The budget allocations should take into account, for each USP, which entity is responsible for the risks identification and any subsequent safeguards work.

It is in the interest of the IE and the executing entities to limit as much as possible the scope of the USPs that are included in a project/programme. The effort, expertise and resources required for the ESP risks identification and impact assessments for each USP can be considerably reduced by including eligibility restrictions on USPs. This can be done by limiting USPs to those located in certain areas, involving certain sections of the population, or by creating an exhaustive list of eligible activities and/or their characteristics. Similarly, during project/programme formulation common ESP compliance elements can be prepared that will reduce the effort required for each USP during implementation. This could, for instance, entail the identification or mapping of sensitive habitats or of cultural heritage or an analysis of core labour rights issues.

The grievance mechanism should be adequate to accommodate grievances from the whole range of possible USPs.

Implementation of a project/programme with USPs

According to the OPG of the Fund, it is the responsibility of the IE to ensure compliance with the relevant policies of the Fund. In the case of ESP compliance for projects/programmes that include USPs, the IE may apply its own Environmental and Social Management System (ESMS) or use a specific process to achieve comprehensive compliance with the ESP, as long as the outcome of the process meets the requirements of the ESP. The ESMS of an IE is never vetted as being equivalent to the ESP, and the methodology, concepts and principles used do not need to be those of the ESP.

During inception, the adequacy of the implementation arrangements of the ESMP is verified by the IE and relevant stakeholders and the arrangements may be updated or adjusted as required. Such updates and/or changes are reported to the Fund. The inception phase is also a suitable time and opportunity to identify additional eligibility criteria for USPs, which may considerably simplify and reduce the safeguard efforts required for each USP, for instance, by formulating admissibility or exclusion criteria for USPs.

During implementation, a substantial effort is likely to be required to identify the ESP risks of the USPs, which may require the involvement of specialists. This may imply that the allocation of additional specific resources is required.

The IE has the responsibility to ensure that the project/programme is executed in a way that meets ESP and GP requirements. The Executing Entities play an essential role in this process. The IE needs to assess the capacity of an EE to carry out all the aspects of ESP and GP compliance related to the activities it implements. This may include the entire process of ESP risks identification and subsequent safeguard actions for the USPs that the EE may be involved in. The IE needs to ensure that any capacity that is lacking at the EE is built or otherwise addressed.

Compliance with the relevant and applicable national regulations is a requirement under the Adaptation Fund's ESP. During formulation of a USP, these need to be identified and the subsequent requirements need to be met. Usually, this relates to national processes of environmental and social safeguarding as well as national standards or codes that may apply.

The IE is also responsible for reporting on project/programme implementation to the AF. For projects/programmes with USPs there are additional requirements compared to fully formulated projects/programmes.

Monitoring and reporting

In the case of a project/programme with USPs, the IE will need to report on a regular basis to the AF on its progress and performance in applying the ESP to the USPs and demonstrating compliance of all the project/programme activities with the ESP. For this purpose, the IE will need to update the ESMP of the project/programme with the following information for each USP it has identified during the relevant reporting period:

- a brief description of the fully formulated USP, with details on (i) the characteristics of the USP and (ii) the specific environmental and social setting in which the USP will be implemented. This information needs to be provided to an extent sufficient to appreciate the effectiveness of the risks identification that was carried out;
- the outcome of the ESP risks identification process, using the same structure as that of Section II.K (Section II.L for regional projects/programmes), identifying risks according to each of the 15 ESP principles, justifying the risk findings, and showing that this is the outcome of an evidence-based and comprehensive effort;
- for each of the identified risks, a description of the subsequent impact assessment that was undertaken and the findings thereof, showing that the assessment was commensurate with the risks identified;
- the findings of the impact assessments, and the safeguard measures that have been formulated to avoid, mitigate or manage undesirable impacts;
- the updated detailed safeguard arrangements in the implementation component of the ESMP, identifying and allocating roles and responsibilities to implementation partners for the application of the ESMP. This should include an assessment or a confirmation of the required capacity and skills with the relevant implementation partners;
- information on the consultations that were held on the risks identification and impact assessments outcome as well as on any proposed management measures, and how any feedback was responded to;
- gender-disaggregation of the information used in the risks identification and subsequent safeguards actions;

- information on disseminating information to stakeholders on the grievance mechanism.

The updated ESMP is to be attached to the annual PPR report.