



ADAPTATION FUND

AFB/B.35.b/4
12 October 2020

Adaptation Fund Board
Second session of the thirty-fifth meeting
Bonn, Germany (Virtually held), 26-28 October 2020

Agenda item 7

APPLICATION OF THE ENVIRONMENTAL AND SOCIAL POLICY BY IMPLEMENTING ENTITIES

Background

1. Under the Adaptation Fund operational framework, countries can access -the financial resources of the Adaptation Fund (the Fund) through an accredited implementing entity: either a national implementing entity (NIE) for direct access financing, or a regional implementing entity (RIE) or a multilateral implementing entity (MIE). To be eligible to submit funding proposals to the Fund, an entity has to be accredited with the Fund demonstrating its competency, policies and procedures to comply with the required accreditation criteria of the Fund. As at 1 October 2020, 32 NIEs, six RIEs and 13 MIEs have been accredited with the Fund. The Implementing Entity (IE) of the Fund holds the primary responsibility for the administration of the grant received from the Fund and overall supervision of the project financed by the Adaptation Fund, including all financial, monitoring and reporting responsibilities.

2. The Fund's accreditation process aims to ensure that the IEs comply with fiduciary and safeguard standards of the Fund while accessing the financial resources of the Fund. During the Fund's accreditation process, each applicant entity must undergo an assessment by the Fund's Accreditation Panel experts, to ensure that the entity adheres to the accreditation standards, implements effective social and environmental safeguards to identify any project risks in advance and prevents any harm and improve the effectiveness and sustainability of results. The Accreditation Panel, upon reaching a consensus, provides a recommendation on accreditation and/or re-accreditation to the Adaptation Fund Board (the Board), and the Board makes all final accreditation or reaccreditation decisions.

3. The accreditation standards are categorized into four: (1) legal status¹, (2) financial and management integrity², (3) institutional capacity³, and (4) transparency, self-investigation, and anti-corruption measures⁴. Categories (3) and (4) include requirements that are directly related to ensuring that the IE can meet the requirements of the Fund's Environmental and Social Policy (ESP) and Gender Policy (GP).

4. The ESP and GP were approved by the Adaptation Fund Board (the Board) in October 2013 and March 2016 respectively, and since then, relevant features of the respective Policy have been integrated in the accreditation application. During the accreditation and reaccreditation processes, every entity has to demonstrate its capacity

¹ 'Legal Status' is covered in Section 1 of the accreditation/reaccreditation application form, see https://www.adaptation-fund.org/wp-content/uploads/2016/04/OPG-Annex-6_Accreditation-Application-Form_amended-in-Oct-2016.pdf.

² Sections 2-4 of the accreditation/reaccreditation application form.

³ Sections 5-9 of the accreditation/reaccreditation application form.

⁴ Sections 10-12 of the accreditation/reaccreditation application form.

and commitment to assess and manage environmental and social risks and gender risks (ESG risks) as well as mechanisms to deal with complaints on any potential environmental and social harms and gender harms that may be caused by projects funded by the Fund.

Implementing Entity’s Top-Level Management Statement of commitment to abide by the Fund’s ESP & GP

5. Among the requirements for accreditation or reaccreditation is that the applicant entity demonstrate its ‘commitment to apply the Fund’s ESP & GP’ as set out in section 11 of the accreditation/reaccreditation form⁵. As “evidence of the entity’s commitment to addressing environmental and social risks and gender risks,” the entity is required to provide ‘top level management statement communicating the entity’s commitment to abide by the Fund’s environmental and social policy and gender policy’ (hereinafter, “TLMS”).⁶ The relevant section of application form is copied and pasted for reference:

Section	Required Competency	Specific Capability Required	Example of supporting documentation to be provided
11	Commitment by the entity to apply the Fund’s environmental and social and gender policy	Evidence of entity’s commitment to addressing environmental and social and gender risks	Statement from top management communicating entity’s commitment to abide by the AF’s environmental and social and gender policy.

6. Recently, a few IEs that were undergoing reaccreditation process have expressed their reservations on and/or objections to providing this ‘TLMS,’ which caused its reaccreditation process to be stalled. The secretariat has conducted several conference calls with those IEs to address the matter to no avail. The secretariat received an official letter addressed to the Board from one of those IEs in February 2020. The letter is presented to the Board as document AFB/B.35.b/4/Add.2.

7. It appeared that the issue has multi-dimensional implications: not only on the accreditation/reaccreditation process itself, but also on the project implementation and responsibility of ensuring that the Fund’s resources will not be spent in a way that might

⁵ “Required Competency” of section 11 of accreditation/reaccreditation application form is “commitment by the entity to apply the Fund’s environmental and social policy and gender policy: https://www.adaptation-fund.org/wp-content/uploads/2016/04/OPG-Annex-6_Accreditation-Application-Form_amended-in-Oct-2016.pdf.

⁶ Ibid. Section 11 of accreditation/reaccreditation application form.

bring about adverse environmental and social harms throughout the project cycle. In this regard, the secretariat has conducted an independent study on this matter with a view to providing a comprehensive analysis on this matter to help the Board make an informed decision during its meeting. The study on this matter is presented to the Board as contained in Document AFB/B.35.b/4/Add.1.

8. Considering the study as contained in Document AFB/B.35.b/4/Add.1, the Board is expected to discuss on the matter and possibly make a decision on a course of action to move forward.

Recommended Board decision

9. Having considered document AFB/B.35.b/4 and its addenda, the Adaptation Fund Board (the Board) may want to consider the matter and decide:

- a) To take note of document AFB/B.35.b/4 and its addendum;
- b) [To exclude options [X, X and X] from further analysis];
- c) [To request the secretariat to intersessionally conduct a survey among the Board with a view to identify most feasible and optimal options to address the matter];
[and]
- d) [To request the secretariat to conduct an analysis on the options and present it to the Board at its thirty-sixth meeting for its consideration and decision.]