



ADAPTATION FUND

AFB/B.42/11  
19 January 2024

---

Adaptation Fund Board  
Forty-second meeting  
Bonn, Germany, 16–19 April 2024

Agenda item 12 (c) (i)

**INDEPENDENT REVIEW OF THE ENVIRONMENTAL AND  
SOCIAL POLICY OF THE ADAPTATION FUND WITH A  
PROPOSAL FOR ITS UPDATE**

## I. Background

1. At the Sharm el-Sheikh Climate Change Conference in November 2022, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its seventeenth session (CMP 17) requested the “Adaptation Fund Board to review and update the environmental and social safeguard policy of the Adaptation Fund, as needed” by Decision 5/CMP.17, paragraph 15.

2. In response to this mandate, the Adaptation Fund Board (the Board) considered this mandate as part of its meeting agenda on issues arising from the CMP 17, CMA 4, and the twenty-seventh session of the Conference of Parties (COP27) and decided the following:

*Having considered Adaptation Fund related decisions taken by the Conference of the Parties serving as meeting of the Parties to the Kyoto Protocol at its seventeenth session and Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fourth session, as well as document AFB/B.40/8 and its annex, the Adaptation Fund Board (the Board) decided:*

*(a) To request the secretariat to:*

- (i) Commission an independent review of the Environmental and Social Policy of the Adaptation Fund (ESP) with a view to updating the ESP;*
- (ii) Prepare a proposal for an update of the ESP as necessary in consultation with relevant stakeholders of the Adaptation Fund;*
- (iii) Present the output referred to in paragraphs (a)(i) and (a)(ii) at its forty-first meeting for the Board’s consideration;*

*[ . . . ]*

***(Decision B.40/80)***

3. In response to decision B.40/80, the secretariat has commissioned an independent review of the ESP with a view to updating the ESP by hiring an environmental and social safeguard expert, Mr. Charles Di Leva.<sup>1</sup> The independent review of the ESP aimed to examine whether the ESP and its guidance document are generally in line with the practice of other leading institutions which are active in climate finance such as the World Bank, the International Finance

---

<sup>1</sup> Mr. Charles E. Di Leva served as the Chief Officer for Environmental and Social Standards at the World Bank, under the Vice Presidency for Operations, Policy and Country Services. Prior to this position, he served as Chief Counsel of the Environmental and International Law Practice Group in the World Bank Legal Vice-Presidency and as Legal Advisor to the Climate Change Solutions Area and Environment and Natural Resources Global Practice Group. There, he led the Bank’s legal work on the revision of its environmental and social safeguards, provided legal advice to the Bank on the Paris Agreement and related climate finance issues, and led negotiations related to the Green Climate Fund. Throughout his career, Mr. Di Leva has worked on Bank projects in all regions, focusing on environmental and social issues in complex and high-risk settings. He has also represented the Bank Senior Management in activities and investigations carried out by the Bank’s Independent Inspection Panel. He is an adjunct professor at American University’s Washington College of Law where he teaches coursework on Project Finance and the Environment and International Financial Institutions and International Law.

Corporation (IFC), the Green Climate Fund (GCF), the United Nations Development Programme (UNDP), and International Fund for Agricultural Development (IFAD). The outcome of the independent review of the ESP is contained in Annex 1 to document AFB/B.41/7.

4. In parallel, the secretariat launched a series of the stakeholder surveys targeting the Board, the Implementing Entities (IEs), the Designated Authorities (DAs) and the Adaptation Fund Civil Society Network, respectively, in July 2023 for a month period. The results of the respective surveys were fed into the independent review of the ESP. The verbatim responses of the stakeholder surveys on the ESP were submitted to the Board as Annex 2 to document AFB/B.41/7.

5. The Board considered the outcome of the independent review and the results of the stakeholder consultation on the ESP at its forty-first meeting. Some members of the Board expressed their appreciation of the comprehensive review of the ESP and supported the update of the ESP, while reiterating the importance of considering the Fund's unique features and operational framework when the ESP is updated. One member mentioned that it is important to ensure that the suggested changes would actually improve the policies while the goal should be to make the policies simpler and not more complex. Other members of the Board, however, were of the view that the current ESP provides adequate policy framework and would not need to be updated considering the results of the stakeholder survey and while it was necessary to ensure that the policies were 'fit-for-purpose,' that could be achieved in many different ways and the Fund needs to try to be innovative and responsive to the needs of its stakeholders.

6. In addition, some Board members were of the view that it would be useful to have the secretariat update the document to foster discussion, while others said that the document should not be updated until the Board had held some preliminary discussion and could give better guidance to the secretariat.

7. The Board recalled the mandate from decision 5/CMP.17, paragraph 15, that the Board is requested to review and update the ESP as needed, and following the discussions, agreed to continue its consideration on the possibility of updating the ESP at the forty-second meeting. Following extensive discussions, the Board decided as below:

*Having considered document AFB/B.41/7 and its annexes 1 and 2, the Adaptation Fund Board (the Board) decided to:*

*(a) Take note of the independent review of the Adaptation Fund Environmental and Social Policy (ESP) and the results of the stakeholder surveys as contained in annexes 1 and 2 to document AFB/B.41/7, respectively;*

*(b) Continue its consideration on the possibility of updating the ESP at the forty-second meeting, recalling decision 5/CMP.17, paragraph 15; and*

*(c) Request the secretariat to prepare a background note taking into account the Board's discussions at the forty-first meeting, the independent review of the ESP and the results*

*of the stakeholder surveys contained in annexes 1 and 2 to document AFB/B.41/7, respectively.*

(Decision B.41/36)

8. In response to decision B.41/36 the secretariat prepared this document to support the Board in continuing its consideration on the possibility of updating the ESP, recalling decision 5/CMP.17, paragraph 15. For easy reference, the documents on this matter submitted to the previous Board meeting (B.41), including the independent review of the ESP and the results of the stakeholders' surveys on the ESP, are resubmitted as Annex to this document.

## **II. Options for responding to the mandate from decision 5/CMP.17, paragraph 15**

9. The CMP mandated, through decision 5/CMP.17, paragraph 15 that the Adaptation Fund Board *review and update* the environmental and social safeguard policy of the Adaptation Fund, as needed. The Board partly fulfilled the mandate by reviewing the Fund's ESP in 2023, which was reported to the CMP 18 through its annual report to the CMP.<sup>2</sup>

10. Regarding the Board's pending action on 'update of the ESP' as mandated by the CMP the following options could be available for consideration.

### **1. Option 1: Fit-for-purpose update of the ESP with maintaining a principles-based approach**

11. The Board could consider maintaining the current principles-based approach that the ESP is based upon, while updating the ESP to make it fit its purpose in consideration of the independent review of the ESP<sup>3</sup> and the results of the Fund's stakeholders' surveys as well as the Fund's operational modalities and different capacities of the implementing entities.<sup>4</sup>

12. The fit-for-purpose update could include, *but not limited to*: updating and streamlining the terminologies of the ESP which may be outdated or inconsistent with a view to enhancing their clarities; providing clear and further guidance on each principle, for instance, by adding clarity on what actions are required/mandatory and what are recommendable/aspirational, and by adding critical elements pertaining to the principle that most of the international organizations' safeguards include but are not addressed in the current ESP; and updating the ESP guidance and developing toolkits such as environmental and social risk screening checklists to support IEs.

### **2. Option 2: Extensive update of the ESP by adopting a 'checklist' approach similar to other international organizations' safeguards**

13. Another option would be to make an extensive update of the ESP by adopting a 'checklist' approach used by other international organizations' environmental and social safeguards that the

---

<sup>2</sup> Available at <https://unfccc.int/documents/632148>.

<sup>3</sup> Contained in document AFB/B.41/7, Annex 1.

<sup>4</sup> Id., Annex2.

independent study reviewed.<sup>5</sup> Compared to option 1, this update will likely imply comprehensive, and radical changes to the Fund's ESP. Although this would help make the Fund's ESP be 'fully in line' with other comparator organizations' safeguards standards in terms of details and scope of guidance, it may impose disproportionately high burden on certain type of IEs, for instance NIEs with relatively limited safeguards capacity. In addition, given the relatively smaller funding size of the Fund and the size of the secretariat, a thorough review on the scope of the update would be critical to ensure that transforming the current principles-based ESP into other international organizations' check-list approach safeguards benefits the Fund and its stakeholders, and it would be fully implementable.

### 3. The process for updating the ESP

14. Regardless of which option would be selected, the process for updating the ESP would look similar. An overview of the process is outlined below.

Board decision to update the ESP

- the secretariat to develop a draft of the updated ESP
- [**consultation process**] The secretariat to launch a **public call for comments** on the draft policy while collecting input on the draft from the Board, IEs, DAs, AF Civil Society Network;
- The secretariat to compile the input received through the consultation process and revise the draft of the updated ESP by considering and reflecting the input;
- The secretariat to submit the revised draft of the updated ESP to the Board, together with a compilation of the input, for consideration and decision.

### 4. Secretariat's recommendation

15. Given the Fund's characteristics including its operational model, funding size, different level of capacities of the IEs, and focus on direct access modality, the secretariat is of the view that option 1 of fit-for-purpose update would be more desirable and implementable.

16. Option 1 would possibly: (i) contribute to enhancing the Fund's risk management by ensuring that critical environmental and social risks are screened and addressed at the level of the projects and programmes supported by the Adaptation Fund; (ii) enhance its support for the IEs in designing and implementing the Fund's projects and programmes by providing more clarity and further guidance on the ESP. Maintaining a principles-based approach would also mean less

<sup>5</sup> Document AFB/B.41/7, Annex 1.

burden that IEs need to bear in adjusting their processes to comply with the updated ESP, compared to option 2 where the ESP is drastically revised by shifting to a new check-list approach.

### **III. Recommendation for the Board**

17. Having considered document AFB/B.42/11 and the annex, the Adaptation Fund Board may want to consider and decide to:

- (a) Update the Environmental and Social Policy of the Adaptation Fund (ESP) taking a fit-for-purpose approach outlined as option 1 in document AFB/B.42/11;
- (b) Request the secretariat to;
  - i) Prepare a draft of the updated ESP, in consultation with relevant stakeholders of the Fund;
  - ii) Launch a public call for comments on the draft of the updated ESP with a view to reflecting inputs received therefrom into the draft of the updated ESP;
  - iii) Present the output referred to in subparagraphs (b)(i) and (b)(ii) at the forty-fourth meeting of the Board for its consideration.