



ADAPTATION FUND

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Adaptation Fund Board

**A DRAFT OF AN UPDATE TO
THE ENVIRONMENTAL AND SOCIAL POLICY
OF THE ADAPTATION FUND**

ANNEX 3 to OPG: ENVIRONMENTAL AND SOCIAL POLICY

Background and Introduction

1. This document outlines the environmental and social policy (ESP) for the Adaptation Fund (the Fund). The policy is intended to ensure that in furthering the Fund's mission of helping vulnerable communities in developing countries adapt to climate change, projects and programmes supported by the Fund do not result in unwanted adverse environmental and social consequences.
2. The ESP builds on the Fund's existing policies, operating procedures, and project cycle.
3. The ESP further aligns the Fund's practices with those of other leading financing institutions active in environment and climate financing. This ESP forms the cornerstone of the Fund's Environmental and Social Management System (ESMS) which allows the Fund to identify and manage the environmental and social risks of its activities, by assessing potential unwanted adverse environmental and social consequences and then by identifying and implementing steps to avoid, minimize, or mitigate those harms.
4. The prevalence of environmental and social policies at international finance and development institutions reflects a broad consensus among governments, development economists, civil society, and other stakeholders that such policies are critical to achieving positive sustainable development outcomes and avoiding any unreasonable harm. Many countries, both donor and recipient countries, have also adopted domestic laws that are similar to many of these international environmental and social policies.
5. The ESP is designed to be integrated with the Fund's existing policies, practices, and project cycle. It 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 ESP reflects the current relative roles and responsibilities between the Adaptation Fund Board (the Board), the Adaptation Fund Board secretariat, the implementing entities (IEs), and the executing entities (EEs). IEs will continue to be responsible for risk management associated with the projects and programmes, including risks of unwanted adverse environmental and social consequences presented by the proposed projects and programmes. The accreditation and re- accreditation of implementing entities considers their capacity, commitment, and past performance to implement projects in compliance with the Fund's ESP.
7. IEs are required to identify, assess and manage environmental and social risks and impacts. The identification and assessment of environmental and social risks and impacts must be completed by the time of submission of project/programme proposal, and the findings must be included in the proposal document. Effective comprehensive consultation is required in the development of projects/programmes particularly including marginalized and vulnerable groups, including gender considerations.”¹

¹ Adaptation Fund, OPG, "Instructions for Project or Programme Funding for Adaptation Fund," part II (H).

8. The ESP requires identification of potential risks and impacts of unwanted environmental and social consequences for all projects and all project activities, and that the proposed project/programme be categorized according to those risks. Projects/ programmes likely to have significant adverse environmental or social risks or impacts that are, for example, diverse, widespread, and irreversible, should be categorized as Category A. Projects/programmes with potential adverse risks or 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 risks or impacts should be categorized as Category C. Regardless in which category a specific project/programme is screened, all environmental and social risks and impacts shall be adequately identified and assessed by the IE in an open and transparent manner with appropriate consultation.

9. IEs will assess the environmental and social risks of the Fund-supported project/programme activities in order to forecast the potential impacts throughout the project/programme lifecycle, including what impacts could occur should no measures be taken to address these risks. The scale of the environmental and social impact assessment (ESIA) shall be commensurate to the identified risks of the project/programme activities. Following the forecast of the impacts, the ESIA will also identify measures for the prevention, reduction, mitigation or management of the predicted unwanted consequences. These measures will be used to formulate an Environmental and Social Management Plan (ESMP), that will also include arrangements and a budget and assign roles and responsibilities for its implementation, monitoring, reporting and evaluation. The ESMP must be finalized at the time of submission of a fully developed project proposal. Concept notes must report on the environmental and social risks identification that must also be completed based on the available project formulation information and 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 through changes in project/programme design. Through annual project/programme performance reports, the mid-term (when applicable) and terminal evaluation reports, IEs are required to report on the application of any required ESMP or changes in project/programme design. IEs shall ensure 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 those who are marginalized or vulnerable. As part of the IE's responsibilities for the project/programme, all implementing entities shall (i) have an environmental and social management system that ensures environmental and social risks and impacts are identified and assessed at the earliest possible stage of project/programme design, (ii) following the mitigation hierarchy, 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 meaningful consultation and informed participation of and with 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.

Compliance with the Law Applicable to the Project/Programme

12. Projects/programmes supported by the Fund shall comply with all national and international legal obligations that are directly applicable to the project/programme's activities. If applicable legal obligations differ or are inconsistent with each other, projects/programmes will comply with the more stringent legal obligation.

Human Rights

13. Projects/programmes supported by the Fund shall respect and promote human rights directly applicable to the project/programme in accordance with national legal obligations and international human rights law. Environmental and social due diligence required by the Fund shall aim to ensure that projects/programmes do not cause or contribute to adverse human rights impacts.

Access and Equity

14. In an inclusive manner, projects/programmes supported by the Fund shall provide potentially affected communities and individuals with fair and equitable access to project/programme-related benefits. Projects/programmes shall not impede access to basic services, including for health, clean water and sanitation, energy, and education. Projects/programmes should not exacerbate existing and/or legacy-related inequities, particularly with respect to indigenous peoples and those who are marginalized or vulnerable.

Marginalized and Vulnerable Groups and Individuals

15. Projects/programmes supported by the Fund shall identify marginalized and vulnerable groups or individuals who may be disadvantaged because they may be less able to benefit from project/programme activities, and shall avoid imposing on them adverse impacts, including on

women and children, (including addressing gender differentiated risks on women and girls), and on the elderly, indigenous people, tribal groups, displaced people, refugees, people living with disabilities, and people living with HIV/AIDS. If avoidance of some adverse impact is not possible, the IEs shall implement differentiated measures to ensure that any impacts do not fall disproportionately on marginalized and vulnerable groups or people.

Indigenous Peoples

16. Projects/programmes supported by the Fund shall be consistent with the rights and responsibilities set forth in the UN Declaration on the Rights of Indigenous Peoples (UNDRIP) and applicable international treaties relating to indigenous peoples. Project/programmes that may affect indigenous peoples shall be designed with their full and effective participation, and obtain their Free, Prior and Informed Consent (FPIC) prior to any Fund supported activity which could adversely affect their rights, lands, territories, resources, or traditional livelihoods. Project/programmes that involve or may impact their lands or territories will also recognize and respect their traditional knowledge and practices.

Gender Equality and Women's Empowerment

17. Projects/programmes supported by the Fund shall be consistent with the Fund's Gender Policy, and implemented so that women and men, (and girls and boys where relevant) (a) have equal opportunities to participate as per the Fund gender policy (refer to Annex 4 for details); (b) receive equitable social and economic benefits; (c) are protected from gender-based violence and sexual exploitation, abuse and harassment; and (d) do not suffer disproportionate adverse effects.

Labor Rights and Safe Working Conditions

18. Projects/programmes supported by the Fund shall meet the core labor standards identified by the International Labor Organization. As such, projects/programs will promote, respect, and realize the fundamental principles and rights at work through, inter alia: a) supporting freedom of association and the effective recognition of the right to collective bargaining; b) preventing the use of child and forced labor; c) preventing discrimination; and d) promoting equal opportunity of all workers.

19. Projects/programmes shall also be designed and implemented in a manner that will: a) protect and promote the safety and health of all project/programme workers; b) ensure that contractors, core suppliers and other parties engaged in the project/programme comply with applicable employment and labor laws, rules and regulations, and international commitments; c) protect workers in disadvantaged and vulnerable situations, including with a special focus, as appropriate, on women, young and elderly workers, and those with disabilities and d) provide workers with an accessible and effective grievance mechanism that can be utilized without fear of reprisal.

Restrictions on Land Use and/or Involuntary Resettlement

20. Projects/programmes supported by the Fund shall be designed and implemented to avoid or, if avoidance is not possible, at least minimize restrictions on land use and/or involuntary resettlement. Throughout the project/programme life-cycle, due process shall be observed so that displaced or resettled persons, including those adversely impacted from the legacy impact of previous displacement at the project/programme sites, or who have lost assets or access due

to land use restriction, shall be informed of their rights, not be subject to forced eviction, consulted on their options, and offered technically, economically, and socially feasible resettlement alternatives and/or fair and adequate compensation. In this manner, projects/programs shall minimize adverse social and economic impacts from land or resource acquisition or restrictions on land or resource use. In addition, when involuntary resettlement is unavoidable, projects/programmes shall be designed and implemented in a timely manner so as to enhance or, at least, restore the living standards and livelihoods of affected persons.

Conservation of Biological Diversity and Sustainable Natural Resource Management

21. Projects/programmes supported by the Fund shall avoid any significant or unjustified reduction or loss of biological diversity or the introduction of known invasive species. The Fund shall not support projects/programmes that would convert or degrade biodiversity, ecosystem services, or natural habitats, or any endangered, vulnerable, or critically endangered species, particularly 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.

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 meet applicable international standards of Good International Industry Practice (GIIP), for maximizing energy efficiency, while minimizing material resource use, the production of wastes, and the release of pollutants. As such, projects/programmes will avoid, or where avoidance is not possible, minimize and/or control all forms of pollution from project/programme activities; promote more sustainable use of resources, including use of energy, land, water and groundwater; strive to ensure maintain or improve water balance among all users and potentially affected users; avoid or minimize and/or control project/programme-related emissions of long and short-lived climate pollutants and ozone depleting substances; avoid or minimize and/or control generation of hazardous and non-hazardous substances and waste and promote their safe and sustainable management and disposal; and promote safe, effective, environmentally sound pest management.

Community Health, Safety, and Security

24. Projects/programmes supported by the Fund shall avoid potentially adverse risks and impacts on public health, safety, and security. As such, projects/programmes will anticipate the potential adverse risks and impacts on the health and safety of affected communities during the project/program lifecycle from both routine and non-routine circumstances including from climate change; ensure quality and safety in the design and construction project related infrastructure by preventing and minimizing potential safety risks and accidents; avoid or minimize community exposure to hazards, including natural or man-made disaster risks, diseases and hazardous materials associated with project activities; ensure that the protection of personnel and property minimizes risks to communities and is carried out in accordance with applicable international standards; and shall have in place effective measures to address potential emergency events,

whether due to human-made or natural hazards.

Cultural Heritage

25. Projects/programmes supported by the Fund shall avoid or, at least, minimize the alteration, damage, or removal of any tangible or intangible cultural resources, cultural sites, and sites with unique natural values recognized as such at the community, national or international level, and instead preserves and safeguards such heritage. Projects/programmes should also avoid interfering with existing access and use of such cultural heritage. Projects/programs that may impact cultural heritage should promote the equitable sharing of benefits from the use of such heritage, and promote meaningful consultation with stakeholders regarding its preservation, protection, utilization, and management.

Stakeholder Engagement

26. Project/programmes supported by the Fund shall ensure that IEs identify stakeholders, particularly including those who may be marginalized or vulnerable, and have a constructive relationship with project/programme-affected communities and individuals. This engagement will take place in a timely and effective manner so that stakeholders can be meaningfully informed of, and have input into, project design and implementation throughout the project life-cycle. Stakeholders shall also have accessible and inclusive means to raise issues and grievances, with effective means to address such concerns available to all concerned without fear of reprisal.

C. Environmental and Social Risk Management System

27. The IEs' capacity and commitment to reducing and adequately managing environmental and social risks and impacts as well as their mechanism to deal with complaints on environmental and social harms caused by projects will be assessed through the accreditation and re-accreditation process. The IEs' environmental and social risk management system(s) (in some sectors referred to as "ESMS") shall include the capacity and commitment to timely assess and respond to the risks and impacts of projects/programmes supported by the Fund in accordance with the ESP. The IEs shall also be responsible for reviewing all projects/programmes to identify and determine the extent to which they present potential environmental or social risks and impacts, including all risks and impacts identified and/or associated with the Fund's Environmental and Social Principles ("the Principles").

28. IEs proposing projects/ programmes that present potential environmental and social risks and impacts shall ensure that these risks and impacts are thoroughly assessed; that measures and methods are identified to avoid, reduce or mitigate all such risks and impacts; that the implementation of such measures and methods is timely and effective and is ensured through the appropriate planning and deployment of resources, including through ensuring that environmental and social management measures apply to contractors and third parties responsible for implementation of such measures. IEs shall also ensure that there is adequate monitoring and reporting throughout the life of the project/programme. The environmental and social risk management system shall be proportionate and coincide with the potential scope and severity of environmental and social risks and impacts inherent in the project/programme design and its implementation.

D. Environmental and Social Policy Delivery Process

Identification of Potential Environmental and Social Risks and Impacts by the Implementing Entity

29. In a manner consistent with the Environmental and Social Principles, all proposed projects/programmes activities shall be reviewed by the IEs to identify their potential environmental and social risks and impacts and to help ensure they will not result in unwanted adverse environmental and social consequences. The review process shall consider and identify all potential direct, indirect, transboundary, and cumulative risks and impacts in the project's/programme 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 risks and impacts. Projects/programmes with potential significant adverse environmental or social risks and impacts that are, for example, diverse, large-scale, widespread, or irreversible should be categorized as Category A. Projects/programmes with potential limited risks and impacts that are less adverse than Category A, because, for example, they are fewer in number, smaller in scale/site specific, less widespread, reversible and readily addressed through mitigation should be categorized as Category B. Those projects/programmes with minimal or no adverse environmental or social risks and impacts should be categorized as Category C.

30. The process of identifying potential environmental and social risks and impacts shall also determine and identify the extent to which the project/programme requires environmental and social impact assessment, mitigation, and management. The results of the risk identification process shall be included in the project/programme proposal submitted by the IE to the Fund Board secretariat (the Secretariat). If during the project/programme review process the Board or Secretariat determines that further information is required or needed on the environmental and social risk identification, impact assessment, mitigation, and management of risks and impacts, the IEs will be expected to timely provide this additional information. This additional information will be appropriately incorporated and/or referenced in the agreement between the Board and the IE. Regardless of the outcome of the screening procedure, all proposed projects/programmes shall comply with the ESP, its' Principles, and applicable international, national, and local laws, regulations and standards.

Environmental and Social Impact Assessment

31. For all projects/programmes that have environmental or social risks (i.e. all Category A and B projects/programmes, potentially some Category C projects/programmes), the IE shall conduct an environmental and social impact assessment that identifies the environmental or social impacts. The assessment shall, at a minimum, and in a manner that provides for public participation and meaningful consultation (i) review and describe the environmental and social baseline, (ii) consider all potential direct, indirect, transboundary, and cumulative impacts that could result from the proposed project/programme; (iii) identify and assess alternatives to the project/programme; and (iv) identify measures to avoid, minimize, or mitigate environmental and social risks and/or impacts of the proposed project/programme, including means for the project to provide fair and equitable access and benefits to the affected people as a result of the project design. The environmental and social impact assessment shall be completed before the project/programme proposal submission to the Adaptation Fund. In accordance with Paragraph 32, exceptions to this general rule may be granted where the IE demonstrates to the Secretariat

that the timeline for including the proposed activities is not feasible, in which case following the project/programme approval, a timeline for completing the environmental and social assessment before construction begins shall be incorporated in the agreement between the Board and the IE and reported through the annual project/programme performance report. A verbatim and final copy of the environmental and social assessment shall be provided to the Secretariat in the Fund's official language as soon as the assessment is completed. Prior to the Secretariat submitting the environmental and social assessment to the Board, the Secretariat may require the use of an Environmental and Social Framework and, as noted below, further information to be provided from the IE on the environmental and social assessment, mitigation, and management of risks and impacts, as deemed necessary.

Environmental and Social Management Plan

32. Where the environmental and social impact assessment identifies environmental or social impacts, an environmental and social management plan(s) (ESMP)(s) shall be prepared by the IE. The ESMP, in accordance with the mitigation hierarchy, identifies those mitigation, monitoring, and institutional measures to be taken during the implementation of a project/programme to address potential and actual environmental and social risks and impacts. When details of the ESMP cannot yet be finalized due to project/programme exigencies, including where there may be unidentified sub-projects, at the approval by the Secretariat, the ESMP(s) may consist of an Environmental and Social Management Framework (ESMF) to be completed no later than the inception of the implementation phase. Such ESMF and the justification upon which the ESMP could not be finalized will be subject to all aspects of this ESP including that said details are publicly disclosed as part of project consultations. A commitment by the IE to timely and fully implement the ESMP and any relevant ESMF, and to provide the requisite institutional capacity, including as it pertains to contractors or third-parties responsible for such implementation, shall be a condition of project/programme approval and reflected in the monitoring and reporting plan.

Monitoring, Reporting, and Evaluation

33. The agreement between the IE and the Board shall provide for annual project/programme performance reporting for all activities and management plans, including any complementary/supplemental assessments. The IE shall report, through their annual project performance reports, on the status of implementation of any environmental and social management plan, including those measures required to avoid, minimize, or mitigate (or offset) environmental and social risks and impacts. The reports shall also include, if necessary, a description of any corrective actions that are deemed necessary and a publicly available plan for timely completion of said actions, including the measures required should there be a change in the project/programme risk categorization to bring the project into compliance with the measures required under the new risk category. A mid-term evaluation report which is required for projects/programmes that are under implementation for over four years, and a final evaluation report, shall also include an evaluation of the project/programme performance with respect to managing environmental and social risks and impacts.

Public Disclosure and Stakeholder Consultation

34. IEs shall identify stakeholders and involve them as early as possible in planning any

project/programme supported by the Fund, and shall continue to do so throughout project preparation and implementation. In ensuring that consultations are meaningful and enhance public participation, the design of consultations and stakeholder engagements shall: (i) consider aspects such as potential challenges to meaningful participation of stakeholders related to status of gender, as marginalized or vulnerable people, and Indigenous Peoples, (ii) the potential need for translation and accessible facilities so that potentially affected people can meaningfully engage in and understand project/programme consultations and documentation and (iii) include processes to integrate consultation inputs into the environmental and social assessment and the project design. As part of this consultation, the results of the environmental and social delivery process, baseline review, and a draft environmental and social assessment, including any proposed management plan, shall be disclosed and made available for public consultations in a manner that is timely, effective, inclusive, held free of coercion, and in a linguistically and culturally appropriate way for communities that are potentially affected by the proposed project/programme. The IE is also responsible for timely and effectively disclosing the final environmental and social assessment to project-affected people, and other stakeholders. Further, on the Fund's website, the Secretariat will timely disclose the final environmental and social assessment to the public. Project/programme performance reports including the status on implementation of environmental and social risk and impact management and mitigation measures, shall also be publicly and timely disclosed. Any significant proposed changes or findings of non-compliance in the project/programme during implementation, including any proposed corrective actions, shall be disclosed and made available for effective and timely public consultation with potentially affected people, provided such processes should take into account where corrective actions are urgent due to a threat of serious harm to people or the environment.

Grievance Mechanism

35. As part of the accreditation and reaccreditation criteria, IEs are required to have and implement a grievance mechanism to deal with complaints related to environmental, social and gender risks or impacts caused by projects. Therefore, prior to implementation of a project/programme, and as part of project design that is meaningfully consulted, the IE shall identify and implement a grievance mechanism. This mechanism will provide potentially affected people an inclusive, culturally and linguistically appropriate, transparent, fair and effective process that, without fear of reprisal, they can easily access to register concerns and/or complaints. The mechanism will receive concerns or complaints in the language of the complainant(s) whether in written or verbal form and register them in a publicly accessible log. The log will include the registered materials in both the complainant's language and in English. The mechanism will address and seek to resolve concerns or complaints in a timely manner. The mechanism can use pre-existing, national, subnational, local, or institution- or project-specific mechanisms, provided the selected mechanism meets the requisite criteria set forth herein and consistent with this ESP, including as they pertain to gender, Indigenous Peoples, and those who are marginalized or vulnerable. Those who raise concerns or complaints shall be made aware of their right to appeal should they be dissatisfied with the outcome of the grievance mechanism process. Concerns or complaints regarding projects/programmes supported by the Fund can also be submitted to 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

36. The Secretariat will respond promptly to all such complaints, and will continue to maintain and make available to the public its Ad Hoc Complaint Handling Mechanism. Where appropriate, and in accordance with the preceding paragraph 35, the Secretariat will refer complainants to the project/programme grievance mechanism identified by the IE as the primary place for addressing complaints.