



## ADAPTATION FUND

AFB/B.44/7/Rev.1

April 10-11, 2025

Adaptation Fund Board  
Forty-fourth meeting  
Bonn, Germany

### Update to the Adaptation Fund's Environmental and Social Policy

#### Strategic Issues

- a) The Adaptation Fund serves the Paris Agreement by accelerating effective adaptation action and efficient access to finance, including through direct access, to respond to the needs and priorities of developing countries.
- b) The Adaptation Fund's Second Medium-Term Strategy puts delivering financing for concrete adaptation projects at the core the Adaptation Fund's mandate.
- c) The complexities and challenges of implementing adaptation projects and programmes with Adaptation Fund financing requires intentional efforts to be aware of and mitigate risks associated with those projects and programmes.
- d) The Adaptation Fund's Environmental and Social protection policy is intended to help ensure that projects and programmes supported by the Fund do not result in unwanted adverse environmental and social consequences contrary to the mission of the Fund.

#### Purpose

1. This board paper presents for the Board's consideration and approval the attached draft of an updated Adaptation Fund Environmental and Social Policy.

#### Recommended Decision

2. The Adaption Fund Board, having considered document AFB/B.44/7 and recalling its decision B.42/56 requesting the Secretariat to prepare a draft of the updated Environmental and Social Policy (ESP), in consultation with relevant stakeholders of the Adaptation Fund and reflective of public comments on the draft, decides:
  - a) To approve the updated Adaptation Fund Environmental and Social Policy (ESP), and;
  - b) To request the Secretariat to update the Guidance Document for Implementing Entities on Compliance with the ESP in alignment with the updated ESP.

#### Background

3. The Board first approved the ESP in 2013 and updated it in 2016 to bring the Fund's practices at that time in line with other development and finance institutions, reflecting the conviction that an ESP is critical to achieving sustainable development objectives and doing no harm.

4. In response to a request from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its seventeenth session (CMP 17) in November 2022 for the Adaptation Fund Board to review and update the environmental and social safeguard policy of the Adaptation Fund (5/CMP.17), the Board requested the Secretariat at its 40<sup>th</sup> meeting in March 2023 to commission an independent review of the Fund's Environmental and Social Policy with a view to updating the ESP (Decision B.40/80).
5. The independent review of ESP was considered by the Board at its 41<sup>st</sup> meeting in October 2023, along with feedback from stakeholder surveys. The Board requested the Secretariat to prepare a background note to support the Board's further consideration of the independent review and stakeholder feedback (Decision B.41/36).
6. At its 42<sup>nd</sup> meeting in April 2024, the Board considered two approaches to updating the ESP, one being a 'fit-for-purpose' approach and the other being a 'check list approach'. The Board decided to follow a 'fit-for-purpose' approach that could include: 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.
7. The Board further considered the independent review and stakeholder feedback, as well as the background note, and requested the Secretariat to accordingly update the policy for presentation at its 44<sup>th</sup> meeting (Decision B.42/56). The full text of that decision is as follows:

Having considered document AFB/B.42/11 and its annex, the Adaptation Fund Board decided:

- (a) To 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) To request the secretariat:
  - (i) To prepare a draft of the updated ESP, in consultation with relevant stakeholders of the Adaptation Fund;
  - (ii) To launch a public call for comments on the draft of the updated ESP with a view to reflecting input received therefrom into the draft of the updated ESP;
  - (iii) To present the output referred to in subparagraphs (b) (i) and (b) (ii) to the Board for consideration at its forty-fourth meeting.

(Decision B.42/56)

### **Recent Work to Update the Environmental and Social Protection Policy**

8. Following the Board's decision at its 42<sup>nd</sup> meeting in April 2024, the Secretariat continued to work with the independent consultant who had conducted the independent review of the ESP of the Adaptation Fund and prepared a draft of the updated ESP.
9. The policy was internally reviewed by the Secretariat and by other subject matter experts who are familiar with the Fund's project and programmes and operational framework, who provided additional independent peer review of the consultant's work to update the policy.
10. The draft updated policy was then shared for consultations with key stakeholders of the Adaptation Fund, including the Fund's implementing entities, Designated Authorities, the Adaptation Fund Board, and the Adaptation Fund CSO Network. A call for public input was also launched to allow a broad scope of stakeholders to provide comment on the draft of updated ESP. The verbatim stakeholder feedback is contained in Annex B.
11. Should the Board decide to approve this policy, as a next step the Secretariat would operationalize the policy through communication to implementing entities and other relevant stakeholders, as well as provide webinars and other briefing opportunities to support operationalization by implementing entities. In addition, the secretariat would develop updated Guidance Document for Implementing Entities on Compliance with the ESP.
12. Annex A contains the draft updated Environmental and Social Policy and Annex B contains a compilation of verbatim stakeholder feedback.

## **Annex A: Draft Updated Environmental and Social Policy (ESP)**

### **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 with, 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 (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 IEs 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.”<sup>1</sup>
8. The ESP requires identification and assessment 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 and, as a general rule, will require preparation of an Environmental and Social Impact Assessment (ESIA). Projects/programmes with potential adverse risks or impacts that are less adverse than Category

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<sup>1</sup> Adaptation Fund, OPG, “Instructions for Project or Programme Funding for Adaptation Fund,” part II (H).

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 minimal or 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 identify and 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 IEs environmental and social assessment (ESA) shall be proportionate with the identified risks of the project/programme activities. Following the forecast of the impacts, the ESA will also identify measures necessary 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 Category B or C 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.
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## **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 cause unwanted harm to the environment, public health, or those who are marginalized or vulnerable. In those instances where some adverse impact is unavoidable and a project/programme is allowed to proceed, projects/programmes must be designed and implemented in accordance with the mitigation hierarchy. Further, as part of the IE's responsibilities for the project/programme, all IEs 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, 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<sup>2</sup>.

#### *Compliance with the Law Applicable to the Project/Programme*

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

#### *Human Rights*

13. Projects/programmes supported by the Fund shall respect and promote those 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 are in accord with those obligations and 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

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<sup>2</sup> These Principles have been guided by relevant environmental and social instruments of multilateral institutions which provide climate finance

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) shall: (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) be protected from gender-based violence and sexual exploitation, abuse and harassment; and (d) 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/programmes 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: a) be informed of their rights; b) not be subject to forced eviction, c) be consulted on their options, and d) be offered technically, economically, and socially feasible resettlement alternatives and/or fair and adequate compensation. In this manner, projects/programmes 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 Natural Habitats, and Sustainable Management of Living Natural Resources*

21. Projects/programmes supported by the Fund shall be designed and implemented to protect and conserve biodiversity and natural habitats, particularly critical habitats; ensure environmental flows of water; maintain the benefits of ecosystem services; promote the sustainable use and management of living natural resources, and avoid the introduction or use of known invasive species.

*Climate Change*

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

*Pollution Prevention and Resource Efficiency*

23. Projects/programmes supported by the Fund shall meet applicable international standards of Good International Industry Practice (GIIP), for protecting public health; maximizing energy efficiency while minimizing material resource use; the production management and disposal 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 and pesticide 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, consistent with applicable international standards of Good International Practice, projects/programmes will anticipate the potential adverse risks and impacts on the health and safety of affected communities during the project/programme 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 shall preserve and safeguard 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 engagement with stakeholders will take place in a timely and effective manner so they can be meaningfully informed of, and have input into, project design and implementation throughout the project life-cycle, including the development of measures to mitigate, manage, and monitor environmental and social risks and impacts. Stakeholders shall also have accessible and inclusive means to participate in project design and implementation, as well as 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 shall ensure that any potential environmental and social 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 through the appropriate planning and deployment of resources, including through environmental and social management measures that 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. In addition, the system will be designed and implemented to ensure that the Secretariat is promptly informed by the IE in the event of a significant incident of project/programme-related environmental or social harm.

### **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 Assessment*

31. For all projects/programmes that have environmental or social risks other than risks that are minimal, (i.e. all Category A and B projects/programmes), the IE shall conduct an ESA that identifies the environmental or social impacts. The ESA 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 ESA 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 ESA 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 ESA shall be provided to the Secretariat in the Fund's official language as soon as it is completed. Prior to the Secretariat submitting the ESA to the Board, the Secretariat may require the use of an Environmental and Social Management Framework (ESMF) 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 ESA 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 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 ESA and the project design. As part of this consultation, the results of the environmental and social delivery process, baseline review, and a draft ESA, 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 ESA to project-affected people, and other stakeholders. Further, on the Fund's website, the Secretariat will timely disclose the final ESA 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 has been 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. Provided the complainants have first sought to avail themselves of the project grievance mechanism, concerns or complaints regarding projects/programmes supported by the Fund may 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](mailto: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.

## Annex B: Compilation of the Comments Received through Public Calls for Comment on a Proposal for updated Adaptation Fund Environmental and Social Policy

The secretariat had launched a public call for comments, during a period from 12 to 28 February 2025, on the draft of updated Environmental and Social Policy of the Adaptation Fund (the ESP), asking for comments to be sent to the Adaptation Fund Board Secretariat (the Secretariat) via e-mail by 26 February 2025.<sup>1</sup> In response, the Secretariat received a total of 13 responses, a majority with substantial comments, including three from members/alternates of the Board, five from Implementing Entities, one from Designated Authorities, a coordinated response from the Adaptation Fund CSO Network, and three from other stakeholders.

The received comments verbatim are presented in the below table.

Response to the guiding questions	Stakeholder comments
<i>1. Does the draft of the updated ESP address the key issues and risks that may be involved in Adaptation Fund finance? Are there any elements which are not covered in the draft of the updated ESP?</i>	<b>[Public A]</b> <ul style="list-style-type: none"> <li>While the updated ESP seems to indicate strengthening protections for vulnerable groups, it could benefit from more explicit guidance on addressing compound vulnerabilities when multiple risk factors intersect (e.g., elderly indigenous women with disabilities)</li> <li>The ESP would benefit from a clearer description of FPIC being an iterative process, rather than a one-off consent that the IE needs to get before implementing an activity.</li> <li>The ESP would benefit from mentioning specifically risks of maladaptation to be identified and mitigated during project design.</li> </ul>
	<b>[Public B]</b> <p>The draft ESP makes significant progress in addressing environmental and social risks associated with Adaptation Fund finance. However, there are critical elements that require further development or inclusion:</p>

<sup>1</sup> <https://www.adaptation-fund.org/call-for-comments-on-the-update-to-the-gender-policy-of-the-adaptation-fund/>.

	<ul style="list-style-type: none"><li>• <b>Maximization of Benefits:</b> While the policy effectively focuses on risk mitigation, it does not explicitly mention the importance of maximizing environmental and social benefits. A more comprehensive approach should balance risk management with proactive strategies to enhance positive outcomes in projects.</li><li>• <b>Exclusion List:</b> The document does not reference a List of Exclusion to explicitly define activities that should not be funded under any circumstances due to their potential negative environmental or social impacts. The inclusion of such a list would provide clearer safeguards and prevent financing of projects that inherently conflict with the Fund's objectives.</li><li>• <b>Context-Specific Application of FPIC:</b> The draft ESP establishes Free, Prior, and Informed Consent (FPIC) as a requirement for projects affecting Indigenous Peoples. However, its application should consider national contexts and existing legal frameworks. In Mexico, for instance, FPIC is already required for the establishment of Protected Natural Areas (ANP), meaning that for many projects within these areas, FPIC has already been conducted. The policy should clarify how FPIC requirements interact with pre-existing legal obligations to avoid redundant processes.</li><li>• <b>Clarification on Alignment with Other International Funds and Standards:</b> The ESP states that it aligns with the practices of other leading financing institutions in environment and climate financing. Nevertheless, it does not explicitly specify which institutions or funds it refers to. For greater clarity and transparency, it would be beneficial to explicitly mention the specific funds and standards with which this policy aligns, such as the Green Climate Fund (GCF), the Global Environment Facility (GEF), or the environmental and social safeguards of multilateral development banks.</li></ul>
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	<p><b>[RIE]</b></p> <p>The ESP covered key areas and issues, as in the principles, that are important for consideration in E&amp;S impact and risk assessment. The principles are standard compared to other IFC Safeguards policies.</p>
<p><i>2. Does the draft of the updated ESP provide an effective framework to ensure that projects/programs funded by the Adaptation Fund do not result in unwanted adverse environmental and social consequences? Are there any areas that need more clarity or explanation?</i></p>	<p><b>[Public A]</b></p> <ul style="list-style-type: none"> <li>• There could be more clarity on the categorization of projects (A, B or C) and possible thresholds for those.</li> <li>• Considering the relatively small size of the AF, it could be a question whether it should at all allow for projects categorized as A or high risks of negative Environmental or Social impacts to be approved.</li> <li>• More detailed guidance on minimum timeframes for consultation periods and specific requirements for meaningful engagement with vulnerable groups could be beneficial (a definition for “meaningful engagement/participation”). This is especially relevant, but not limited to, when the project engages with or might affect Indigenous Peoples.</li> <li>• The ESP could benefit from demanding entities to develop an Indigenous Peoples Plan (IPP), or IP framework, if the project includes the involvement of IPs in project activities, or if AF funded activities might potentially affect IPs and their territories.</li> <li>• To ensure proper transparency and accountability it would be beneficial that the CSOs groups or any interested party could access the Environmental and Social Assessment of medium and high risk projects prior project approval (parag.31)</li> </ul>

	<p><b>[Public B]</b></p> <p>The draft ESP provides a solid foundation for risk management but requires greater specificity in certain areas to enhance its effectiveness:</p> <ul style="list-style-type: none"> <li>• <b>Project Categorization Clarity:</b> The definitions of Category A, B, and C projects could be further refined by providing examples or references to additional guiding documents. This would help implementing entities (IEs) ensure proper risk classification and management.</li> <li>• <b>Alignment with National Laws:</b> While the ESP acknowledges compliance with applicable legal obligations, it does not explicitly address how national laws will be integrated into the risk management process. Specifically, regarding <i>Labor Rights and Safe Working Conditions</i>, greater clarity is needed on how national labor regulations align with the Fund's safeguards and how potential discrepancies between national and international standards will be managed.</li> <li>• <b>Involuntary Resettlement and Land Use Restrictions:</b> The document lacks a clear stance on whether resettlement should be strictly avoided or under what circumstances it could be deemed "inevitable." The ESP should also clarify whether the Fund has absolute prohibitions on certain land-related activities or if decisions are left to case-by-case assessments.</li> </ul> <p><b>[MIE1]</b></p> <p>A point of concern is that AF is proposing we conduct an Environmental and Social Impact Assessment at design stage. This can be very problematic, I would be interested in knowing:</p> <p>How this assessment differs from the detailed ESP risk analysis already conducted which informs the ESMP?</p> <p>Also paragraph 31 briefly mentions 'before construction begins' is this therefore only applicable to infrastructure? Also currently we comply with national EIA legislation in our projects, the AF does not detail which EIA legislation we need to comply with. If we assess according to national legislation that an EIA is not required do we not need to complete it? Will the AF have its own EIA requirements that would in effect be supranational?</p>
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	<p>The AF proposes that if we cannot conduct ESIAs at design (presumably for those activities that require them - defined by who?) then they need to be submitted to the Secretariat to be submitted to the Board. If the Board needs to approve any infrastructure EIA or ESIA this will significantly delay project implementation. Also if IEs need to include EIAs, that will have an impact on the length of the annexes which have a page limit of 100 pages. It is already very challenging to keep to the current page limit.</p>
	<p><b>[MIE3]</b></p> <p>The categorization criteria are unclear, and specific guidance is needed to differentiate between categories. Paragraph 8 of the Policy Update states that “projects/programs with no adverse environmental or social risks or impacts should be categorized as Category C.” However, this contradicts Paragraph 31, which suggests that some Category C projects may still have environmental and social (E&amp;S) risks: “for all projects/programs that have environmental or social risks (i.e., all Category A and B projects/programs, potentially some Category C projects/programs).” Further clarification is required to define the E&amp;S risks acceptable under each category, particularly for Category C.</p> <p>Further clarity is needed on the ESS assessment requirements triggered by each category and their respective hierarchy. In particular:</p> <ul style="list-style-type: none"> <li>• Based on our experience as an implementing agency, it is crucial to clearly define which ESS study is required for each project category, at what stage of the project, and how different ESS studies complement one another. The policy primarily focuses on ESIAs while only briefly mentioning ESMs and ESMFs, without clearly explaining their relationship or how they interact.</li> <li>• Further clarity is needed on whether all projects, regardless of category, require an ESIA. If so, what should an ESIA for a Category C project entail, and how does it differ between</li> </ul>

	<p>Category A and Category B projects? From our perspective, ESIA's are most relevant for Category A projects.</p> <ul style="list-style-type: none"> <li>• In our experience, ESIA's are broad in scope and costly. If they are required for all categories, including B and C, how can their scope be proportionate to the identified risks of the project or program activities, particularly for projects with limited risks?</li> <li>• Does the policy update take into account the resource implications of across-the-board ESIA developments by implementing agencies?</li> <li>• For projects with both identified and unidentified components, shall the ESMP include an ESMF?</li> <li>• If the only potential E&amp;S risks of a Category C project arise from unidentified sub projects (USPs), can only an ESMF be developed (hence no ESIA or ESMP)?</li> </ul>
	<p><b>[RIE]</b></p> <p><i>Paragraph 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.</i></p> <p><i>Paragraph 32. ....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.</i></p> <ul style="list-style-type: none"> <li>• There needs to be a glossary and a definition of terms in the Policy. For example, the definition of "significant" impacts needs more context-specific guidance especially for small island states. Terms like "significant" (Para 21), "unjustified" (Para 21, 22), and</li> </ul>

	<p>"adequate" (Para 32) are subjective and could lead to inconsistent implementation. It will be useful to expand these definitions.</p> <ul style="list-style-type: none"> <li>• Principle 11 on climate change considerations (Para 22) is too narrowly focused on greenhouse gas emissions. We should consider including: <ul style="list-style-type: none"> <li>○ Ocean acidification</li> <li>○ Sea-level rise considerations</li> <li>○ Climate-induced migration</li> </ul> </li> <li>• Cultural Heritage (Para 25) should also include traditional ecological knowledge (TEK).</li> </ul>
<p><i>3. Are there any aspects of the updated ESP which you would like to see in any guidance document?</i></p>	<p><b>[Public A]</b></p> <ul style="list-style-type: none"> <li>• Detailed guidance on implementing the FPIC process, including specific steps, documentation requirements, and methods for <b>continued monitoring and verification</b> of consent.</li> <li>• (Humana) Step-by-step guidance on conducting intersectional vulnerability assessments and developing appropriate mitigation measures could be beneficial, including potential indicator requirements for the ESMPs to be developed.</li> <li>• (Humana) Guidance for conducting meaningful consultations could be added, to which level and in each of the different project cycle steps could it be useful to have consultations?, what are the essential elements that need to be part of the consultations? What are the roles and responsibilities of IEs, EEs and DAs in the consultations?</li> </ul>
	<p><b>[Public B]</b></p> <p>For effective implementation, the following aspects should be expanded upon in a <b>guidance document</b>:</p> <ul style="list-style-type: none"> <li>• <b>Detailed Explanations of Project Categories:</b> A reference document with case studies of Category A, B, and C projects would aid in risk assessment and classification.</li> </ul>

	<ul style="list-style-type: none"> <li>• <b>Application of FPIC in Different Contexts:</b> A guidance note on how FPIC applies in different legal and project contexts would prevent confusion, particularly in countries where it is already required for specific activities.</li> <li>• <b>Comprehensive Exclusion List:</b> A dedicated section defining non-eligible activities would prevent financing of projects that contradict the Fund's principles.</li> </ul>
	<p><b>[MIE1]</b></p> <p>It seems that AF reduced the principles from 15 to 14 and tried to combine 3 principles under one (Biodiversity + Natural Habitats + Land and Soil Conservation). While this is welcomed, might be good to clarify why AF decided to take this approach.</p> <p>In Paragraph 8 they define Category C as projects/programmes with no adverse ES risks while in paragraphs 29 they define Category C as minimal or no adverse ES risks. It would be good to unify the definition.</p> <p>What is missing is AF's guidance notes that will help us better understand compliance requirements and whether there are likely to be any challenges to compliance.</p> <p>the AF includes its own contact details for GRM complaints while at the same time stating: "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." Will this be compulsory to include their contact details for GRM complaints and where exactly? How AF foresee the use of our GRM vs the AF GRM?</p>
	<p><b>[MIE3]</b></p>

	<ul style="list-style-type: none"> <li>• Further guidance on project categorization and subsequent environmental and social assessments would be helpful.</li> <li>• An updated guidance document for Implementing Entities on compliance with the Adaptation Fund Environmental and Social Policy that aligns with the updated policy would help provide better clarity on the application of ESIA, ESMPs, and ESMFs.</li> <li>• Further guidance regarding specific content requirements the AF places on ESIA, ESMPs, and ESMFs would be useful.</li> <li>• Further guidance on AF's 15 principles and how they should be addressed in ESMPs and ESMFs would be helpful, particularly in relation to USPs, as this has arisen during technical reviews. For instance, the AF could consider including a dedicated session addressing USP specific guidance regarding ESS. A basic template framework would be helpful.</li> </ul> <p><b>[RIE]</b> The requirement for the Environmental and Social Management Framework needs to be clarified in the guidance note. What is the trigger for the ESMF as opposed to the ESIA and ESMP.</p> <ul style="list-style-type: none"> <li>• The link between the national and the AF ESP screening requirements (in Figure 1) needs to be further expanded. For example, are the national and EF screening processes triggered in parallel?</li> </ul>
<p><i>4. Do you have any additional comments or suggestions regarding the revised ESP?</i></p>	<p><b>[Public A]</b></p> <p>The policy could benefit from more explicit guidance on how to integrate traditional and/or indigenous knowledge and local expertise into project design and implementation while ensuring appropriate protection of intellectual property rights.</p> <p><b>[Public B]</b></p> <ul style="list-style-type: none"> <li>• <b>Grievance Mechanism Strengthening:</b> The policy requires implementing entities (IEs) to establish grievance mechanisms, but it does not provide clear guidance on oversight, enforcement, or escalation procedures. A more robust approach to ensuring accountability in grievance handling is necessary. Best practice suggests that the grievance mechanism of the</li> </ul>

	<p>implementing entity should be the primary channel rather than defaulting first to the Fund's mechanism. To ensure clarity, the policy should explicitly state that grievances will be addressed primarily through the implementation of the entity's mechanism, with escalation to the Fund only when necessary.</p> <ul style="list-style-type: none"> <li>• <b>Stronger Language on Compliance and Monitoring:</b> In several sections, the ESP "promotes" or "encourages" certain principles but does not establish strong enforcement mechanisms. Stronger compliance language, such as "ensuring" or "requiring", would reinforce the Fund's commitment to high environmental and social standards.</li> </ul>
	<p><b>[MIE1]</b></p> <p>The main issue is regarding Unidentified Sub-Projects (USPs) and the requirement regarding finalising the ESMP at the inception phase. We do not think this is realistic because to plan for the baseline and identify target areas we need to do the inception workshop and then carry out surveys and additional consultations to work out the details of the activities. Based on our experience in implementing AF projects, we think it could be better to provide the full ESMP by PPR 1 rather than the inception report.</p> <p>Of particular note are three points firstly the new ESP 14 on Stakeholder Engagement. This appears to be in part a duplication of the new ESP 4 on 'Marginalised and Vulnerable Groups and Individuals' in terms of identifying them. ESP 14 also specifies that meaningful consultation needs to take place with beneficiaries, this may be problematic as some reviewers may consider that as we identify its beneficiaries during implementation meaningful consultations cannot take place until implementation, adding further burden of reporting for non ESP compliance at design. Again, AF compliance guidance notes will be more informative.</p>

	<p><b>[MIE3]</b></p> <p>Is it worth addressing cases of projects with several executing entities and their responsibilities in relation to ESS? From our perspective, it would it be worthwhile for the policy to be clear about the "chain of command" regarding implementation "partners" and their respective ESS-related responsibilities.</p>
	<p><b>[RIE]</b></p> <p>It would be beneficial for IE if the ESP guidance include the following in the guidance note.</p> <ol style="list-style-type: none"> <li>1. E&amp;S screening check list based on the ESP principles</li> <li>2. Risk assessment/categorization framework</li> <li>3. Templates and checklist for EIA and ESMP, ESMF</li> </ol> <p>Examples of environmental and social management (Safeguards) instruments for different project Category.</p>

#### <Overall/General Comments>

<p><b>[Public C]</b></p> <p>The updated draft of the Environmental and Social Policy (ESP) for the Adaptation Fund addresses key environmental and social risks, such as displacement, livelihood loss, and social inequalities, but could benefit from further attention in a few areas. These include addressing cumulative impacts of multiple projects, focusing on gender and intergenerational equity, and managing cross-sectoral interactions like agriculture and water resources.</p> <p>The draft provides a solid framework for safeguards, assessments, and monitoring, but it could be strengthened by clearer guidance on meaningful stakeholder engagement, risk mitigation protocols, and enforcement mechanisms. Additionally, the policy would benefit</p>
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from more specific guidelines on environmental and social impact assessments (ESIAs), monitoring and evaluation procedures, and capacity-building for implementers and local communities.

Further improvements could include clarifying the policy's scope across different project scales, explicitly incorporating climate justice, and ensuring alignment with local or national development plans for long-term sustainability.

In conclusion, while the draft lays a strong foundation, more clarity and detail in key areas would help ensure that Adaptation Fund projects are effective, inclusive, and aligned with sustainable development goals.

#### **[Public B]**

The updated ESP presents a strong framework, but its effectiveness can be significantly improved by:

1. Including a maximization of benefits approach, ensuring projects not only mitigate risks but also enhance positive environmental and social outcomes.
2. Explicitly referencing a List of Exclusion to prevent financing of high-risk activities.
3. Clarifying the application of FPIC in national contexts, avoiding redundant or unnecessary consultations where legal frameworks already mandate FPIC.
4. Providing additional guidance documents to support implementation, particularly regarding project categorization, FPIC application, and grievance mechanisms.
5. Strengthening compliance language to ensure enforceability and accountability.

Addressing these aspects will enhance the clarity, applicability, and overall impact of the Adaptation Fund's Environmental and Social Policy.

#### **[Board A]**



- As a contributor government, it would be desirable if the changes made to the draft ESP would bring AF's E&S principles – as much as reasonably possible – more **in line with the standards of other leading climate finance institutions** (such as the IFC Performance Standards or World Bank ESS). As far as we can see, the updated ESP contains 15 principles, which broadly cover the topics also covered by the IFC Performance Standards. We were wondering if you see room for further alignment here.

The Principles are not described in great detail, whereas the IFC Performance Standards describe in a detailed manner the requirements that need to be met in order to be compliant with the IFC Performance Standards. For the previous ESP, there was a [guidance document](#), which gave some additional information on the Principles. We were wondering if the **Guidance Document** that had been developed before for Implementing Entities will be updated accordingly, once the new ESP is approved.

- There is no mention of **Serious Incident Reporting** within a certain timeframe, neither with regard to Implementing Entities reporting incidents to AF, nor with regard to AF reporting serious incidents to donors. AF does require Implementing Entities to operate a Grievance Mechanism, and AF allows grievances to be sent directly to them by mail/phone/email. There is also a reference to an “Ad Hoc Complaint Handling Mechanism”. A Grievance Mechanism, while being a channel for concerns/complaints through which serious incidents could potentially also be reported, is not the same as an actual Serious Incident Reporting process. The latter defines both a) what constitutes a serious incident and b) which immediate steps need to be taken to prevent further harm and ensure timely corrective action. Such a process is by now a fairly standard component of Environmental and Social Management Systems (ESMS). The description of such a procedure does not necessarily have to be written in the E&S Policy, but it should then at least be detailed elsewhere (operational documents, guidance documents or similar).
- There is no mention of any **exclusion criteria** or **definition of ineligible activities** in the updated ESP. However, having a set of exclusion criteria is also now rather common in environmental and social risk management. The independent review of the ESP also recommended that AF consider introducing such a “list of ineligible activities”. We were wondering why it was decided not to add exclusion criteria or a list of ineligible activities in the updated Policy.
- The draft ESP describes how Implementing Entities should assess and manage environmental and social risks/impacts as well as monitor safeguards implementation. While the description is comprehensive, the draft ESP is very much focused on the responsibilities of the Implementing Entities and does not really describe the **due diligence obligations of the Adaptation**

**Fund** (i.e. its review and monitoring function vis-à-vis the Implementing Entities that carry out subprojects). It would be good practice to describe AF's obligations as well; a section on this should ideally be added.

- In the section on Gender Equality and Women's Empowerment, we suggest replacing "women and men (and girls and boys where relevant)" with "**all genders**".

Our comments are also motivated by requirements we are facing from our federal court of auditors in respect of contributions to multi-donor trust funds, such as the Adaptation Fund.

## **[MIE2]**

Para 16 – Once possible adverse risks/impacts are identified, mitigation measures should be identified through an Indigenous Peoples Plan.

Para 26 – Suggest revise wording. Consider replacing "Inclusive means" with "inclusive channels".

Para 31 – Environmental and Social Impact Assessment (ESIA) and environmental and social assessment (ESA) seem to be used interchangeably throughout the text, causing confusion. We understand that Environmental and Social Impact Assessment is a specific tool that is normally used for the projects that have high risk (category A). It would be good to make a distinction of definition and applicability of each (ESIA and ESA).

Para 32 – Please include applicability of ESMF by category risk and provide additional guidance on how this would differ from the ESMP. Would that require some specific reporting in the PPR?

Para 34 – Applicability by category risk should be better clarified. As regards disclosure of the PPRs, can you please indicate whether the Fund will disclose them or is it an obligation for the IEs?

Para 35 – Publicly accessible log of complaints. Please note that personal and sensitive information cannot be included in a publicly available log, it might endanger the complainant especially in the case of social risks. Only aggregated statistical information could be made publicly available.

As we expect that after approval of the new ESP the Secretariat will update the Guidance document for Implementing Entities on compliance with the Adaptation Fund Environmental and Social Policy, we suggest some improvement to the Guidance:

- Include additional guidelines/examples on AF requirements for environmental and social risk assessment for proposals that include USPs.

- Include additional guidelines/information on environmental and social risk management requirements during project implementation and reporting through PPRs, as the current guidance is more focused on design phase.
- Include specific reference to the Innovation projects, as ESS reporting might differ from regular single-country and regional projects.

#### **[Public D]**

The draft environmental and social policy of the Adaptation Fund addresses the key environment and social impact risks that could arise from the implementation of projects funded by the Adaptation Fund. It also has comprehensive provisions on environmental and social risk management systems and environmental and social policy delivery process.

However, we observed that some of the draft principles are unclear and have provided specific comments on these issues with recommendations on how to address them.

#### **Specific Comments on the Principles**

##### **1. Compliance with the Law Applicable to the Project/Programme**

There is no clear definition of what constitutes international law. It is important to provide clarity on what would qualify as international laws in this instance.

Also, there may be instances where an implementing entity may not be able to fully comply with an international law requirement due to technical limitations, geographic restrictions or financial incapacity. The draft E&S Policy should specify what laws will apply in such instances. Failing to do so may inadvertently limit access to the Adaptation Fund for projects in vulnerable communities.

In addition, since the implementing entities will usually be either regional or local entities, it may be a challenge to impose international laws or customs which have not been ratified locally into local agreements especially where these international laws exceed the E&S standards required for local projects under domestic law. Also, it does not take into consideration, circumstances where there is a conflict between international laws, standards and customs on one hand and local laws on the other, where the implementing entity could be in breach of a local law or at risk of legal action, simply by complying with the provision of international law on an issue.

Our recommendation is that the compliance requirement should be limited to local laws and international laws that have been incorporated under local laws within the jurisdiction where the project is to be implemented. If there are specific international laws or customs or guidelines which the Adaptation Fund requires to be complied with for any specific categories of projects, such laws should be incorporated into the compliance requirements of projects on a case-by-case basis.

##### **2. Human Rights**

This principle states that projects supported by the Fund shall respect and promote human rights directly applicable to the project in accordance with national legal obligations and international human rights laws. It is not clear what human rights will be applicable to specific projects and our view is that the inclusion of the wording could result in ambiguity.

The definition of human rights in this principle should only be limited to the definition of human rights under any domestic laws and under applicable international human rights laws.

We recommend that the principle should state that the projects shall respect and preserve human rights (as defined under applicable national legislation and international human rights laws) and shall not result (whether directly or indirectly) in or promote any human rights abuses or infringements in contravention of any applicable national legislation or international human right laws.

### 3. Access and Equity

The use of “potentially affected communities and individuals” in this principle is unclear. A replacement of this phrase with “target communities and individuals” could provide better clarity on the persons to which this principle relates.

### 4. Conservation of Biological Diversity and Sustainable Natural Resource Management

The principle states that the projects supported by the Fund shall avoid any significant or unjustified reduction or loss of biodiversity. There is no guidance on what will constitute a significant or unjustified reduction or loss of biodiversity, and this could lead to ambiguity and an uneven application of the principle.

We recommend that the principle should include more specific guidance on how this principle will apply. For example, there could be a strict restriction on projects that result in biodiversity depletion except in certain instances which could be specified in the Guidance notes.

### 5. Climate Change

There is no guidance on what will constitute significant or unjustified increase in greenhouse gas (GHG) emissions and this could result in an uneven application of the principle.

We recommend that there should be specific guidance on what will constitute significant or unjustified GHG emissions. There could also be an outright ban on the use of fossil fuel energy sources for any projects supported by the Fund due to their high emissions.

[DA]

**General Environmental and Social Commitment:**

Comment: Emphasize building local capacity for managing risks; include training for long-term sustainability.

**Compliance with the Law:**

Comment: Support local authorities in harmonizing and enforcing legal obligations.

**Access and Equity:**

Comment: Actively engage marginalized communities; provide support to overcome participation barriers.

**Marginalized and Vulnerable Groups:**

Comment: Empower through capacity-building, economic opportunities, and social protection.

**Indigenous Peoples:**

Comment: Ensure culturally sensitive FPIC process with continuous dialogue and support for participation.

**Labor Rights and Safe Working Conditions:**

Comment: Strengthen mechanisms for monitoring labor conditions; ensure grievance mechanisms are accessible.

**Restrictions on Land Use/Involuntary Resettlement:**

Comment: Develop comprehensive resettlement plans with livelihood restoration and community consultation.

**Conservation of Biological Diversity:**

Comment: Involve local communities in conservation through community-based management and alternative livelihoods.

Climate Change:

Comment: Integrate climate adaptation measures; build resilience to climate impacts and promote sustainable practices.

**Pollution Prevention and Resource Efficiency:**

Comment: Include specific examples or case studies from least developed countries.

**Community Health, Safety, and Security:**

Comment: Build local capacity in health and safety management; include training programs and partnerships.

Cultural Heritage:

Comment: Outline steps for engaging communities in preservation; provide examples of successful projects.

**Stakeholder Engagement:**

Comment: Add tools or platforms for effective stakeholder engagement; provide guidelines for inclusive strategies.

**Environmental and Social Risk Management:**

Comment: Include examples of successful systems; provide a step-by-step guide for risk assessment and mitigation.

**Policy Delivery Process:**

Comment: Include criteria and examples for project categorization.

**Environmental and Social Impact Assessment:**

Comment: Emphasize baseline review, inclusive consultation, alternative analysis, and robust mitigation measures.

**Environmental and Social Management Plan:**

Comment: Provide clear mitigation strategies, build local capacity, and ensure strong institutional support.

**Monitoring, Reporting, and Evaluation:**

Comment: Advocate for regular monitoring, adaptive management, and timely corrective actions.

**Public Disclosure and Stakeholder Consultation:**

Comment: Highlight early and continuous engagement with stakeholders.

**Accessible Information:**

Comment: Advocate for making project information accessible to all stakeholders, including those in remote or marginalized areas. This may involve translation into local languages and using appropriate communication channels.

**Meaningful Participation:**

Comment: Stress the importance of ensuring meaningful participation of all stakeholders, particularly women, Indigenous Peoples, and other vulnerable groups. Their involvement is key to the project's success and sustainability.

**Grievance Mechanism:**

Transparent Process:

Comment: Recommend the establishment of a transparent and accessible grievance mechanism that allows community members to voice their concerns without fear of reprisal. This mechanism should be well-publicized and easy to access.

Cultural Sensitivity:

Comment: Ensure that the grievance mechanism is culturally sensitive and respects local customs and traditions. This can enhance its effectiveness and acceptance among the affected communities.

Timely Resolution:

Comment: Advocate for the timely resolution of grievances to maintain community trust and project integrity. Clear timelines and procedures should be established for addressing complaints.

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ADAPTATION FUND

AFB/B.43-44/Inf.1  
11 February 2025

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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.”<sup>1</sup>

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<sup>1</sup> 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.

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## **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](mailto: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.



ADAPTATION FUND

AFB/B.43-44/Inf.1  
11 February 2025


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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.”<sup>1</sup>

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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.

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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.

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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](mailto: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.



ADAPTATION FUND

AFB/B.43-44/Inf.1  
11 February 2025

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Adaptation Fund Board

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

مقييد - Restricted

## 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.”<sup>1</sup>

<sup>1</sup> 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 where 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*

42. Projects/programmes supported by the Fund shall comply with all applicable laws, including national laws and/or obligations of the country directly applicable to the activities under relevant international treaties and agreements, whichever is the higher standard, 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.

**Commented [A1]:** As Per the GCF language as best standard and practice.

#### *Human Rights*

43. 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. be designed and implemented in a manner that will promote, protect and fulfil universal respect for, and observance of, human rights for all recognized by the United Nations. The fund will require the application of robust environmental and social due diligence so that the supported activities do not cause, promote, contribute to, perpetuate, or exacerbate adverse human rights impacts.~~

**Commented [A2]:** As Per the GCF language as best standard and practice.

#### *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 health, clean water and sanitation, energy, and education. Projects/programmes should not exacerbate existing and/or legacy-related inequities, particularly

w ith 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 w omen and children, (including ~~addressing gender~~ differentiated risks on women and girls), and on the elderly, indigenous people, tribal groups, displaced people, refugees, people living w ith 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 ~~and local communities~~

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 w omen 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

~~48. All activities financed by the Fund will promote decent work, fair treatment, non-discrimination and equal opportunity for workers, guided by the core labor standards of the International Labor Organization. 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.~~

~~49. 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~~

**Commented [A3]:** Unusual language used which is not normally applied in other projects., therefore referring back to GCF regulation.

~~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 (GIIIP), 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 post management. Programmes/projects supported by the Fund shall be designed and implemented in a way that meets applicable international standards for maximizing energy efficiency and minimizing material resource use, the production of wastes, and the release of pollutants.~~

#### *Community Health, Safety, and Security*

**Commented [A4]:** Unnecessarily stringent, referring back to the original policy to avoid imposing a burden on entities.

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

34. 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~~

**Commented [A5]:** Referring back to the previous version as current version is stringent and imposes unnecessary complexities.

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, the potential to cause environmental or social harm (i.e. all Category A and B projects/programmes), the implementing entity shall prepare an environmental and social assessment that identifies any environmental or social risks, including any potential risks associated with the Fund's environmental and social principles set forth above. The assessment shall (i) consider all potential direct, indirect, transboundary, and cumulative impacts and risks that could result from the proposed project/programme; (ii) assess alternatives to the project/programme; and (iii) assess possible measures to avoid, minimize, or mitigate environmental and social risks of the proposed project/programme. As a general rule, the environmental and social assessment shall be completed before the project/programme proposal submission to the Adaptation Fund. In some Category B projects/programmes where the proposed activities requiring such assessment represent a minor part of the project, and when inclusion in the proposal is not feasible, a timeline for completing the environmental and social assessment before construction begins shall be incorporated in the agreement between the Board and the implementing entity following the project/programme approval, and reported through the annual project/programme performance report. A copy of the environmental and social assessment shall be provided to the secretariat as soon as the assessment is completed. Prior to submitting the environmental and social assessment to the Board, the secretariat may require further information from the implementing entity on the environmental and social assessment, mitigation, and management of risks, if deemed necessary.

#### *Environmental and Social Management Plan*

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](mailto: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.