



ADAPTATION FUND

# COMPLIANCE WITH ENVIRONMENTAL AND SOCIAL POLICY (ESP)

Readiness Write-shop

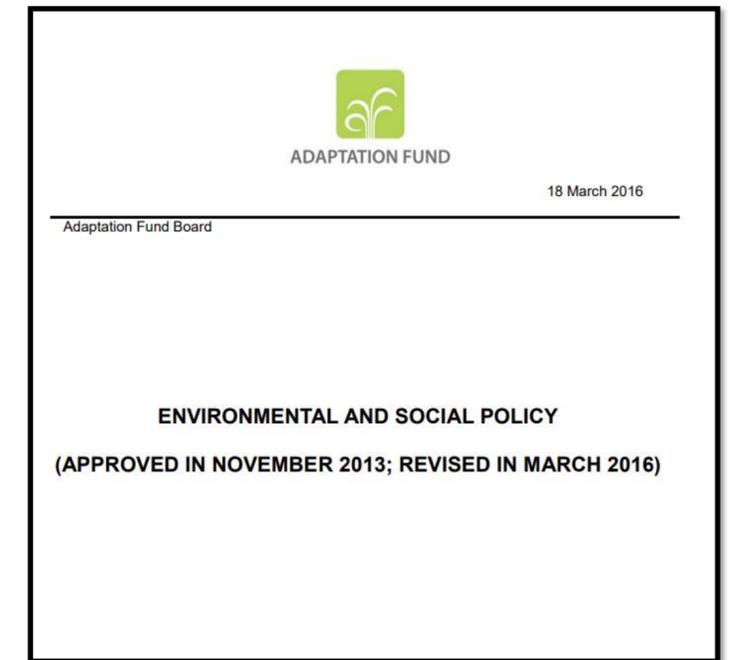
Recife, Brazil

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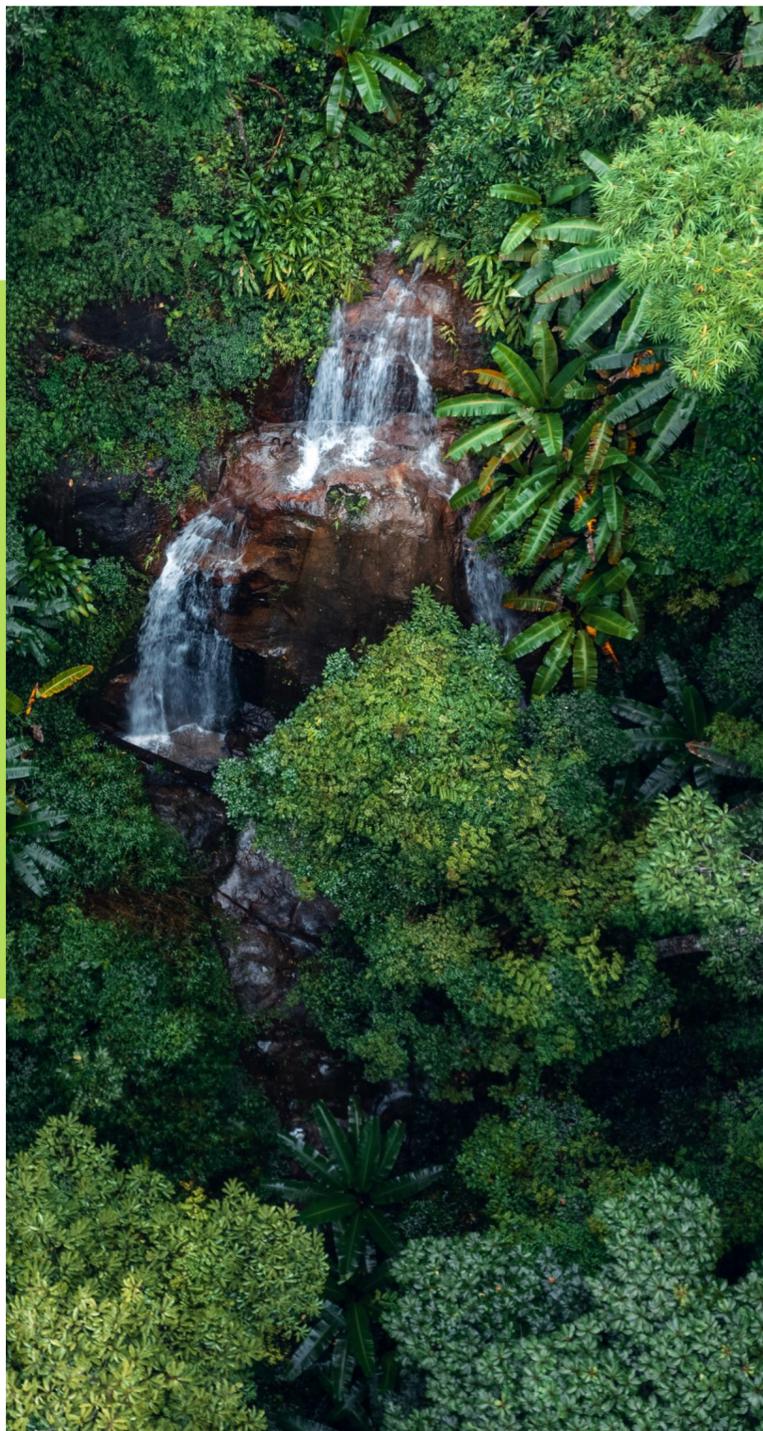
# Environmental and Social Policy (ESP)

- Ensures projects and programmes **promote positive environmental and social benefits**, and **mitigate or avoid adverse environmental and social risks and impacts**
- ESP is operationalized during two key processes:
  1. Accreditation
  2. Project and programme review





# Key Considerations



## ■ Equitable Benefits & Inclusion

Clearly identifies **vulnerable beneficiaries** (e.g., rural communities, coastal households)

Ensures **equitable distribution** of benefits, including **targeted actions** for Indigenous or marginalized groups

Covers **economic, social, and environmental gains** with some quantification

## ■ Avoiding Harm & Maladaptation

Project design **avoids negative development trade-offs**

Does **not increase vulnerability** of any group (beneficiaries or otherwise)

Aligned with the AF's mandate to reduce risks and build resilience

## ■ Unidentified Sub-Projects (USPs)

- USPs are **justified clearly** and included **only where relevant** (e.g., under LLA or Innovation funding windows)

- Safeguards and risk screening mechanisms for USPs are in place

- Compliance with ESP during implementation is addressed



# Key Considerations



## ■ Core Principles of the ESP

Applies to **all projects and all activities**—no exceptions.

Is **evidence-based**: claims must be backed by verifiable facts.

Is **risk-based**: the nature and scale of risk determine the level of assessment.

Risks are identified against **15 ESP principles** (e.g., human rights, biodiversity, gender equity)

## ■ Proportionality and Process

**Commensurate approach**: Big risks → thorough assessment; small risks → proportionate effort.

**Impact assessments** are required for identified risks (if relevant).

**Environmental and Social Management Plan (ESMP)** must outline measures to avoid, minimize, or mitigate risks.

## ■ Flexibility in Compliance

ESP is **non-prescriptive**: any method may be used if principles are met. **IE safeguard systems are not pre-cleared** for equivalency—each project must show direct compliance.



# Key Considerations



## ■ Stakeholder Engagement

**Consultation is mandatory** throughout the project cycle.

All projects must have a **grievance mechanism** for addressing complaints.

## ■ Risk Identification & Compliance

Potential **environmental and social risks** are identified and described

**ESP checklist completed**, with risks justified and **assessments and mitigation** measures integrated

Fulfills ESP requirements on risk categorization and management.

## ■ Risk Categorization

Projects are categorized based on the **severity of potential negative environmental and social impacts: Category A** – High risk, **Category B** – Moderate risk, **Category C** – Low/no risk

The **ESP process requirements remain the same**, regardless of category—only the **depth of assessment** varies.



# 15 ESP Principles



1. Compliance with the Law
2. Access and Equity
3. Marginalized and Vulnerable Groups
4. Human Rights
5. Gender Equality and Women's
6. Empowerment
7. Core Labour Rights
8. Indigenous Peoples
9. Involuntary Resettlement
10. Protection of Natural Habitats
11. Conservation of Biological Diversity
12. Climate Change
13. Pollution and Cultural Heritage
14. Lands and Soil Conservation



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# Environmental and Social Policy (ESP)

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## Checklist

Have environmental and social risks been identified? And presented against each of the 15 ESP principles?

Have national standards been identified and does the proposal explain how these will be met?

Does the project include activities with considerable inherent risks?

Is there an environmental and social setting with considerable risks?

Project with USPs? (Concept note needs a justification)

Is the project a resubmission of a previous concept or full proposal application with ESP issues?

Does the project include a summary of the findings of impact assessments that were carried out for the principles for which risks have been identified? (if relevant)

Have management measures been identified for the impacts that were assessed?

Has meaningful consultation taken place of stakeholders on the findings of the risks identifications, and of the impact assessments?

Have consultation outcomes been integrated in the project design?



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# Environmental and Social Policy (ESP)

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Checklist	Concept Note	Full Proposal
Have environmental and social risks been identified? And presented against each of the 15 ESP principles?	✓	✓
Has the project been categorised?	✓	✓
Have the identified safeguard measures been integrated into an Environment and Social Mitigation Programme (ESMP)?		✓
Does the ESMP contain clearly allocated roles and responsibilities for its implementation?		✓
Does the ESMP include opportunities for adaptive management?		✓
Does the ESMP include opportunities for consultation?		✓
Are there credible budget provisions, as needed, for the implementation of the ESMP?		✓
Are there clear arrangements for the IE to supervise executing entities for implementation of ESMP?		✓
Are there clear monitoring and evaluation arrangements for ESP compliance?		✓
Are the required USP arrangements in place?		✓
Are there arrangements to monitor during implementation for unanticipated environmental and social risks?		✓
Is grievance mechanism present and is it easily accessible and without undue access restrictions or conditions?		✓



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# Case study – Panama

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## ■ Key Principles Applied in the Panama Proposal

### **Neutral framing**

The proposal avoids attributing positive outcomes within the risk screening section. For instance, instead of stating “the project will empower women,” it objectively identifies risks such as women’s limited participation due to household responsibilities and proposes practical mitigation (e.g., childcare arrangements, scheduling sessions on weekends).

### **No positive attribution**

While the project aims to promote ecosystem restoration and women’s empowerment, these are not used to negate or justify potential risks. For example, biodiversity-related risks are acknowledged (e.g., agrochemical use, bycatch), despite the program’s nature-based approach.

### **Evidence-driven**

Risk assessments are grounded in:

- Consultations with communities and CBOs
- National environmental and health data
- Panama’s Third National Communication on Climate Change
- Recent regulatory updates (e.g., Executive Decree No. 1 on EIA compliance)



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# Case study – Panama (continued)

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## ■ What the Proposal Includes

**Clear identification** of activities that may trigger risks:

- Use of agrochemicals (pollution risk)
- Livelihood activities near mangroves (biodiversity, natural habitat)
- Gendered labor patterns (access and equity)
- Oyster farming (marine species disturbance)

**Justification of risk levels:**

- Most are rated “low probability” but with “moderate impact,” e.g., exclusion of marginalized groups or pollution due to traditional practices

**Mitigation measures** integrated into the ESMP:

- Bioinput training and soil health restoration
- Childcare support to improve gender inclusion
- Biodiversity-friendly fishing techniques
- Labor law awareness sessions with the Ministry of Labor



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## Case study – Panama (continued)

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### Common Mistakes Avoided in the Proposal

✓ **Saying:** “There’s a risk that agrochemical waste may impact soil and water if not managed”

✗ **Not saying:** “The project will promote healthy soils and empower local farmers”

✓ **Noting:** “Women’s availability may be limited unless structural constraints are addressed”

✗ **Not saying:** “Women will gain decision-making power through the project” (though that may be an intended benefit, it’s addressed in the design, not in risk screening)

✓ **Saying:** “Marine species disturbance is a risk if eco-tourism and oyster farming are not properly managed”

✗ **Not saying:** “Oyster farming will strengthen biodiversity conservation”



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# Environmental and Social Management

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## ■ What is the ESMP?

The Environmental and Social Management Plan (ESMP) outlines how a project will **identify, manage, and monitor** environmental and social risks aligned with the Adaptation Fund's policies. It translates ESP risk findings into **concrete actions, measurable indicators, and oversight mechanisms.**

## ■ Key Features from the Panama Project ESMP

### Risk-Based and Principle-Driven

Each of the 15 ESP principles is assessed for:

- Potential risk or impact
- Avoidance or mitigation measures
- Indicators to track implementation
- Timeline and responsible entity
- Resource implications (built into overall program budget)



# ESMP continued

## How Risk Management is Operationalized (Examples)

ESP Principle	Identified Risk	Mitigation Measures	Indicators
Access & Equity	Risk of exclusion or inequitable access	Mapping beneficiaries, outreach to remote areas, inclusive selection criteria	% of vulnerable persons trained (by gender), attrition rate
Gender Equality	Participation limited due to unpaid care responsibilities	Adjust timing of sessions, provide child care support	% of women beneficiaries
Labour Rights	Contractors may violate national labor laws or ILO standards	Include labor clauses in contracts, partner with Ministry of Labor for training	# of labor-related complaints
Biodiversity Conservation	Agrochemical use, bycatch, or unregulated ecotourism may affect ecosystems	Promote bio-inputs, fishing protocols, training in biodiversity-friendly tourism	# of trained participants, hectares under biodiversity measures
Pollution Prevention	Improper waste disposal or excessive agrochemical use	Bioinput training, community waste management, alternatives to chemicals	# using bioinputs, pollution reduction campaigns
Soil and Land Conservation	Soil erosion, compaction due to poor agricultural practices	Farm planning, rotation, conservation techniques	# of farmers trained



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# ESMP continued

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## ■ ESMP Best Practices Observed in Panama Case

**Evidence-driven:** Risks validated with local data, stakeholder feedback, and regulatory context.

**Integrated into project design:** Actions mapped to specific project components, especially Components 1 (livelihoods) and 3 (knowledge & governance).

**Actionable:** Measures are feasible, community-appropriate, and designed to build local capacity.

**Monitored** quarterly or annually by a multi-agency team (Fundación Natura, MiAMBIENTE, MIDA, ARAP, ATP)

**Cost-effective:** Risk mitigation is mainstreamed into existing activities—no separate or excessive cost line.



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# ESMP continued

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## ■ Important Lessons

**Not all risks require mitigation.** But if a principle is triggered, justification must be clear (e.g., no Indigenous Peoples in the project area).

**“Unidentified Sub-Projects” (USPs)** still require early planning for how risk screening and ESMP integration will occur during implementation.

**Grievance redress and transparency** are baked into oversight by requiring formal and informal feedback loops, especially for human rights and labor concerns.



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# Resources

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- Adaptation Fund Environmental and Social Policy: [Available](#)
- Guidance document for Implementing Entities on compliance with the Adaptation Fund Environmental and Social Policy: [Available](#)