



AFB/B.47/10
October 19-23, 2026

Adaptation Fund Board
Forty-Seventh 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.47/10 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 prepare, in consultation with implementing entities and Designated Authorities, updated guidance document(s), and to report to the Board on the results of the consultations for approval.
 - c) To request the Secretariat to present to the Board, together with the updated Guidance Document, a costed implementation support plan for national and regional implementing entities, and options to revise the ceilings of the project formulation grant and project management and execution costs in light of the assessment requirements of the updated policy.

- d) The updated ESP enters into force eighteen months after approval of the Guidance Document. Proposals submitted before entry into force, and projects/programmes already approved, continue to be governed by the ESP as revised in March 2016, save that implementing entities may elect to apply the updated policy. The Board will review implementation of the updated ESP, with specific reference to its effects on national and regional implementing entities and on the direct access share of the portfolio, no later than four years after entry into force.

Background

- 3. The Board first approved the ESP through decision B.22/23 in 2013 and updated it in 2016 through decision B.27/28 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. At the Climate Change Conference in Sharm el-Sheikh in November 2022, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its 17th session (CMP 17) requested the Adaptation Fund Board to review and update the environmental and social policy of the Adaptation Fund, as needed (Decision 5/CMP.17, paragraph 15).
- 5. In response to the mandate from decision 5/CMP.17, paragraph 15, the Board requested the Secretariat at its 40th 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).
- 6. The independent review of ESP was considered by the Board at its 41st 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).
- 7. At its 42nd 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.
- 8. 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 44th meeting (Decision B.42/56).

Recent Work to Update the Environmental and Social Protection Policy

- 9. Following the Board's decision at its 42nd 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.
- 10. The policy was internally reviewed by the Secretariat and by other subject matter experts 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.
- 11. The draft updated policy was then shared for consultations during the intersessional period (B.43-44) 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.

12. Due to insufficient time, the Board was unable to consider this agenda item at its 44th meeting (April 2025) and 45th meeting (October 2025). At its 46th meeting (April 2026), the Board considered a draft of the updated and requested the Secretariat to incorporate comments made during the Board's deliberations of the agenda item and circulate a revised updated draft ESP with the Board intersessionally for comment, and share a revised version of the ESP with the Board's additional comments and edits for the Board's consideration at its 47th meeting. The full text of that decision is below:

The Adaptation Fund Board (the Board), having considered document AFB/B.46/9 and recalling its decision B.42/56 requesting the secretariat to prepare a draft of the updated environmental and social policy, in consultation with relevant stakeholders of the Adaptation Fund and reflective of public comments on the draft, decided to request the secretariat:

- (a) To revise the draft updated environmental and social policy based on the discussion during the Board's forty-sixth meeting and comments received from the Board;
- (b) To share the revised updated environmental and social policy intersessionally with the Board for comments before the Board's forty-seventh meeting;
- (c) To prepare a new version of the revised updated environmental and social policy, based on the comments received, including a report on the implications of the implementation of the amendments on the resources of the Fund and implementing entities, for consideration by the Board at its forty-seventh meeting.

Decision B.46/6

13. The secretariat circulated the revised updated Environmental and Social Policy with the Board for comments intersessionally on 23 July 2026, and received comments and edits from members of the Board to both the policy and the recommended decision.
14. Annex A contains the revised draft updated Environmental and Social Policy with the Board's comments as received during its 46th meeting in April 2026 and comments and proposed edits received from the Board intersessionally since April 2026. Annex B contains a compilation of verbatim stakeholder feedback received during the preparation of the updated ESP.
15. Comments as received from the Board during its deliberations during its 46th meeting in April 2026 are colour coded red. Comments as received from Board members are colour coded in orange, purple, and blue to make it easier to see proposed text suggestions. Where there are two or more proposals to add new or delete the same text, square brackets [] are used to distinguish different proposed text modifications.

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 unnecessary~~ 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, ~~commensurate with the size and nature of activities of the Fund~~. This ESP forms the cornerstone of the Fund's Environmental and Social Management System (ESMS) which allows the Fund to ~~help IEs~~ identify and manage the environmental and social risks of ~~Fund supported~~ activities, by ~~the IEs~~ assessing potential ~~unwanted unnecessary~~ 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 practice~~ among ~~governments, development economists, civil society these institutions~~, and other stakeholders that such policies are critical to ~~achieving contribute to~~ positive sustainable development outcomes and avoiding any unreasonable harm. ~~Many countries, both donor and recipient countries, have also adopted domestic environmental and social laws, policies and institutional systems that are consistent with similar to many of these internationally recognised environmental and social policies principles. Where appropriate, Implementing Entities should build upon such national systems when implementing this Policy, provided they remain responsible for ensuring compliance with the requirements of the Adaptation Fund Environmental and Social Policy.~~
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 unnecessary~~ 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. Implementation of the requirements of this Policy should recognize the differing institutional capacities of accredited Implementing Entities and apply a proportionate approach that reflects the scale, complexity and environmental and social risk profile of the proposed project or programme.~~
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

Commented [A1]: Previous ESP used "unnecessary"

Commented [A2]: Recognition of existing national safeguard systems strengthens country ownership, reduces duplication and promotes efficient implementation while maintaining IE accountability. This is particularly relevant for National Implementing Entities operating within established national environmental and social frameworks.

Commented [A3]: Is this consistent with the new accreditation approach we adopted? If not then should be corrected.

Commented [A4]: The Policy recognises differing institutional capacities but does not explicitly apply this principle to implementation. This amendment would provide greater certainty for smaller National Implementing Entities while maintaining environmental and social standards.

considerations.”¹ Secretariat should develop practical implementation guidance outlining proportionate documentation requirements, including simplified Environmental and Social Assessment and Environmental and Social Management Plan requirements for lower-risk Category B and Category C projects, while maintaining consistency with this Policy.

Commented [A5]: Without practical guidance, smaller Implementing Entities may face uncertainty regarding the level of assessment expected for lower-risk projects.

8. The ESP requires identification and assessment of potential risks and impacts of unwanted unnecessary 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 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 belongs, all environmental and social risks and impacts shall be adequately identified and assessed by the IE proportionate to the nature, scale, location and risk profile of the project/programme and to the scale of Fund financing and in an open and transparent manner with appropriate consultation. Regardless of project category, all environmental and social risks and impacts shall be identified and assessed in a manner proportionate to the nature, scale, complexity and severity of the identified risks, with assessment requirements commensurate with the project's potential impacts.

Commented [A6]: This strengthens the principle of risk-based implementation and improves consistency across Implementing Entities.

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 unnecessary 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. In applying this proportionality principle, the Secretariat should provide guidance on the minimum assessment requirements applicable to each project category, including illustrative examples for lower-risk projects. 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. The Secretariat should publish transparent criteria governing the circumstances under which such exceptions may be applied, together with indicative timelines for completing outstanding assessment requirements.

Commented [A7]: This should apply to all the document with the inclusion of the term “management”

Commented [A8]: The current text for this para. provides flexibility but does not explain when or how it should be exercised. Transparent guidance would improve consistency and predictability during project preparation.

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

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.

10. This policy shall not be used as grounds for the suspension, withdrawal or nullification of the accreditation status of Implementing Entities.

Environmental and Social Policy Statement

A. General Environmental and Social Commitment

11. Environmental and social policies are fundamental to ensuring that the Fund does not support projects/programmes that cause ~~unwanted unnecessary~~ 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 a manner that aims to minimize, mitigate, or manage those risks during implementation ~~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, a~~ Adopt measures to avoid or, where avoidance is ~~not im~~ possible, minimize, ~~or~~ mitigate, ~~manage~~ those risks during implementation, and (iii) monitor and report on the status of those measures during and at the end of implementation. ~~Where an Implementing Entity maintains an Environmental and Social Management System that has been assessed under another internationally recognised climate finance or multilateral development finance accreditation framework, the Secretariat should, where appropriate, seek to minimise duplication of this by recognising equivalent elements of those systems while ensuring compliance with Policy.~~ 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.
12. ~~The requirements of this policy shall be applied in a manner proportionate to the nature, scale, location and risk profile of the project/programme and to the scale of Fund financing. Nothing in this policy requires an implementing entity to produce assessment or management instruments that are disproportionate to the risks and impacts identified~~

Commented [A9]: Many accredited entities implement projects under multiple international funds. Greater harmonisation would reduce unnecessary administrative burden without lowering safeguard standards.

B. Environmental and Social Principles

13. All projects/programmes supported by the Fund shall be designed and implemented to meet the following environmental and social principles, ~~recognizing that, depending on the nature, scale and location of a project/programme, not all principles will be relevant to every project/programme. The implementing entity shall document, for each principle, whether it is engaged by the project/programme and, where it is not, the basis for that conclusion~~².

Compliance with the Law Applicable to the Project/Programme

14. Projects/programmes supported by the Fund shall comply with all national ~~and international~~ laws, ~~that are and where~~ directly applicable to the project/programme's activities, ~~[obligations of the country in which the project/programme operates in under relevant international treaties and agreements,]~~ and ~~[relevant international treaties and agreements where they have been~~

Commented [A10]: The draft takes its structure and much of its wording from the World Bank and IFC frameworks, which were built for large capital operations where high risk categorization is routine and safeguards cost is a small share of the investment. The Adaptation Fund operations are much more modest, grant-financed and rarely involve major works, but safeguards cost is largely fixed, so the same requirement set consumes a far greater share of a Fund grant and falls on entities with a fraction of capacity. Alignment should be of principle and outcome, not of procedural burden.

Commented [A11]: The 2016 ESP chapeau records that not all principles may be relevant to a given project. The draft deletes that sentence, so all fourteen read as applying to every project.

² These Principles have been ~~guided informed by and is intended to be applied in a manner consistent with~~ relevant environmental and social instruments of multilateral institutions which provide climate finance.

incorporated into the national legal framework of the country in which the project/programme operates] OR ~~[relevant international treaties and agreements where they have been incorporated into the national legal framework of the country in which the project/programme operates.]~~ ~~including international treaties and agreements.~~ Where appropriate, compliance with this Policy should be achieved through the application of existing national environmental and social legislation, policies and institutional arrangements, provided these are consistent with the objectives and requirements of this Policy. If applicable legal obligations differ or are inconsistent with each other, projects/programmes will ~~normally~~ comply with the more stringent obligation, ~~provided it can do so and still fulfil the Fund's mission. OR [if applicable legal obligations differ or are inconsistent with each other, projects/programmes will normally comply with the more stringent obligation, provided it can do so and still fulfil the Fund's mission.]~~

Commented [A12]: Propose delete: International agreements are valid for all parties that have ratified them, irrespective of integration into national law.

Commented [A13]: This amendment promotes country ownership and recognises that many countries have mature safeguard systems.

Commented [A14]: Propose delete: Already covered by the following precision. In addition, it creates uncertainty as to what are normal circumstances and what are not.

Commented [A15]: If it is not consistent, how would IE apply something that is not aligned with national laws.

Commented [A16]: To be consistent with Paris Agreement

Human Rights

15. Projects/programmes supported by the Fund shall respect and promote those human rights directly applicable to the project/programme in accordance with ~~respective~~ national legal obligations ~~on 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 ~~the respective national adverse~~ legal obligations on human rights ~~impacts~~.

Access and Equity

16. 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.

Commented [A17]: Legacy-related inequities goes way beyond adaptation fund projects and IEs should not be held accountable for those inequities that existed prior to the presence of the project/programme in the site.

Marginalized and Vulnerable Groups and Individuals

17. 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 ~~[or other context specific factors identified through the environmental and social assessment as experiencing heightened vulnerability due to geographic isolation, remoteness, livelihood dependence on natural resources, socio-economic disadvantage, cultural factors or other context-specific circumstances].~~ 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.

Commented [A18]: The current list may not adequately capture vulnerabilities in SIDS, where remoteness, geographic isolation and dependence on natural resources are often key drivers of vulnerability. Allowing the ESA to identify context-specific vulnerable groups provides flexibility while remaining globally applicable.

Commented [A19]: Propose merging "16. Access and Equity" and "17. [Marginalized and] Vulnerable Groups and Individuals" to reduce duplication

Indigenous Peoples

18. Projects/programmes supported by the Fund shall ~~take into consideration 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 ~~where appropriate and applicable under national legal frameworks~~. 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) ~~consistent with international obligations and implemented in a manner that recognises national frameworks and customary/traditional governance~~

arrangements prior to any Fund supported activity which could adversely affect their rights, lands, territories, resources, or traditional livelihoods where these are consistent with the rights affirmed under UNDRIP. Project/programmes that involve or may impact their lands or territories will also recognize and respect their traditional knowledge and practices. The Secretariat should develop supplementary guidance to support the application of Indigenous Peoples, FPIC, land-use and involuntary resettlement provisions in jurisdictions where Indigenous identity, customary land tenure and traditional governance arrangements apply broadly across society.

Commented [A20]: requires projects to recognize and respect Indigenous Peoples' traditional knowledge and practices, it does not explicitly require the consent of knowledge holders before such knowledge is accessed or used

Commented [A21]: In many Pacific SIDS, customary land ownership and Indigenous identity are integral to national governance rather than applying to a distinct minority population. Additional implementation guidance would improve consistency without altering the substantive rights recognised under UNDRIP.

Commented [A22]: Recognising national gender policies promotes country ownership while maintaining consistency with the Adaptation Fund Gender Policy.

Gender Equality and Women's Empowerment

19. 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. Implementation should, where appropriate, build upon existing national gender equality frameworks and action plans that are consistent with the objectives of the Fund's Gender Policy.

Labor Rights and Safe Working Conditions

20. Projects/programmes supported by the Fund shall meet be guided by 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.
21. 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 directly engaged in the project/programme comply with applicable national employment and labor laws, rules and regulations, and respective international commitments; c) protect workers directly engaged in the project and that are 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 engaged in the project with an accessible and effective grievance mechanism that can be utilized without fear of reprisal.

Commented [A23]: What is meant by 'core supplier'

Commented [A24]: previous principles were drafted at a principle level- this goes into operational details that do not belong at a policy level. it should be reformulated to relate more towards the principle and only is applicable to workers directly engaged in the project.

Restrictions on Land Use and/or Involuntary Resettlement

22. 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. Implementation of these provisions should take into account national legal frameworks governing land tenure, customary ownership and traditional governance arrangements, provided these are applied consistently with the objectives of this Policy and internationally recognized human rights obligations. 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

Commented [A25]: This provides flexibility for countries with customary land tenure systems while maintaining protection of affected people.

Commented [A26]: This is very difficult to do. How can the IE know whether those in the sites were impacted from legacy displacement and why should this place a burden on the IEs?

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

23. Projects/programmes supported by the Fund shall be designed and implemented to protect and conserve biodiversity and natural habitats, particularly ~~critical~~ habitats ~~protected under national legislations~~; 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, ~~establishment and [spread]~~ and/or use of known ~~and/or alien~~ invasive species; ~~maintain ecological connectivity where relevant; and promote ecosystem-based adaptation approaches that strengthen biodiversity conservation and climate resilience.~~

Climate Change

24. 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, ~~taking into account the nature, scale and purpose of the project/programme. The Secretariat should develop supplementary guidance describing appropriate approaches to assessing material greenhouse gas emissions for different project types and scales.~~

Pollution Prevention and Resource Efficiency

25. Projects/programmes supported by the Fund shall meet applicable ~~international~~ national standards ~~of Good International Industry Practice (GIP)~~; for protecting public health; maximizing energy efficiency while minimizing material resource use; the ~~production~~ management and disposal of wastes; and the release of pollutants. ~~The application of these requirements should be proportionate to the environmental and social risk profile of the project/programme. 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. The Secretariat should provide practical guidance on assessing material pollution impacts and resource efficiency measures for projects of differing scales and sectors.~~

Community Health, Safety, and Security

26. 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~~ national 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~~ national standards; and shall have in place effective measures to address potential

Commented [A27]: This better reflects current international biodiversity practice and recognises ecosystem-based adaptation approaches commonly used in climate adaptation programmes.

Commented [A28]: What is 'significant'? The current policy introduces the concept of "significant" emissions without defining materiality. Guidance would promote consistent implementation across different sectors and project scales, particularly for smaller adaptation projects.

Commented [A29]: The current policy introduces the concept of "significant" emissions without defining materiality. Guidance would promote consistent implementation across different sectors and project scales, particularly for smaller adaptation projects.

Commented [A30]: Very Prescriptive

Commented [A31]: Materiality thresholds are not currently defined. Guidance would improve consistency while avoiding unnecessary assessment requirements for low-risk projects.

emergency events, ~~whether due to human-made or natural hazards.~~ [Emergency preparedness and response measures should be proportionate to the nature and scale of identified risks and should, where appropriate, integrate existing national and local emergency management arrangements.]

Commented [A32]: This encourages integration with established national disaster management systems rather than creating parallel arrangements, while preserving the intent of the Policy.

Cultural Heritage

27. 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

28. 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. [Such engagement shall, given, inter alia, the additional travel, accommodation, translation and logistical support that such engagement can require, particularly in geographically dispersed contexts including Small Island Developing States, encourage the recognition of such requirements by adequately reflecting as such in project preparation budgets and timelines. Stakeholders ~~shall~~ **should** also be **provided have** accessible, and inclusive means to participate in project design and implementation, as well as to raise issues and grievances, with effective means to **raise and** address such concerns available to all concerned without fear of reprisal.]

Commented [A33]: Consultations in geographically dispersed contexts, including outer islands and Small Island Developing States, require additional travel, accommodation, translation and logistical support, which can significantly increase preparation costs and timelines. Recommend that project preparation guidance explicitly recognise these additional logistical requirements and costs, and encourage them to be adequately reflected in project preparation budgets.

C. Environmental and Social Risk Management System

29. 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"). [Where Implementing Entities operate within established national environmental and social legal, policy and institutional frameworks that support the objectives of this Policy, such national systems may be recognized and built upon so as to strengthen country ownership and reduce duplication, while the IE remains responsible for meeting the requirements of this ESP. The Board should also explore opportunities to reduce duplication by recognizing existing ESMS assessments and safeguard systems developed under other recognized international financing mechanisms, where appropriate, while ensuring continued compliance with this ESP.]
30. 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, or manage all such risks and impacts; that the implementation of such

Commented [A34]: Reduce this principle to outcomes

Commented [A35]: Many IEs operate within established national environmental and social legal, policy and institutional frameworks. Recognising and utilising these systems, where they support the objectives of the ESP, can strengthen country ownership and reduce duplication while maintaining IE accountability. Separately, IEs accredited to multiple climate finance and development mechanisms may otherwise be required to maintain multiple, substantially similar ESMS, creating administrative burden without necessarily improving outcomes; recommend the Board explore recognising existing ESMS assessments and safeguard systems developed under other recognised mechanisms.

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 recognition of the different institutional capacities of implementing entities, particularly national implementing entities, the Secretariat shall, as appropriate, provide technical guidance and support to assist IEs in meeting and maintaining these requirements in a manner commensurate with their capacity.** **The Secretariat shall develop and publish practical guidance on the application of proportionality, including simplified ESMS documentation, tiered environmental and social assessment and environmental and social management plan requirements for lower-risk projects/programmes, and clearer expectations for Category B and Category C projects/programmes.** In addition, the system will be designed and implemented to ensure that the Secretariat is promptly **and fully** informed by the IE **taking into account their respective capacities.** 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

31. In a manner consistent with the Environmental and Social Principles, all proposed projects/programmes activities shall be reviewed by the IEs to identify **and address** 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 **encompassed within** 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 **or equivalent high risk/impact category.** 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 **or equivalent intermediate risk/impact category.** Those projects/programmes with minimal or no adverse environmental or social risks and impacts should be categorized as Category C **or equivalent low risk/impact category.** **The Categorization serves as an early screening to determine the appropriate level of assessment.** **The scope and depth of environmental and social assessment, management and monitoring requirements shall be proportionate to the nature, scale and severity of the identified risks and impacts.** The Secretariat shall also provide context-appropriate guidance on materiality thresholds for greenhouse gas emissions and pollution-related impacts to support consistent application of this categorization, with flexibility to reflect different project scales, sectors and national circumstances.

32. The process of identifying potential environmental and social risks and impacts shall also

³ The Secretariat will develop and maintain a list of activity types excluded from Fund support consistent with the Fund's mandate, the ESP Principles, and applicable international standards. This list will be made publicly available and updated periodically.

Commented [A36]: The draft recognises differentiated IE capacity, but practical application of proportionality remains largely dependent on Secretariat discretion, which may create uncertainty for smaller and resource-constrained IEs regarding preparation requirements, timelines and resourcing. Request that the Secretariat develop and publish practical guidance on applying proportionality, including simplified ESMS documentation, tiered ESA/ESMP requirements for lower-risk projects, and clearer expectations for Category B and C projects

Commented [A37]: This is subject to the board guidance not the secretariat

Commented [A38]: (i) Materiality thresholds - the draft refers to 'significant' GHG emissions and pollution-related impacts without defining materiality thresholds; without further guidance, application may vary across IEs and may not reflect the scale of smaller projects or national portfolios. (ii) Proportionality - further clarity would support consistent application of the proportionate risk-based approach across the diverse range of IEs, including smaller and resource-constrained institutions.

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

33. Unless projects/programmes have minimal or no environmental or social risks, (i.e. all Category C projects/programmes), the IE shall conduct an ESA that identifies the environmental or social risks and 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, ~~manage~~, 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. In conducting the ESA, IEs may apply national or internationally recognized methodologies, where as appropriate, to the context of the project/programme. 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 and having the necessary mitigation and management action plans in place (such as through an ESMP described below) before construction begins shall be incorporated in the agreement between the Board and the IE and reported through the annual project/programme performance report. ~~The Secretariat shall establish transparent criteria for applying this exception, together with timely technical guidance and support to assist Implementing Entities, particularly smaller and resource-constrained National Implementing Entities for whom the need for external specialist expertise to undertake ESAs makes such circumstances relatively common rather than exceptional, in completing environmental and social assessments and related management plans.~~ 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

34. 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, ~~management~~, 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

Commented [A39]: The draft requires ESA completion prior to project/programme submission, with exceptions considered where timelines are not feasible. For many smaller and resource-constrained IEs, external specialist expertise is required to undertake ESAs, making this circumstance relatively common rather than exceptional. Request that the Secretariat establish transparent criteria for applying the exception under this paragraph, together with timely technical guidance and support to assist IEs in completing ESAs and related management plans.

finalized due to project/programme exigencies, including where there may be unidentified sub-projects, at the **time of** approval by the Secretariat, the ESMP(s) may consist of **an** 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

35. 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, **manage**, 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

36. 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. **Given that consultations in geographically dispersed contexts, including outer islands, remote communities and Small Island Developing States, require, inter alia, additional travel, accommodation, translation and logistical support, project preparation guidance should explicitly recognize these requirements and encourage that they be adequately reflected in project preparation timelines and budgets.** 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

Commented [A40]: This is stringent and will hinder access to the fund. This paragraph requires flexibility measures in place in case the IE does not have the resources to do all of these arrangements

Commented [A41]: The draft appropriately recognises the need for meaningful stakeholder engagement, including outer islands and remote communities. However, consultations in geographically dispersed contexts, including Small Island Developing States, require additional travel, accommodation, translation and logistical support, which can significantly increase preparation costs and timelines. Recommend that project preparation guidance explicitly recognise these additional logistical requirements and costs, and encourage them to be adequately reflected in project preparation budgets.

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

37. 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; ~~and 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 ~~with~~ an inclusive, culturally and linguistically appropriate, ~~safe, confidential,~~ 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.~~ ~~Existing grievance mechanisms meeting these requirements may be utilised without requiring a separate project-specific mechanism.~~ 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 N119
1818 H Street NW
Washington DC 20433
USA

Tel: 001-202-478-7347
afbsec@adaptation-fund.org

38. 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.

Commented [A42]: The draft appropriately allows the use of pre-existing national, subnational, local or institutional grievance mechanisms where they meet the required criteria. Maintaining this flexibility avoids unnecessary duplication while strengthening existing systems. Recommend that the final Policy explicitly confirm that existing grievance mechanisms meeting the requirements of this paragraph may be utilised without requiring separate project-specific mechanisms.