



ADAPTATION FUND

27 December 2017

Adaptation Fund Board

Accreditation Panel recommendation on re-accreditation of National Bank for Agriculture and Rural Development (NABARD) as National Implementing Entity of India

Having reviewed the re-accreditation application of National Bank for Agriculture and Rural Development (NABARD), the Accreditation Panel recommended that NABARD be re-accredited as a National Implementing Entity (NIE) of the Adaptation Fund.

A summary of the review can be found in Annex I.

Re-accreditation Decision:

Having considered the recommendation of the Accreditation Panel, and following the fast-track process described in Decision B.28/38, the Adaptation Fund Board decided to re-accredit National Bank for Agriculture and Rural Development (NABARD) of India as a National Implementing Entity (NIE) of the Adaptation Fund for five years, as per paragraph 38 of the operational policies and guidelines for Parties to access resources from the Adaptation Fund. The re-accreditation expiration date is 26 December 2022.

Decision B.30-31/8

ANNEX I: REPORT OF THE ACCREDITATION PANEL ON AN ASSESSMENT OF THE NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD) OF INDIA FOR FAST TRACK RE-ACCREDITATION AS A NATIONAL IMPLEMENTING ENTITY (NIE) OF THE ADAPTATION FUND.

Background

1. The National Bank for Agriculture and Rural Development of India has applied for re-accreditation with the Adaptation Fund in June 2017. NABARD has qualified for fast track re-accreditation because the Bank was accredited by the Green Climate Fund (GCF) within a period of four years prior to the submission of the re-accreditation application to the Adaptation Fund. The GCF accredited NABARD as a National Implementing Entity (NIE) in July 2015 based on the Bank's existing accreditation as a National Implementing Entity of the Adaptation Fund.

Assessment for Fast Track Re-accreditation

2. The assessment for fast-track re-accreditation was conducted in accordance with decision B.28/38 and document AFB/EFC/19/7/Rev.1 (Effectiveness and Efficiency of the Accreditation Process) focusing on the following criteria:

The Fiduciary Standard related to the legal status

3. There has been no change since the initial accreditation. The basis of the legal status was revisited and the Panel concludes that NABARD continue to fully meet this fiduciary criterion.

Policies and Framework to deal with financial mismanagement and other forms of malpractice

4. There have been significant changes. After accreditation in 2012, NABARD continued to enhance its policies, systems, procedures, and processes in dealing with fraud, financial mismanagement and other forms of malpractices as well as their publication for use by staff and the public. New instruments were issued and existing ones were updated such as: **Fraud Risk Management Policy Guidelines** that categorically indicated the Bank's policy of zero tolerance to fraud, financial mismanagement, and other malpractices; **Things to Remember** and **Dos and Don'ts** to guide staff in maintaining the highest standards of ethics; **Staff Accountability Policy Guidelines** which stipulate the accountability of staff members for financial management including accountability arising out of irregularities; **Frauds – Guidelines for Classification, Reporting and Monitoring of Frauds**; **Citizens Charter** to inform the public of the functions, activities and projects of NABARD to improve the quality of public service; **Employee Code of Conduct** that sets out expectations on how staff are to conduct their business; **Grievance Redressal Mechanism** that deals with general grievances from the public; Modification of the **Public Interest Disclosures and Protection of Informer (PIDPI)** to incorporate a section on "**Whistle Blowers**"; and **Guidelines for Debarring of NGOs/Other**

Agencies by NABARD doing business with the Bank that do not comply with agreements and contracts entered into with them.

5. Moreover, some offices and committees were established or enhanced such as the *Risk Management Department* to handle all types of risks; the **Grievance Redressal Committee** and the **Grievance Redressal Appellate Committee**¹ that deal with grievances and concerns of individuals/employee in respect of the decision of the bank relating to service matters. **Central Vigilance Offices** at the Head Office and in Regional Offices were also established to receive and handle complaints from the public relating to financial mismanagement or allegations of fraud committed by partners or other agencies implementing NABARD projects/programmes and to coordinate with the Central Vigilance Commission of the GoI. Finally, an enhanced quarterly reporting to the Reserve Bank of India on the **Action Plan on Anti-Corruption Measures**.

6. NABARD indicated to the Panel that for the past two years (2016-2017), the major scope of grievances received are of administrative nature and that no issues on financial mismanagement and other forms of malpractices were referred to the Central Vigilance Cell.

7. The Panel also took note that after accreditation, the Bank not only continued to strengthen its capacities in dealing with fraud, financial mismanagement and/or any forms of malpractices but promoted a more ethical culture by providing guidance on how their staff are to properly conduct their business, manage risks, and detect at an early stage and help prevent any fraudulent or irregular activities.

8. The Panel is satisfied that NABARD has zero tolerance towards fraud, financial mismanagement and other forms of malpractice, policies and systems to deter or identify such behavior, and the commitment and the capability to receive reports of such behavior, have them objectively and independently reviewed and take appropriate action where the behavior is confirmed.

Commitment by the entity to apply the Fund's Environmental and Social Policy (ESP) and Gender Policy

9. There have been enhancements since the initial accreditation. The commitment of the Government of India (GoI) in addressing climate change related concerns was demonstrated with the formulation of the National Action Plan on Climate Change (NAPCC) in June 2008 and with the establishment of 8 National Missions to reduce the vulnerability to the impacts of climate change through adaptation and mitigation measures. And in 2015, the GoI established a funding mechanism, the National Adaptation Fund for Climate Change (NAFCC) to support adaptation actions to combat the challenges of climate change in sectors like agriculture, water and forestry.

¹ Circular No. 101/PPD-17/2009, Grievances Redressal System (NIE029-58).

10. NABARD was then designated as the National Implementing Entity (NIE) for implementation of adaptation projects under NAFCC by the Ministry of Environment and Climate Change of India. This designation was based on the accreditation of NABARD as the National Implementing Entity (NIE) for the Adaptation Fund (AF) and its presence across the country. Under this arrangement, NABARD would perform roles in facilitating identification of project ideas/concepts from (SAPCC), of stakeholders including State Governments project formulation, appraisal, sanction, disbursement of fund, monitoring & evaluation and capacity building.

11. NABARD has also demonstrated how it continues to enhance its capacity in formulating and implementing the relevant environmental and social policy and gender policy of the Adaptation Fund by implementing various initiatives that addresses the challenges posed by climate change particularly in the areas of agriculture and rural livelihood sectors. In this direction NABARD is channeling national, international and private finances for adaptation and mitigation activities in India. ²

12. In 2015, the Management of the Bank realized although NABARD had a system of screening large and multidisciplinary projects for environmental and social risks, it did not have a formal, structured and integrated environmental and social policy and that the Bank anchors several projects, directly targeting women, being implemented across the country over the years there was no specific board approved policy of its own. Thus, they developed and formulated two new policies, The Environmental and Social Policy and Gender Policy and obtained approval from the Board. These two policies are robust and comprehensive and are based on the policies of the Adaptation Fund and in line with the international organizations' practices. The Bank also endeavours to adopt the principles and standards of the environmental and social policy and gender policy of the Adaptation Fund for other on-going and/or newly proposed projects that they are either financing, supporting and/or supervising.

13. The Panel thus noted that after having been accredited with the Adaptation Fund, NABARD became an enabler in fostering the commitment of the government to implementing, strengthening their capabilities in addressing the challenges of climate change.

14. The Panel is satisfied that NABARD continues to have robust policies and practices that fully demonstrate the Bank's commitment and the capability to comply with the Environmental and Social Policy and Gender Policy of the Adaptation Fund.

Mechanism to deal with complaints on environmental and social harms and gender harms caused by projects/programs

15. There have been enhancements since the initial accreditation. The new **Environment and Social Policy and Gender Policy of NABARD as mentioned above have very specific provisions on the Bank's** NABARD's general environmental and social commitment as:

² <http://www.nabard.org/content1.aspx?id=521&catid=8&mid=489>

“environmental and social policies are fundamental to ensuring that NABARD does not support projects/programmes that unnecessarily harm the environment, the vulnerable communities or contributes to poverty, social inequality or gender discrimination.”

16. The Policy provides that all implementing entities shall identify a grievance mechanism that provides people affected by projects/programmes which are supported by NABARD with an accessible, transparent, fair and effective process for receiving and addressing their complaints about environmental or social harms caused by any such project/programme. The mechanism can be national, local, or institution or project specific and grievances related to the environmental and social policy and the gender policy could be registered either through the centralized public grievance redress and monitoring system of the GoI, by post, through VIP references, or through the NABARD portal. A centralized mechanism system of monitoring actions taken and disposal of such complaints was put in place and can easily be accessed from the website

17. The Panel is satisfied that NABARD has the commitment and the capability to receive, independently review and take remedial action where appropriate on complaints regarding environmental, social and gender harms caused by its programs and projects.

Assessment of AF funded projects

18. The other aspect of focus for re-accreditation as set out by the Board (Decision B.22/3 approved on 26 October 2013) is the results of the assessment of the implementing entity's performance regarding quality at entry and project/programme implementation.

19. The Secretariat provided the available information on the assessments of project performance with inception dates between 23 June 2015 and 1 April 2017. The Secretariat explained that the assessment of quality at entry is dictated by the implementing entities (IE) compliance with the Environmental and Social Policy (ESP) and Gender Policy (GP) of the Fund, as well as with review criteria, which have to be met for a project/programme to be considered for approval by the Board. Further assessments on project/programme performance are conducted by the IEs through the submission of Project Performance Reports (PPRs) annually commencing at the end of each year after inception date, at mid-term and at project finalization of the project.

20. Annex 1 of the Detailed Analysis of the Report to the Panel sets out more information on project amounts, inception dates, disbursements made to date, balance of the approved amount, and assessment status of project performance.

21. The Secretariat informed the Panel that to date, only two projects were due to submit their first PPRs and the Secretariat's review resulted in satisfactory performance for both. No project has reached mid-term stage at this time.

Recommendation

The Accreditation Panel recommends that the National Bank for Agriculture and Rural Development (NABARD) of India be re-accredited on fast track as a National Implementing Entity of the Adaptation Fund.