ADAPTATION FUND

19 January 2026

Adaptation Fund Board

Accreditation Panel Recommendation on the Re-accreditation of the National Bank for Agriculture and Rural Development (NABARD), India as a National Implementing Entity (NIE) of the Adaptation Fund

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

A summary of the review is presented in Annex I below.

Re-accreditation Decision:

Having considered the recommendation of the Accreditation Panel, the Adaptation Fund Board decided to re-accredit the ***National Bank for Agriculture and Rural Development (NABARD), India*** as a National Implementing Entity (NIE) of the Adaptation Fund for five years, as per paragraph 39 of the operational policies and guidelines for Parties to access resources from the Adaptation Fund. The accreditation expiration date is 19 January 2021.

Decision B.45-46/10

ANNEX I

REPORT OF THE ACCREDITATION PANEL ON AN ASSESSMENT OF THE NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD), INDIA FOR REGULAR RE-ACCREDITATION AS A NATIONAL IMPLEMENTING ENTITY (NIE) OF THE ADAPTATION FUND

BACKGROUND

The National Bank for Agriculture and Rural Development (NABARD) was accredited as a National Implementing Entity (NIE) of the Adaptation Fund in July 2012 and reaccredited in December 2017. The re-accredited status of NABARD terminated on 26 December 2022, and the process of second reaccreditation is underway with a deadline (end of grace period) of 27 December 2025.

During the period since initial accreditation, NABARD was awarded six projects for a total value just below USD 10 million, whose performance is reported at the end of this report. The Projects focused on climate resilience and livelihood security, addressing watershed development, inland fisheries, agriculture, coastal resources, and ecological security. The Green Climate Fund accredited NABARD in July 2015 and re-accredited it in October 2022. It approved three projects, for an estimated value of USD 531.3 million (USD 376.9 million of co-financing and USD 154.4 million directly from GCF); all projects are under implementation with end dates in 2026 and onwards.

THE APPLICANT

NABARD is India's apex development bank, established in 1982 under an Act of Parliament (hereinafter NABARD Act), as amended also in 1984, to promote sustainable and equitable agriculture and rural development. In its journey of more than four decades, the premier development financial institution has transformed lives in Indian villages through agri-finance, infrastructure development, banking technology, promotion of microfinance and rural entrepreneurship, and more. It continues to aid in nation building through participative financial and non-financial interventions, innovations, technology, and institutional development in rural areas.

NABARD is a fully owned Government of India (hereinafter GoI) entity; it resulted from the spin-off of the agricultural credit functions of the Reserve Bank of India (hereinafter RBI) and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC).

The origin and status of NABARD are of relevance in the re-accreditation process as its overall legal and accountability framework are established by the GoI and the RBI more specifically; the Bank is also submitted to the rigorous provisions of Basel III global banking regulatory framework and the oversight of RBI, on which its license depends.

Vision		*Development Bank of the Nation for Fostering Rural Prosperity*

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Mission		*Promote sustainable and equitable agriculture and rural development through participative financial and non-financial interventions, innovations, technology and institutional development for securing prosperity.*

NABARD is governed by the Board of Directors as per the NABARD Act, which defines also its composition.

ASSESSMENT OF NABARD FOR REACCREDITATION

The Assessment for regular re-accreditation was conducted in accordance with the AF Board Decision 34/3 on re-accreditation.

The assessment was also conducted against the Fund's Accreditation Criteria related to Anti-Money-Laundering/Countering the Financing of Terrorism (hereinafter AML/CFT), pursuant to Board Decision B.32/36 based on AFB/EFC.23/4. Since NABARD was already implementing six AF projects, the assessment relied on implementation progress reports and completion reports, as available at the AF Secretariat. Therefore, the Criteria for institutional capacity related to projects during implementation, criteria 6, 7, 8, and 9 were not assessed.

The Criteria used in this assessment are those reported in the Summary Assessment here below.

For the latter two criteria, the reviewers were assisted by an expert Consultant made available through the AF Secretariat. In addition, in accordance with the relevant Board Decision (Decision B.31/26 of March 2018), the Panel has considered the limited information available on third-party assessments on project performance.

The assessment was based on
- the completed application form for re-accreditation,
- the comprehensive documentation provided throughout the process,
- responses provided by NABARD to the inquiries of the Panel until the end of December 2025,
- the review of other documents obtained from NABARD and other related institutions.

SUMMARY ASSESSMENT

Financial Management and Fiduciary Standards Assessment

Legal status
This criterion is met. There are only minor changes to the legal act establishing NABARD after the re-accreditation which took place in 2017. The applicant possesses the appropriate legal personality, capacity, authority, and ability to enter into contracts or agreements and to directly receive funds from international and national institutions and

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the private sector, as well as the legal capacity to serve as a plaintiff or defendant in a Court of law.

Policies and procedures related to anti-money laundering and countering the financing of terrorism (AML/CFT) on disbursements, procurement, breaches of financing laws, and necessary investigation activities

This criterion is met. NABARD's AML/CFT Policy, aligned with the India Prevention of Money Laundering Act (PMLA) of 2002, outlines Know Your Customer requirements, including Customer Due Diligence procedures, verification methods, and periodic updates. It establishes provisions to ensure clear roles and responsibilities, monitoring and training measures, reporting and dealing with breaches at different levels. Being a special financial institution, NABARD's AML/CFT Policy is also subject to RBI inspections and reporting to the India Financial Intelligence Unit.

Financial Statements Including Project Accounts statement and the Provisions for Internal and External Audits

This criterion is broadly met with scope for further developing the Internal Audit function in line with international standards. The applicant's financial statements are being prepared in accordance with applicable Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and regulatory norms prescribed by RBI, as confirmed by the clean audit opinions received on recent financial statements. The AS are aligned with IFRS. Except otherwise mentioned, the accounting policies have been consistently applied by NABARD and are consistent with those used in the previous years.

The applicant's accounts are externally audited on an annual basis in accordance with the Auditing Standards issued by ICAI, which are based on the International Standards on Auditing. The annual results of the external audit of the Standalone and Consolidated Financial Statements are an integral part of the Annual Report of NABARD and are available on its website.

NABARD's accounting policies, as documented in the Annual Report, are set out in the "Expenditure Rules" manual. The bank uses multiple IT systems for financial reporting, and various workflows. These systems have been deemed adequate to support the preparation of unqualified audited financial statements.

NABARD has not yet established an internal audit function in accordance with internationally recognized standards, such as those of the Institute of Internal Auditors, but the Chief of Inspection Department is also acting as Head of Internal Audit. The Department started performing risk-based inspections, encompassing internal audit aspects, and risk-based audits, accompanied by concurrent audit activities (ex-ante and ex-post control verifications) provided by external contractor(s). The Panel concludes that NABARD's organizational arrangements for the Inspection Department, and the latest Inspection Manual and Risk-Based Internal Inspection and Audit Policy, provide the necessary independence for its consolidating internal audit function. The Manual and

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Policy contain the key elements needed for ensuring a solid path towards a risk-based internal audit function.

NABARD has a functioning Audit Committee of the Board (ACB). During the FY 2024-2025, it consisted of 10 members (1 expert, 7 belonging to RBI and/or Government, 2 Deputy Managing Directors), whose membership is established in line with the NABARD Act.

The set-up and functioning of the ACB provide assurance on its role of overseeing the independence and effectiveness of the inspection and internal audit function, and NABARD's external auditors, inter alia.

Internal Control Framework with particular reference to control over disbursements and payments

This criterion is met. NABARD's Accreditation documentation reflects the key elements of an Internal Control Framework, although an integrated document as such is not available. Notably, these are embedded in the Enterprise Risk Management Framework adopted by the Bank, in line with its obligations under Basel III provisions. The management representation letter provided to the External Auditors contains a statement of assurance on the effectiveness of the internal control system.

NABARD's financial and accounting systems, supported by the necessary processes and procedures, demonstrate that the Bank has adequate controls over payments/disbursements of different types and sources of funding.

Preparation of Business Plans and Budgets, and ability to monitor expenditures in line with budgets

This criterion is met. NABARD's Corporate Planning Department undertakes the key responsibility of integrating various functional departments of the organization, interfaces with the Government on policy-related matters, liaises with various international bodies for funding of developmental projects, and undertakes annual credit planning and budgeting exercises. NABARD produces multi-year strategic plans, the current one ending in 2028.

NABARD provided a one-pager of its budget and its implementation, that is presented to the ACB. The Annual Report 2024-2025, as well as the previous years' reports provided by the Bank, and other publicly available documentation demonstrate the capacity of the Bank to prepare multi-annual budgets, annual budgets, and project planning and budgeting, monitoring of budget execution with discussions at management, ACB and finally Board level. In order to ensure budget management and monitoring, the Bank relies on different software applications, taking information from them, and consolidating them for reporting to the governing bodies.

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Requisite Institutional Capacity

Procurement
This criterion is met. NABARD procurement rules are consistent with international practices and applicable national public procurement rules, including e-procurement solutions. They cover roles and responsibilities, decision-making process, transparency and equal treatment, bid protest and dispute resolution.

Transparency, self-investigative powers, anti-corruption measures, and Commitments to E&S and Gender Policies

Policies and Framework to deal with financial mismanagement and other forms of malpractices
This criterion is met. The Panel concludes that the Bank has appropriate tone-at the-top and policies in place, although a much more visible "zero-tolerance" public recorded statement would be stronger and clearer.

The Board Code of Conduct of 2023, accessible via the "Investor Relations / Corporate Governance" section of NABARD's website, indirectly states the zero-tolerance of the Bank for misbehavior, starting with Board Members and Directors. In addition, the Human Resources Code of Conduct Provisions, NABARD guidance material on fraud and corruption for State Cooperative Banks, District Central Cooperative Banks, and Regional Rural Banks (collectively, hereinafter Supervised Banks), all confirm the tone-at-the-top of the Bank with regard to mismanagement, articulating a strong focus on fraud and corruption.

NABARD has established a comprehensive Fraud Risk Management Policy to prevent, detect, and manage fraud. This policy outlines roles and responsibilities, escalation procedures, and prevention and detection measures, with the Board holding overall responsibility. Operational guidelines detail fraud classification, detection, reporting, and investigation procedures, emphasizing the importance of implementing these measures across all NABARD offices and departments.

NABARD has established a robust investigation function for fraud and corruption, primarily through its Inspection Department. This includes reviewing internal frauds, monitoring staff accountability, and issuing special notes on fraud occurrences. Additionally, NABARD has updated its Whistle Blower Policy, designating the Inspection Department as the authority to receive and act upon complaints, enhancing corporate governance and providing a mechanism for employees to report unethical behavior.

Commitment to comply with the Fund's environmental, social, and gender policies
This criterion is substantially met. NABARD committed to integrating environmental sustainability and social inclusivity into its operations, abiding by the Adaptation Fund's policies. The toolkit to support the implementation of its ESG policies was developed in

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2018-19 and may need improvements in line with the requirements of the AF. NABARD confirmed its availability to engage with the AF Secretariat for potential enhancements, hence ensuring the implementation of AF ESG criteria in possible future AF funded projects.

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

This criterion is met. NABARD has a Grievance Redressal Mechanism (GRM) for customers of NABARD, Rural Cooperative Banks, and RRBs. The GRM receives complaints through various channels, including the PG Portal, e-mail, post, web portal, and Ingram Portal. Complaints are forwarded to relevant departments for action, and the status is reviewed regularly by top management. Project-level GRM have been set up for the AF-funded projects.

Additional information

Quality at entry

NABARD was awarded six projects totaling nearly USD 10 million; initial technical reviews revealed some inconsistencies and a need for clarification, which were addressed. All project proposals reached the necessary maturity level to be approved by the AF Board.

Project Performance

Most of the six awarded projects faced delays due to various challenges, including community mobilization issues, implementation arrangement delays, the COVID-19 pandemic, and climatic variability. Despite these setbacks, most projects were completed successfully, adhering to environmental and social safeguards, and engaging stakeholders.

Conclusion

Based on the results of the assessment of the application for re-accreditation, the Panel concluded that NABARD meets the Criteria required for regular reaccreditation, andthe Panel recommends NABARD re-accreditation to the Adaptation Fund Board for a period of 5 years.

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