



**GREEN
CLIMATE
FUND**

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Consideration of accreditation proposals – Addendum IV

Re-accreditation assessment of RAPL010

Summary

This document contains the re-accreditation assessment conducted by the Secretariat and the Accreditation Panel in accordance with decision B.24/13, and the recommendation by the Accreditation Panel for re-accreditation of re-accreditation applicant 010 (RAPL010), the National Bank for Agriculture and Rural Development (NABARD), based in India, for the second accreditation term.

I. Introduction

1. The National Bank for Agriculture and Rural Development (NABARD) is a national, direct access entity (DAE) based in India whose mandate is to finance economic activities such as sustainable agriculture, small and medium industries in rural areas with the aim to promote economic growth, infrastructure development, and rural prosperity. It has an established network of national entities, financial institutions, and non-governmental organizations to provide financing through loans, equity and guarantees, and to promote institutional development. The sector of activities of the accredited entity (AE) includes climate-smart agriculture, coastal management, agroforestry, renewable energy and energy efficiency, water conservation and management, solar micro irrigation, capacity-building and empowerment of women in rural communities.

2. NABARD was accredited by the Board on 8 July 2015 in decision B.10/06, paragraph (c), for the following parameters, as recommended by the Accreditation Panel (AP), under the fit-for-purpose approach of GCF:

- (a) **Access modality:** direct access, national. The national designated authority (NDA) or focal point nomination from India remains in effect for the re-accreditation application;
- (b) **Track:** fast track under the Adaptation Fund (AF);
- (c) **Maximum size of an individual project or activity within a programme:** large;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management;
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - (iv) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees);
- (e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2));³ and
- (f) **Indicative results areas for intended projects/programmes with GCF:**
 - (i) Energy generation and access;
 - (ii) Forests and land use;
 - (iii) Health, food, and water security;
 - (iv) Livelihoods of people and communities;
 - (v) Infrastructure and built environment;

¹ As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), “large” is defined as “total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 250 million for an individual project or an activity within a programme.”

² Decision B.07/02.

³ As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as “Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures”, and intermediation 2 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented.”

- (vi) Ecosystems and ecosystem services; and
- (vii) Public, private, and cross-cutting types of projects/programmes.

3. NABARD signed its accreditation master agreement (AMA) with GCF on 27 July 2017, which became effective on 31 August 2017. With the AMA coming into effect, the first accreditation term of the AE was from 31 August 2017 to 30 August 2022. The AE submitted its application for re-accreditation to GCF via the digital accreditation platform on 23 February 2022. Accreditation fees were not applicable since the AE is seeking re-accreditation for the same accreditation scope for which it was previously accredited; thus, the Stage I institutional assessment and completeness check commenced upon submission of the re-accreditation application. Stage I was completed on 26 May 2022 and the applicant was progressed to the Stage II (Step 1) accreditation review by the AP, which has been concluded with the publication of this assessment.

4. The AE has applied for the same accreditation scope for which it was previously accredited, and has updated the indicative results areas for the projects/programmes it intends to submit to GCF as follows:

- (a) **Indicative results areas for intended projects/programmes with GCF:**
 - (i) Energy generation and access;
 - (ii) Forestry and land use;
 - (iii) Health, well-being, food and water security;
 - (iv) Infrastructure and built environment;
 - (v) Ecosystems and ecosystem services; and
 - (vi) Public, private and cross-cutting types of projects/programmes.

II. Stage I institutional assessment and completeness check

5. The AE is eligible for, and applied under, the fast-track re-accreditation process as an AF entity. Its application has been assessed by the Secretariat during Stage I in accordance with the requirements and gaps identified in decision B.08/03, and in accordance with the GCF policies and standards to the extent applicable to accreditation:

- (a) “Updated Strategic Plan for the Green Climate Fund: 2020–2023” (decision B.27/06);
- (b) “Matters related to the accreditation framework” regarding the re-accreditation process (decisions B.24/13 and B.26/01);
- (c) “Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund’s Fiduciary Principles and Standards and Environmental and Social Safeguards” (decision B.07/02);
- (d) “Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach” (decision B.08/02);
- (e) “Policy on Prohibited Practices” (decision B.22/19);
- (f) “Anti-Money Laundering and Countering the Financing of Terrorism Policy” (AML/CFT Policy) (decision B.18/10);
- (g) “Policy on the Protection of Whistleblowers and Witnesses” (decision B.BM-2018/21);
- (h) “Environmental and Social Management System: Environmental and Social Policy” (decision B.19/10);

- (i) “Revised Environmental and Social Policy” (decision B.BM-2021/18);
- (j) “Comprehensive Information Disclosure Policy of the Fund” (decision B.12/35) regarding the disclosure of environmental and social (E&S) information;
- (k) “Updated Gender Policy and Gender Action Plan 2020–2023” (decision B.24/12); and
- (l) “Evaluation Policy”⁴ (decision B.BM 2021/07).

2.1 Legal status, registration, permits and licences

6. The AE provided documents on its establishment and licences to operate, where relevant, as a part of the application. The AE confirmed that there had been no change in its legal status or licences to operate since the original accreditation application.

7. As indicated in paragraph 4 above, the AE and GCF entered into the AMA for the AE’s first accreditation term from 31 August 2017 (date of AMA effectiveness) to 30 August 2022. Although the AE’s first accreditation term lapsed on 31 August 2022, the AE submitted its re-accreditation application within the deadline prior to the end of the accreditation term. As the AE has sought re-accreditation prior to the end of its accreditation term, it shall remain designated as an AE during the period between its first and, if re-accredited and having a signed and effective amended and restated AMA, second accreditation terms.

8. If the Board approves the AE’s re-accreditation, GCF and the AE will amend and restate the AMA. The amended and restated AMA will set out the terms and conditions of the re-accreditation, including but not limited to (i) the scope of the AE’s re-accreditation; (ii) any conditions of re-accreditation based on the AP assessment of the AE against the GCF standards and policies listed in paragraph 34 below; and (iii) reflection of the GCF policies and standards adopted by the Board in effect as of the date of the amended and restated AMA.

9. The AE confirmed at the time of publication of this recommendation that it is willing to engage with GCF on negotiating the amended and restated AMA and that it will provide the necessary resources to review the draft amended and restated AMA.

2.2 Accredited entity performance in contributing to GCF programming results

2.2.1 **Approved GCF projects under implementation and national designated authority participatory monitoring**

10. NABARD’s portfolio includes two approved funded activities with GCF financing of USD 34.3 million in grants, USD 100 million in loans and co-financing at USD 281.9 million. These activities are: FP045 titled “Ground Water Recharge and Solar Micro Irrigation to Ensure Food Security and Enhance Resilience in Vulnerable Tribal Areas of Odisha” which was approved as a public sector project at B.16 in April 2017; and FP081 titled “Line of Credit for Solar rooftop segment for commercial, industrial and residential housing sectors” which was approved as a private sector project at B.19 in March 2018.

11. Regarding FP045, the project had significant delays in funded activity agreement (FAA) effectiveness and first disbursement, mainly due to several deadline extension requests by the AE. The FAA effectiveness deadline was extended twice for 270 (90+180) days and the FAA eventually became effective on 21 September 2018. The deadline of the first disbursement was

⁴ Due to the timing of the closure of the Stage I review and the Evaluation Policy having come into effect in May 2022, further review of the applicant against the evaluation systems required in so far as they relate to (re)accreditation is undertaken by the AP during Stage II (Step 1).

extended 4 times by 651 (90+365+90+106) days to ensure sufficient time to process the request for the change in the executing entity (EE), amend the FAA, make the FAA amendment effective, and process the first disbursement accordingly. The first disbursement of USD 1.42 million was made on 12 January 2021. The AE has submitted a waiver request for the annual performance report (APR) for 2020 and another waiver request for the 2021 APR with a proposed deadline of 31 May 2022. Accordingly, the 2021 APR was submitted and is currently under review by the Secretariat.

12. FP081 became effective on 20 March 2019. The objective of the programme is to enable access to long-term, affordable financing for solar rooftop installation projects in commercial, industrial and residential housing sectors in India, including vulnerable communities. Total financing for the project is USD 250 million of which the GCF contribution is USD 100 million. The first disbursement to the amount of USD 50 million was made to NABARD in March 2019. No further disbursements have been requested by NABARD since then.

13. The 2021 APR reports that due to the severity of the COVID-19 pandemic in India in 2020, there was a contraction in the demand for power, and construction activity across the country was stalled leading to implementation delays. The project has created a strong pipeline of projects from the very beginning, but disbursements were slow in 2019 and 2020, however disbursements accelerated in 2021. The project reports that in total 204,768 tCO₂ emissions have been mitigated of which 140,287 tCO₂ in 2021, and the project has led to the creation of 4,000 direct and indirect green jobs as at end December 2021. The lifetime mitigation potential is 8,171,986 tCO₂ eq. However, the APR reports that mitigation targets for emissions are expected to be behind the lifetime mitigation target predominantly because of lower-than-expected generation from rooftop plants.

2.2.2. **Inclusion in the country programme of concept notes, funding proposals and Project Preparation Facility requests**

14. **Country programme/entity work programme:** As NABARD is a national direct access entity, it is not required to develop and submit an entity work programme to GCF as long as its priorities are included in the Country Programme. India has not yet submitted a country programme to GCF, and it is under development. However, it has a published nationally determined contribution based on which the priorities of the country are being aligned with the projects being cleared by the NDA for GCF. NABARD has shared with the Secretariat their priority pipeline, which corresponds to the country's priorities and has been discussed with the NDA.

15. **Concept notes/funding proposals:** NABARD has five concept notes in the pipeline, amounting to USD 168.4 million in GCF funding of which two are private sector funding proposals for a total of USD 28.5 million in funding request from GCF.

16. The first concept note is on "Increasing climatic resilience of urban water management system of Hyderabad" (USD 93 million in GCF financing). The proposed project intends to address water scarcity and urban flooding and waterlogging in Hyderabad resulting from climate change events and human-induced overexploitation of groundwater. This is expected to be achieved through: (i) water saving by recycling of treated wastewater and supply of saved freshwater; (ii) creating flood control measures through infrastructure and natural control systems; and (iii) strengthening institutional mechanisms and providing long-term measures to adapt to climate change. The project is expected to benefit 2.2 million direct and 7.6 million indirect beneficiaries. Total project cost is estimated at USD 243 million inclusive of GCF grant financing of USD 93 million and state government contribution of USD 152 million. The project implementation timeline is expected to be five years.

17. The second concept note is on "Enhancing the Resilience of Small Farmers against Climate Change impacts in Cauvery Delta Zone of Tamil Nadu" (USD 10 million in GCF financing). The proposed project aims to enhance the resilience of smallholder farms to climate change,

especially variation in rainfall and frequent occurrence of extreme events, and contribute to enhanced food and livelihood security for over half a million people residing in the region (including indirect beneficiaries and multiplier effect). This is expected to be achieved through investments in: (i) promotion of climate-smart agricultural (CSA) practices; (ii) integrated knowledge management in climate change and last mile delivery of climate information; and (iii) improving access of smallholder farmers to various support systems. It is expected to contribute to implementation of the Tamil Nadu State Action Plan on Climate Change and also to its agriculture sector development project, supported by the World Bank. The total project cost is estimated at USD 12 million inclusive of GCF grant financing of USD 10 million and state government contribution of USD 2 million.

18. The third concept note is on “Enhancing Energy Efficiency in Micro, Small & Medium Enterprises (MSMEs) with performance-based payments through a pilot Carbon Fund and Auction Facility” (USD 10 million in GCF financing). This is a simplified approval process (SAP) proposal under the GCF request for proposal for the pilot phase for enhancing direct access (EDA) for an innovative reverse carbon credits auction facility for supporting energy efficiency in MSMEs in India. The EE is a domestic Indian energy services company that would run the facility. NABARD has indicated in-principal approval from the NDA and has the potential to advance rapidly if the AE and the proposed EE were aligned and mobilized.

19. The fourth concept note is on “Improved Resilience of Urban Ecosystem to Climate Change through Restoration of Pallikaranai Marshland” which has been submitted in the second quarter of 2022, requesting for USD 536.92 million of GCF financing. GCF and NABARD discussed related issues for potential relocation and environmental and social safeguard (ESS) category B risk assessment and agreed on the way forward for this proposal to be resubmitted as a full proposal in line with the GCF Revised Environmental and Social Policy and updated Gender Policy.

20. The fifth concept note is an agriculture resilience investment activity in India (USD 18.5 million in GCF financing), which is at an early stage of development and which the AE may consider submitting.

2.2.3. Risk flags incurred by the projects, accredited entity or country during the previous accreditation term

21. With regard to concentration risk, there are no risk flags. While there are no risk tolerance levels approved by the Board, the Secretariat monitors concentration levels by single AE, which is currently 1.16 per cent for NABARD. Portfolio concentration risk by single funding proposal is within the tolerance level approved by the Board.

22. Regarding NABARD’s first-level due diligence of funding proposals, the reviews of ESS and gender-related matters identified issues that the AE was required to address, however these were not fatal flaws. No significant ESS and gender issues have been identified in APR reviews of the funded activity that is under implementation.

23. Specifically with regard to integrity risk related to the GCF policies on AML/CFT and Prohibited Practices, the Secretariat is not aware of any relevant risk flags pertaining to engagement with the AE during the current accreditation term. The first level due diligence of funding proposals by NABARD during the reference period has also been satisfactory. Furthermore, the Secretariat consulted with the Independent Integrity Unit (IIU) regarding any reports of prohibited practices within its knowledge; the IIU confirmed that it had not received any reports of integrity violations and therefore did not have any reservations with this re-accreditation proposal being presented to the Board for consideration.

2.3 Accredited entity-level reporting on continuing to meet GCF accreditation standards

24. In line with the AMA clauses 15.02(c)(i) and 5.03(b)(iv), NABARD has submitted the required AE-level reports throughout its five-year accreditation term within the deadlines stipulated in the AMA. These include annual self-assessments for calendar years 2017 and 2018 followed by a mid-term accreditation review that included the self-assessment for calendar year 2019, and another self-assessment for calendar year 2020. The AE's re-accreditation application includes the self-assessment for calendar year 2021.

25. In the annual self-assessments for 2017 and 2020, NABARD reported a few changes related to basic and specialized fiduciary standards and ESS against which the AE was assessed for its original accreditation, all of which the AE reported as having positive or no impacts on its capabilities to continue to serve its role as an AE. The annual self-assessment for 2018 did not report any changes. The AE has maintained its accreditation status to the Adaptation Fund throughout the accreditation term.

26. As detailed in document GCF/B.27/03/Add.02, the AP and Secretariat reviewed the mid-term review report covering calendar year 2019 and found that the AE continued to meet the relevant GCF accreditation standards and obligations as an AE per its AMA with GCF in the context of its accreditation scope.

2.4 Overall portfolio of activities of the accredited entity beyond those funded by GCF

27. As per the updated Strategic Plan for the GCF: 2020–2023,⁵ the re-accreditation process,⁶ and the monitoring and accountability framework,⁷ the Secretariat and the AP are requested to provide an assessment of the extent to which the overall portfolio of activities of the AE beyond those funded by GCF has evolved during the accreditation period, in order to advance the goal of GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development.

28. NABARD as a national financial institution in India is committed to taking climate action and supporting high impact, innovative adaptation, and mitigation projects. In 2021, India announced that it will achieve net-zero emissions by 2070 as part of its five-point climate action plan. The action plan paves the way towards achieving the country's plan for transition to clean, accessible and efficient energy.

29. In the climate change arena, NABARD has facilitated approval of 40 innovative and high impact climate change adaptation and mitigation projects with a total financing amount of USD 257.3 million. This covers 8 Adaptation Fund projects of USD 9.94 million, 30 National Adaptation Fund for Climate Change (NAFCC) projects of USD 113 million, and 2 GCF projects of USD 134.36 million, respectively.

30. NABARD, as India's national implementing entity for the Adaptation Fund, and also national implementing entity for the Government of India's NAFCC, has been able to mobilize funds to generate several feasible projects promoting climate-smart agriculture, climate proofing, ground water recharge and solar micro irrigation, and building adaptive capacity in vulnerable rural communities. A socioeconomic movement, the SHG Bank Linkage Programme, supported by NABARD, is the largest microfinance programme in the world, benefitting more

⁵ Decision B.27/06 and annex VI thereto.

⁶ Decision B.24/13 and annex XXVI thereto.

⁷ Decision B.11/10 and annex I thereto.

than 135 million families in the country. It has created livelihood opportunities for a large section of the rural community, especially women, through economic and social empowerment.

31. Under NABARD's climate change initiatives, the major activities undertaken are climate-smart agriculture, coastal management, agroforestry, water conservation and management, climate resilient livestock management, renewable energy and energy efficiency activities.

32. The AP reviewed the following information provided by the AE with regard to guiding questions established in the GCF "Methodology for establishing a baseline of greenhouse gas emissions and climate resilience for the portfolio of accredited entities":⁸:

(a) **Guiding question 1:** Has the entity established policies or commitments in the short, medium, or long term regarding investment in climate projects?

(i) Response: NABARD plans to promote investment in sustainable and climate resilient building projects by channeling climate finance in the following areas:

- (1) Facilitate sanctioning of new high impact GCF projects including proposals under the simplified approval process (SAP) with due approval of the Ministry of Environment, Forest and Climate Change of the Government of India;
- (2) Increasing engagement with the Adaptation Fund (AF) Secretariat for mobilization of new high impact climate adaptation proposals under the AF's enhanced country cap of USD 20 million for India. Also, access to and leverage of AF's enhanced direct access (EDA) window of up to USD 5 million per country and its large innovation project grant of up to USD 5 million is also available;
- (3) Furthering collaboration with the German Corporation for International Cooperation (GIZ) under Indo-German bilateral technical cooperation on risk assessment for climate financing and adaptation measures, climate risk analysis of NABARD Natural Resource Management (NRM) portfolio, development of training manuals on climate risk screening tools, leveraging blended finance for adaptation projects, etc.;
- (4) Utilizing NABARD's Climate Change Fund (CCF) of USD 2.56 million (as of March 2022) for initiatives like training and capacity-building, workshops, innovative pilots, documentation of successful stories, etc.; and
- (5) To date, NABARD has facilitated sanctioning of 40 innovative and actionable climate change adaptation and mitigation projects with a total financial outlay of USD 257.30 million. The climate change portfolio of NABARD includes 8 AF projects, 30 NAFCC projects and 2 GCF projects with a financial outlay of USD 9.94 million, USD 113 million, and USD 134.36 million respectively. So far, NABARD does not have any record of supporting fossil fuel-based projects. NABARD has a vision of channeling innovative (blended) climate financing mechanisms to support sustainable and climate change resilient development pathways in India; and

(ii) The AP finds that the AE has a commendable level of investments in climate change, particularly in mitigation and adaptation while supporting climate change policies and commitments of the Government of India.

⁸ Document GCF/B.28/11/Add.02.

- (b) **Guiding question 2:** Does the entity receive resources from third parties for the financing of climate projects?
- (i) Response: Yes. Apart from GCF, NABARD is receiving financial resources from third party funding agencies like the AF under the UNFCCC, and the National Adaptation Fund for Climate Change (NAFCC) established by the Government of India. NABARD has been accredited as national implementing entity (NIE) of the AF in July, 2012 for accessing resources under the fund for India. NABARD aims to deploy AF resources to address the needs of building adaptation capacity and enhance the resilience of vulnerable communities and ecosystems in India. As an NIE, NABARD is entrusted with overall responsibility for project cycle management of climate change projects, viz., providing assistance in project formulation, its screening, sanctioning, implementation, fund disbursement, monitoring, evaluation, and facilitate end term closure of the sanctioned projects;
 - (ii) NABARD as NIE has facilitated sanction of six projects by the Adaptation Fund Board with an outlay of USD 9.865 million. The sanctioned projects support adaptation interventions under the water sector (14 percent), coastal resource management (7 percent), agriculture (26 percent), food security (28 percent) and forestry and ecosystem (25 percent). Apart from these projects, NABARD has also received readiness grant support of USD 0.075 million for two projects, namely: (a) operationalization of the AF Environmental, Social and Gender (ESG) Policy; and (b) for accreditation of an NIE to the AF for the Government of the Islamic Republic of Afghanistan;
 - (iii) NABARD is also an NIE of NAFCC and is playing a pivotal role in channeling climate adaptation finance to meet the vast adaptation finance needs of India. The Economic Survey 2020–21 produced by the Government of India, Ministry of Finance, estimates that India will require USD 206 billion to support its climate adaptation actions in key areas like agriculture, forestry, fisheries, infrastructure, water resources and ecosystems up to 2030. NABARD, as NIE, has facilitated sanction of grant assistance of USD 113 million for 30 projects covering 130 districts spread across 25 States and two Union Territories of India benefitting about 1.9 million direct and indirect project beneficiaries. The major sectors covered under the NAFCC's adaptation interventions are climate resilient agriculture (45 percent of the projects), water resources management (26 percent), forests and ecosystem (13 percent), coastal biodiversity management (7 percent) and climate resilient livestock management (9 percent);
 - (iv) Additionally, NABARD has also been receiving funds from various bilateral agencies like KfW (Kreditanstalt für Wiederaufbau), GIZ, among others; and
 - (v) The AP finds that the AE has been actively and successfully managed to mobilize donor funding for its climate related projects/programmes;
- (c) **Guiding question 3 (optional):** Does the accredited entity calculate and reduce its greenhouse gas emissions at the corporate level (Scope 1 and Scope 2 levels)?
- (i) Response: No, NABARD does not calculate its greenhouse gas (GHG) emissions at the corporate level but continuously strives to reduce its GHG footprint as is evident from initiatives such as setting-up solar rooftop PV systems in NABARD offices, usage of LED lighting system in the NABARD establishments, financing of green projects/programme in the NRM sector, etc. As of 5 April 2022, NABARD has setup a solar roof top PV system of 454 kWp in its Head Office, Regional Offices and training establishments; and

- (ii) The AP notes that the AE is expected to have a small to modest corporate level footprint (Scope 1 and Scope 2 GHG emissions). Nevertheless, the AP encourages the AE to develop and implement methodologies to calculate its corporate level GHG emissions;
- (d) **Guiding question 4** (optional) Does the accredited entity evaluate the climate risks of its portfolio?
- (i) Response: NABARD, through its Centre for Climate Change at the Bankers Institute of Rural Development (BIRD), Lucknow, India, has been building awareness about climate related risks amongst banks/financial institutions and spreading knowledge about issues relating to climate change and best practices to deal with them. As a part of the training, NABARD has facilitated development of a tools⁹ that aims to introduce stakeholders of NABARD to management approaches that help to mitigate risks stemming from climate change on the bank's portfolio now or in the future. Risk management englobes processes used to identify, assess and manage climate related risks and exposure to them;
- (ii) NABARD has also collaborated with GIZ for development of climate risk assessment tools/instruments for its Tribal Development Fund (TDF) portfolio and Farmer Producer Organization (FPO) value chain. These tools carry out rapid assessments of climate change risks and identify adaptation measures to assist in project preparation, assess portfolio risk and effectiveness of remedial measures taken. NABARD will also be carrying out assessment of Carbon Credits Generation Potential of NABARD's past and ongoing NRM including a climate change-related project portfolio. This activity has been initiated already in collaboration with GIZ in this direction; and
- (iii) The AP finds that the AE has smart-climate risk assessment tools and has demonstrated experience in using them;
- (e) **Guiding question 5:** What are the main sectors of activity of the Accredited Entity? A narrative on the applicant's past, current, and potential future fossil fuel portfolio, such as coal fired power or gas-fired power plants, coal mining, etc., in terms of financing volume, if any.
- (i) Response: The AE's main sectors of activity are: agriculture, horticulture, forestry, water resources, soil and land resources, animal husbandry, coastal resources management, fisheries, post-harvest management, rural non-farm sector, rural livelihood, rural infrastructure, renewable energy, rural finance and micro finance;
- (ii) The AE has not been involved (either past or current) in fossil-fuel financing; and
- (iii) The AP finds that the AE invests in multiple cross-cutting sectors with significant investments provided in a separate document;
- (f) **Guiding question 6:** Is the accredited entity investing in mitigation projects/operations?
- (i) Response: as a part of its business initiatives under mitigation, NABARD has supported renewable energy projects/interventions through:
- (1) Refinance to Banks;
- (2) NABARD Infrastructure Development Assistance (NIDA);

⁹ Tools and documents developed under NABARD-GIZ collaboration and training and capacity building initiatives of Centre for Climate Change, BIRD, Lucknow, a training establishment supported by NABARD.

- (3) Rural Infrastructure Development Fund (RIDF); and
- (4) Green Climate Fund (GCF) [FP 081 Project- Line of credit for solar rooftop segment for commercial, industrial and residential housing sectors];
- (ii) Projects financed under NIDA towards decreasing GHG emissions and facilitating the shift from coal-based energy to renewable energy include the following:
- (1) **Solar Energy Projects**
- a. 140 MW solar power project in Jodhpur district of Rajasthan; and
 - b. 175 MW solar power project in Gadag District, Karnataka;
- (2) **Wind Energy Projects**
- a. 100MW wind power project in Dhar, Madhya Pradesh;
 - b. 60MW wind power project at Rojwas, Madhya Pradesh;
 - c. 84 MW wind power plant in Davangiri District of Karnataka; and
 - d. Some of the in-house green initiatives of NABARD are as follows:
- (iii) Reducing its energy, water, material, waste and carbon footprint has received high priority in NABARD. NABARD's offices and other infrastructure are sustainably designed and built for maximum resource efficiency. The energy rating awarded by the Bureau of Energy Efficiency (BEE) under the Government of India, Ministry of Power, for NABARD's Head Office in Mumbai continues to achieve four-star rating out of the possible five stars for achievement in energy efficiency;
- (iv) A solar policy for NABARD was framed during 2016-17. Approvals were accorded to the National Bank Staff College (NBSC), Lucknow, a training unit of NABARD, and its Kerala Regional Office for installation of rooftop solar plant;
- (v) A LED lighting policy for NABARD was framed according to which all lighting should be converted to LED by 2016-17;
- (vi) The façade lighting and internal office lighting at NABARD Head Office have been converted to LED and automatic sensors are installed on a pilot basis;
- (vii) All wet garbage/waste – organic, inorganic, plastic, paper etc. – emanating from NABARD offices, training establishments, and staff quarters are disposed of through Municipality collections;
- (viii) Paper waste in NABARD Head Office, Mumbai (old newspapers and periodicals) are given gratis to Cancer Patients Aid Association, Mumbai, hence, diverting it for alternative uses;
- (ix) An annually reviewed IT Hardware/Software Procurement Policy is in place;
- (x) As an attempt at reducing paper consumption and striving towards a paperless environment, an online work module, the Enterprise Content Management, is being used in NABARD; and
- (xi) The AP finds that the AE is making significant investments in mitigation projects;
- (g) **Guiding question 7: Is the accredited entity investing in adaptation projects/operations?**
- (i) Response: NABARD, through its various programmes for watershed development, wadi (small orchard), natural resource management and climate change, have helped in creating livelihoods for the poor as well as reversing the effects of climate change. Initiatives have also been taken in establishing

organizations such as self-help groups, joint liability groups, farmers' clubs, farmer producers organizations, etc. that have ensured sustainable management of natural resources, like soil and water;

- (ii) The details about NABARD's portfolio of projects which are fostering climate adaptation in India are as follows:
- (1) Watershed Development – a Pragmatic Approach for Rainfed Areas: Rainfed agriculture covers 51 percent of cultivated land and contributes to 40 percent of production, thus playing a crucial role in the food security of India. These areas are home to poor and vulnerable sections of society and are severely affected due to depletion of water resources and soil degradation. To address the above issues, NABARD entered watershed development space through the KfW-assisted Indo-German Watershed Development Programme in 1992, wherein a participatory approach to watershed development was launched in India for the first time. Based on the success of the programme, the Watershed Development Fund was set up by NABARD in 1999–2000 with an initial corpus of USD 26.66 million (Rs. 200 crore) and which is augmented annually. Over the years, the programme has evolved with the changing ecosystems and requirements. Some new initiatives include: grounding of Sustainability Development Plans; climate proofing of completed watersheds; springshed development to rejuvenate drying springs in hilly regions; and watershed development through co-funding with corporates; and
 - (2) As of March 2022, NABARD has sanctioned 156 new watershed projects (including 31 springshed development projects) covering an area of about 0.13 million hectares and disbursed an amount of USD 14.46 million during 2021–22 (USD 13 million during 2020–21). As at 31 March 2022, a total of 3,557 projects covering an area of 2.46 million hectares in 28 states have been sanctioned. The cumulative disbursement stood at USD 268.06 million. The watershed development projects not only helped the communities in conservation of natural resources but also helped reverse migrants to have wage employment and income even during the COVID-19 pandemic period; and
- (iii) The AP finds that the AE has been making impressive investments in adaptation projects.

33. The AP considers that the evidence provided by NABARD for the first accreditation term demonstrates the continuous positive trend of developing climate change mitigation and adaptation and cross-cutting activities. Both the strategy and the trend of activities are aligned with the GCF mandate and objectives.

III. Stage II accreditation review assessment

34. The AE is eligible for, and applied under, the fast track re-accreditation process as an AF entity. Its application has been assessed by the AP during Stage II (Step 1) against the accreditation standards of the GCF and gaps identified in decision B.08/03 and in accordance with the re-accreditation requirements to the extent applicable to accreditation in paragraph 4 above.

35. NABARD was first accredited with the AF in June 2012, and re-accredited in December 2017, this time under the fast-track process, having since been accredited by GCF.

36. Regarding NABARD's ongoing accreditation with the AF, it was first accredited in June 2012, and reaccredited in December 2017, this time under the fast-track process, having since been accredited by the GCF. In the December 2017 report of the Accreditation Panel of the AF on the assessment of NABARD for fast-track re-accreditation as a national implementing entity of the AF, NABARD's clear zero tolerance towards fraud, financial mismanagement and other forms of malpractice was noted as well as its strong capability for investigation and action in the case of proven allegations.

37. As part of this assessment, the AP consulted the AE's website and third-party websites to complement the information provided in the application.

3.1 Fiduciary standards

3.1.1. **Basic fiduciary standards: key administrative and financial capacities**

38. NABARD did not have any conditions with regard to the basic fiduciary standards on key administrative and financial capacities recommended by the AP for the first accreditation term.

39. As per paragraph 34 above, the basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast track re-accreditation.

3.1.2. **Basic fiduciary standards: transparency and accountability**

40. NABARD did not have any conditions with regard to the basic fiduciary standards on transparency and accountability recommended by the AP for the first accreditation term.

41. As per paragraph 34 above, the GCF basic fiduciary standards concerning transparency and accountability, with the exception of policies on prohibited practices and the protection of whistleblowers and witnesses, investigation function and AML/CFT policies, have been met by way of fast-track re-accreditation.

42. Regarding the AE's systems, policies and processes for preventing, managing and investigating cases involving prohibited practices, in addition to clear statements in its Fraud Risk Management Policy on a culture of honesty and ethics, NABARD's management sets its zero-tolerance tone via online dissemination of value-adding internal literature such as its Vigilance Manual/Handbook and a compendium of "Dos and Don'ts for Senior Staff" curated by NABARD's Central Vigilance Department.

43. The AE's Fraud Risk Management Policy is aligned with directives from the Ministry of Finance (Department of Financial Services) and guidelines and instructions issued by the Government of India and Reserve Bank of India (RBI) in relation to financial malpractice. At a high level, the policy aims to create and maintain an ethical culture and awareness of risk and controls, identify and mitigate against fraud risks and institute appropriate oversight processes. In addition, comprehensive separate Operational Guidelines support implementation of the policy.

44. The AE's Staff Rules (updated in 2020) apply to all employees and consultants and include provisions related to conduct and discipline, and Staff Accountability Policy Guidelines contain themes of accountability for fraud and irregularities.

45. NABARD's Risk Management Department is key in managing operational and compliance risks under the Chief Risk Officer. The governance structure for Fraud Risk Management centres on a Fraud Monitoring Committee chaired by the Chief General Manager, Inspection Department and consisting of senior staff from finance, accounts, IT, risk and programmatic units.

46. NABARD's website features a link to its Grievance Redress Mechanism¹⁰, and in relation to reporting wrongdoing, the website has a simple notification called Fraud Complaint that refers reports of suspected fraud to an email address.¹¹

47. Regarding its investigative function, NABARD guidelines/circulars and a vigilance manual issued by the Government of India's Central Vigilance Commission (CVC), the anti-corruption statutory body that works closely with the Department of Financial Services in the Ministry of Finance and the Central Bureau of Investigation (CBI). In addition, NABARD has its own complementary Central Vigilance Department (CVD) with basic objectives of promoting integrity and transparency in the entire functioning of the bank and ensuring compliance with the directions and requirements of CVC.

48. Operationally, the investigation procedures outlined in the AE's Fraud Risk Management - Operational Guidelines entail a preliminary investigation by a nominated independent Nodal Officer, and if grounds for a full investigation are found, the case is referred to the competent body for action. The CVD's role and remit are to undertake enquiries and investigate any transaction in which an employee of NABARD is suspected or alleged to have acted improperly or corruptly. In addition, the CVD provides independent, impartial advice to the disciplinary and other authorities in disciplinary cases during investigation, enquiry, appeal, review etc., conducts enquiries into important disciplinary proceedings and generally supervises vigilance and anti-corruption work. The CVD is headed by Chief Vigilance Officer (CVO) who is appointed by Government of India in consultation with Central Vigilance Commission (CVC). The CVO looks into vigilance related matters as an extended arm of CVC.

49. The function, procedures and required investigation reporting have been detailed in the Operational Guidelines for Fraud Risk Management. In addition, investigations are carried out according to a process described in the AE's Staff Accountability Policy Guidelines. The AE indicated that there had not been any recent cases of fraud alleged or investigated; however, two instances of suspected and subsequently proven prohibited practices, broadly categorised as a case involving ethics and a case of sexual harassment, have been investigated (using NABARD's processes and procedures) in the past three years.

50. NABARD has a strong and necessarily prescriptive bureaucracy in place for handling allegations of prohibited practices and conducting investigations and makes efforts to distil and simplify processes to ensure its staff and contractors have a solid understanding.

51. Regarding the AE's systems, policies, procedures and processes for protecting whistleblowers and witnesses, the key policies and procedures in place are the AE's Whistleblowing Policy and Staff Accountability Policy Guidelines. Additionally, confidentiality to ensure the protection of whistleblowers is paramount and is assured via the policy and case-handling mechanisms.

52. CVC guidelines define anonymous/pseudonymous complaints/reports, and in particular, CVC Circular No. 12/09/20 advises that such complaints are to be filed and ministries/departments/organizations should take no action. The AE's processes seek to ensure important information is captured to follow up with whistleblowers; where such information is not present, complaints are considered anonymous and not actioned. However, the GCF Policy on the Protection of Whistleblowers and Witnesses (effective from December 2018) requires anonymous reporting. In this respect, the AE recently ensured that the CVC's Public Interest Disclosure and Protection of Informers (PIDPI) mechanism which allows for the highest degree of confidentiality and protection of whistleblowers, is clearly described and linked on the AE's website. The AP considers this to be the most appropriate method of anonymous reporting and alignment with GCF policies available to NABARD.

¹⁰ <https://www.nabard.org/grievanceform.aspx>.

¹¹ frm.id@nabard.org.

53. Regarding its policies and procedures for AML/CFT, the AE is bound by national legislative requirements and, above all the Prevention of Money Laundering Act (PMLA) 2002. NABARD's internal circular in support of "Implementation of Know Your Customer (KYC) /Anti-Money Laundering (AML) / Combating the Financing of Terrorism (CFT)" provides a solid base for controls and procedures that include due diligence on fund recipients and third parties and KYC checks. KYC reports from the Achampatti Watershed, and Mathalapuram watershed projects and specific monitoring reports on electronic funds transfers (general receipts and non-loan receipts) demonstrate the operationalization of policies and procedures.

54. As per paragraph 34 above, the basic fiduciary standards on transparency and accountability are considered to have been met by way of fast track re-accreditation. The AP also finds that the AE's policies, procedures and capacity, supported by evidence of track record, fully meet, to the extent applicable to accreditation, the GCF Policy on Prohibited Practices¹², the GCF AML/CFT Policy¹³, and the GCF Policy on the Protection of Whistleblowers and Witnesses.¹⁴

3.1.3. **Specialized fiduciary standard for project management**

55. NABARD did not have any conditions with regard to the specialized fiduciary standard for project management recommended by the AP for the first accreditation term.

56. As per paragraph 34 above, the specialized fiduciary standard for project management is considered to have been met by way of fast-track re-accreditation.

3.1.4. **Specialized fiduciary standard for grant award and/or funding allocation mechanisms**

57. NABARD did not have any conditions with regard to the specialized fiduciary standard for grant award and/or funding allocation mechanisms recommended by the AP for the first accreditation term.

58. AE has a reputation for its engagement with and involvement of communities during the implementation of the projects supported under its programmes designed in collaboration with development finance institutions.

59. The AE's procedures for evaluating grant awards are documented in the Operational Guidelines established for each project and generally include guiding principles of the particular fund, eligible activities, eligible institutions, selection criteria and process information and application forms. The Grant Evaluation Committee has clear terms of reference to evaluate and assess grant proposals and present recommendations to the Project Sanctioning Committee for approval. Examples of Operational Guidelines for the Climate Change Fund (2016) and the Farm Sector Promotion Fund (2017) were provided.

60. Examples of recent calls for proposals and the results of awards are available on the AE's website. Agendas and minutes of meetings of evaluating committees and memoranda communicating successful and unsuccessful bids adequately demonstrated the AE's process, procedures and track record in grant awarding.

61. The AE's information disclosure policies and practices stem from the Government of India Right to Information Act that, to promote transparency and accountability, provides citizens with the right to access information under public authorities' control. Requests of NABARD for information were not sampled as part of this review. Information on schemes, initiatives, policies, annual reports, study reports and other publications are provided on the AE's website, for example, on a page dedicated to GCF and other key funders, where links are provided to the GCF

¹² Decision B.22/19 and annex XIV thereto.

¹³ Decision B.18/10 and annex XIV thereto.

¹⁴ Decision B.21/25 and annex II thereto.

website publication of project documents. Furthermore, NABARD's relatively new Climate Change Portal features interactive graphic and narrative information on its funding and activities and complements the general information disclosures and project beneficiary and reporting are catalogued and accessible on its website.

62. Regarding the transparent allocation of resources, the AE's primary beneficiaries are a diverse range of financial institutions approved by the Reserve Bank of India, which includes regional and state cooperative and rural development banks. In addition, periodic and ad hoc circulars outlining financing policies and provisions are publicly posted on the AE's website. Several independent project audit reports demonstrated detailed project financial monitoring and applicable remedial recommendations.

63. Debarment lists developed under policy guidelines published on the AE's website indicate robust financial management and monitoring processes and are evidence of the AE's position on non-performance. The list features organizations, including non-governmental organizations and microfinance institutions, juxtaposed with the reasons for blacklisting and debarment, such as diversion of funds, loan default, failure to return unspent balance and irregular project reporting.

64. The AE's solid standing in relation to financial requirements of multilateral funders can be demonstrated in audit and evaluation reports with recent examples of a KfW review mission in April 2022 and a review by the Ministry of Environment, Forest and Climate Change of the NABARD National Adaptation Fund for Climate Change projects.

65. The AP finds that the AE's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for grant award and funding allocation mechanisms.

3.1.5. **Specialized fiduciary standard for on-lending and/or blending (for loans, equity and/or guarantees)**

66. NABARD did not have any conditions with regard to the specialized fiduciary standard for on-lending and/or blending for loans, equity and/or guarantees recommended by the AP for the first accreditation term.

67. Under the NABARD Act of 1981, the AE's primary activities, as articulated in sections VI and VII and related sections, include borrowing from the central Government and RBI, issuing and selling bonds, debentures and other financial instruments with or without guarantee of the central Government, accepting repayable deposits and grants and donations from Central Government, State Governments or other sources. In addition, NABARD provides credit and refinancing to state, cooperative, rural and regional banks with a focus on agricultural operations, rural development and promoting and marketing decentralized agriculture.

68. The AE is also licensed and empowered, with the approval of the Government and the permission of the RBI, to borrow and lend foreign currency. In addition, the AE is permitted to issue guarantees and invest in stock and securities of the Central Government and any other investments approved by its Board.

69. The AE's current climate change portfolio comprises grant and loan instruments with funders ranging from the Adaptation Fund and Green Climate Fund to the National Adaptation Fund for Climate Change and the Climate Change Fund. Aside from GCF funding, which consists of loans and grants, most of the AE's climate change portfolio is grants. Loans feature more predominantly in the AE's State projects, Rural Infrastructure Development Fund, and the AE's track record features the Umbrella Programme For Natural Resource Management, NABARD Infrastructure Development Assistance, Dairy Processing Development Fund and the Fisheries and Aquaculture Infrastructure Development Fund.

70. The NABARD Act sets out high-level mechanisms for the bank's operations, and its registration and licensing as a bank are detailed in the Act, including its credit function and authority to engage in business activities and receive grants and donations from government sources. Specifically, in relation to bilateral/multilateral funding, NABARD received funding based on the non-objection of the National Designated Authority (NDA).

71. The AE provided updated domestic credit rating reports from internationally recognised/affiliated national agencies predicated on metrics drawn from its financial statements that are audited on an annual basis. National ratings provided were from ICRA (an investment information and credit rating agency owned by Moody's) - Long Term: AAA/Stable (reaffirmed); and CRISIL (a capital market company of S&P Global Company) - Long Term: AAA/Stable (reaffirmed). The Government of India's current long-term debt rating is Baaa/Stable.

72. The AE provided comprehensive information on its due diligence processes with examples such as a rating circular from the AE on the financing of non-banking financial companies (NBFCs), sanctioning and memos related to refinancing financial institutions, which demonstrate the robust and well-functioning process.

73. Regarding public information disclosure of on-lending and blending projects, NABARD's information disclosure policy, aligned to the Right to Information Act described for grant awards in paragraphs 61 and 62 above, ensures transparent publication of project and beneficiary information on the AE's website and climate change portal.

74. Board and management committees with well-defined roles and responsibilities, including an investment committee, risk management committee, audit committee, and an asset and liability committee, continue to review the AE's portfolio at a strategic level and are guided by the AE's policies and procedures such as its loan policy which provides for credit risk assessments of its counterparts and covers all products in its portfolio. The AE's Investment Management Policy and examples of recent investment management reports analysing the full range of the AE's investments demonstrate a sound investment management track record. Periodic reporting to the RBI is mandated, and the AE has innovated in devising portfolio management tools and reports for its venture capital portfolio.

75. The AE's audited financial statements are published annually, and a half-yearly review of investments is tabled at board meetings, and notes are forwarded to the RBI half-yearly. The AE's Inspection Department, in collaboration with the CVD, conducts regular and ad hoc reviews of the AE's adherence to its investment policy.

76. The AE's payment and disbursement systems and contractual terms with executing entities incorporate control checks. In addition, the AE's accountability mechanisms, including its Audit Committee, Asset and Liability Committee and Risk Committee, are routinely internally and externally audited. Credit risk rating assessment/validation reports and Asset-Liability Committee meeting minutes address credit and market risk-related issues.

77. The AE utilises memoranda of understanding, sanction letters and other tools to pass standard guidelines and procedures for awarding grants and for on-lending to its executing entities and partners. Examples include a General Refinance Agreement (GRA) entered into by NABARD and scheduled commercial banks, small finance banks, non-banking financial companies (NBFCs) and NBFC/microfinance institutions for facilitating grant of loans for further on-lending and a sanction letter for the Umbrella Programme For Natural Resource Management project for "Adaptation Strategy to Climate Change: Promotion of Integrated Farming System (IFS) for Livelihood Security of Small and Marginal Farmers in Karimnagar District".

78. The AP finds that the AE's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees.

3.2 Environmental and social safeguards

79. NABARD has fulfilled and closed conditions with regards to the GCF interim environmental and social safeguards (ESS) standards recommended by the AP for the first accreditation term with a maximum accreditation scope of a maximum environmental and social risk category B/intermediation 2.¹⁵

3.2.1 Environmental and social policy

80. NABARD continues to implement its Environmental and Social Policy (ESP) (2015) that forms an integral part of NABARD's Environmental and Social Risk Management System (ESMS) and is built on the existing policies, operating procedures, and project cycle of NABARD. The ESP is integrated with the credit risk policy for an overall assessment of the projects.

81. The ESP continues to adhere to the same ten Environmental and Social Performance Standards (PSs) relevant to projects/programmes. Eight of these PSs are in line with the GCF interim ESS standards (PS1–8). The ESP has two additional standards: PS9: Gender Equity and Women's Empowerment, and PS10: Access and Equity and Protection of Human Rights.

82. PS7 of the NABARD ESP, relating to indigenous peoples, seeks to ensure full respect for indigenous peoples, human rights, dignity, aspirations, livelihoods, culture, knowledge and practices in NABARD's projects/programmes. Further, it aims to avoid/minimize adverse impacts and transfer sustainable and culturally appropriate development benefits to the indigenous project beneficiaries. It promotes participation of the indigenous people through facilitating free, prior and informed consent. NABARD has been effectively engaging with indigenous peoples during the design, development and implementation of the strategies and activities financed using GCF funds, while respecting their traditional rights. The AP finds that NABARD has the capacity to comply with the GCF Indigenous Peoples Policy.

83. NABARD has a Central Complaints Committee for addressing the issue of prevention of sexual harassment of women in the workplace at the Head Office level. NABARD has zero tolerance for all forms of sexual wrongdoing including sexual exploitation, abuse and harassment (SEAH) in all its operations, projects and activities. NABARD has developed comprehensive guidelines for safeguarding women in the workplace from sexual harassment. The AP finds the policies and procedures relating to SEAH meet the SEAH provisions in the GCF revised E&S Policy.

84. NABARD has the track history, systems and capacity to implement the GCF Policy on Evaluation particularly as related to ESS and gender matters as evident from the sample of mid-term evaluation reports prepared for the Adaptation Fund.

85. NABARD's climate action through its climate change (CC) initiatives and projects/programmes has played an important role in meeting India's climate pledges and ambitions. NABARD has the unique distinction of being accredited as National Implementing Entity (NIE) of the Adaptation Fund (AF) and National Adaptation Fund for Climate Change (NAFCC) as well as direct access entity (DAE) of the Green Climate Fund (GCF). In the climate change arena, NABARD has facilitated sanctioning of 40 innovative and high impact climate change adaptation and mitigation projects with a total financial outlay of USD 257.30 million. This covers 8 AF projects to a total of USD 9.94 million, 30 projects for the NAFCC to a total of USD 113 million, and 2 projects for GCF to a total of USD 134.36 million.

86. The AP finds that the AE's environmental and social management system, comprising the Environmental and Social policy (ESP), supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and GCF

¹⁵ Refer to document GCF/B.15/16.

interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.2. Identification of environmental and social risks and impacts

87. The ESP and Environmental, Social and Governance (ESG) Manual describe the institutional level E&S risks and impacts identification and categorization. All proposed projects/programmes are screened by the implementing entities through an Environmental and Social Due Diligence (ESDD) process to determine their potential to cause environmental or social harm. All implementing entities must also review proposed transactions against the Asian Development Bank’s Exclusion List and national E&S laws and regulations where they exist and are applicable, requiring at a minimum that implementing entities have all necessary permits where required and that their operations are not unlawful.

88. The ESDD screening process seeks to identify potential environmental and social impacts and risks, taking into consideration NABARD’s environmental and social performance standards. The screening process shall consider all potential direct, indirect, trans-boundary, and cumulative impacts in the project/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 impacts. The E&S risk categories are as follows: A, B and C in line with the E&S risk categorization system in the GCF interim ESS standards.

89. As evidence of its track record on identification and categorization of E&S risks and impacts, NABARD provided a sample of E&S screening and categorization memos for projects in E&S risk category B/I-2 for loans, equity and guarantees.

90. The AP finds that the AE’s system of identification of E&S risks and impacts, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy, to the extent applicable to accreditation, and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.3. Environmental and social management programme

91. The ESDD determines the extent to which the project/programme requires further environmental and social assessment, mitigation, and management. The results of the environmental screening are included in the project/programme proposal initially submitted by the implementing entity to NABARD. Following the initial screening process, the implementing entity shall prepare an environmental and social impact assessment (ESIA) for all projects/programmes that have the potential to cause environmental or social harm (namely all category A and B projects/programmes). The ESIA will identify any environmental or social risks, including any potential risks associated with NABARD’s environmental and social performance standards set forth above. The assessment shall: (i) consider all potential direct, indirect, trans-boundary, and cumulative impacts and risks that could result from the proposed project/programme; (ii) assess alternatives to the project/programme; and (iii) assess possible measures to avoid, minimize, or mitigate environmental and social risks of the proposed project/programme.

92. Where the environmental and social assessment identifies environmental or social risks, the assessment shall be accompanied by an environmental and social management plan (ESMP) that identifies those measures necessary to avoid, minimize, or mitigate the potential environmental and social risks, especially those risks that cannot be avoided. A commitment by the implementing entity to implement the management plan shall be a condition of the project/programme approval and reflected in the monitoring and reporting plan for that project/programme.

93. NABARD provided a sample of an ESMP for its projects financed by the AF on its mitigation and management in E&S risks category B/I-2 for its loan, and two other projects – one involving equity operations and the other involving a guarantee. The AE also provided a sample of mid-term evaluation reports prepared by independent consultants for its projects financed by the AF as evidence of external audits of the effectiveness of its E&S management.

94. The AP finds that the AE's E&S management programme, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy, to the extent applicable to accreditation, and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.4. **Monitoring and review**

95. The ESP and ESG Manual, in line with PS1, requires that NABARD's implementing entities will establish E&S monitoring procedures to review progress and compliance of operations with any legal and/or contractual obligations and regulatory requirements. Implementing entities' monitoring and evaluation of projects/programmes supported by NABARD address all environmental and social risks identified by the implementing entity during project/programme assessment (e.g. in the ESIA and ESMP). The implementing entities' annual project/programme performance reports include a section on the status of implementation of any environmental and social management plan, including those measures required to avoid, minimize, or mitigate environmental and social risks. The reports also include, if necessary, a description of any corrective actions that are deemed necessary. The mid-term and terminal evaluation reports also include an evaluation of the project/programme performance with respect to environmental and social risks.

96. NABARD has Regional Offices located in each of the State/Union Territories of India wherein some officers are designated to attend to climate change projects of their respective jurisdiction. Most of these officers either have an academic background in ESS and gender matters or have taken training on implementation of NABARD management-approved ESP and Gender Policy. These officers, with the participation of Head Office, ensure due diligence for the project activities under consideration and carry out monitoring and recording of project performance, including ESS and gender aspects.

97. As a part of project monitoring, the District Development Manager (DDM) carries out monthly monitoring, the officers of Regional Offices carry out quarterly monitoring, and the Head Office conducts annual/needs-based monitoring. These officers, after conducting project monitoring, prepare and submit Back to Office Reports in which, besides physical and financial progress achieved, the aspects of ESS and gender are also covered. These reports are shared with NABARD Head Office for review and corrective actions (if any) are taken to foster the due diligence process.

98. NABARD provided a sample of two project documents on its E&S monitoring in E&S risk category B/I-2. In addition, four mid-term evaluation reports prepared for the AF projects were provided and included details about the environmental and social impacts.

99. The AP finds that the AE's system of E&S related monitoring and review, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy, to the extent applicable to accreditation, and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.5. **External communications, consultations, information disclosure and grievance redress mechanism at the institutional level**

100. NABARD has a public web portal, <https://www.nabard.org/grievanceform.aspx>, for receiving grievances/complaints/feedback from the public. This portal can be accessed through

the NABARD website at www.nabard.org. A complainant can register a complaint at NABARD's online grievance form by entering basic details such as name, address, state, email, contact number, etc. Thereafter, a reference number is generated for a complainant to track the status of his/her grievance redressal. Public grievances received through various modes are monitored through the Grievance Management System (GMS) in the NABARD intranet. NABARD provided a copy of its register for external E&S related inquiries/complaints in the past three years, however, no E&S related complaints have been received.

101. NABARD's institutional-level procedure on Grievance Redress Mechanism (GRM) available on NABARD website at: <https://www.nabard.org/pdf/Grievance-Redressal-Mechanism.pdf>.

102. The Corporate Planning Department (CPD) of NABARD is anchoring the GRM at the institutional level including project-level grievances. For NABARD, the Chief General Manager of the Corporate Planning Department acts as Chief Grievance Redressal Officer. For effective handling of public grievances, all Regional Offices have a senior officer designated as Grievance Redressal Officer. The complaints received by CPD are forwarded to the concerned Grievance Redressal Officer for necessary action. The action taken, and compliance/feedback received from the Officer are compiled, collated, and forwarded to the Government or to individual complainants, as the case may be, in compliance with the extant guidelines.

103. Regarding the disclosure of the status of cases/complaints, NABARD has an internal case management software with an online link for individual complainants to track the status of their grievances.

104. At the project level, NABARD's implementing entities identify a grievance mechanism that provides people affected by projects/programmes 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. Complaints regarding projects/programmes supported by NABARD can also be filed with Departments at an email address specifically created for filing complaints on environmental and social issues. A centralized system of monitoring the action taken and disposal of such complains will be put in place.

105. NABARD provided evidence of its track record on E&S information disclosure and integration of GRM in its projects/programmes in category B/I-2.

106. The AP finds that the AE's system of external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its track record, meets the GCF Revised Environmental and Social Policy, to the extent applicable to accreditation, the GCF interim ESS standards and GCF Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1-8.

3.2.6. **Organizational capacity and competency**

107. NABARD's ESS and Gender staff are not centrally located within its organizational structure, but are placed in the various regional offices. NABARD provided curricula vitae (CVs) of its staff/officers including their experience with E&S screening based on PS1-8 and gender assessment of projects and programmes. The key responsibilities of these officers are to carry out environmental and social screening and categorization of the NABARD projects per the guidelines/provisions of the NABARD ESP and Gender Policy; provide substantive advice on ESS to the climate change section and other project portfolios of the Head and Regional Offices; carry out field visits to check, suggest, report and foster compliance to ESS and gender inclusion targets; and conduct ESS training to close knowledge/skill gaps of NABARD stakeholders and minimize the likelihood of ESS risks/impacts occurring.

108. NABARD has in-house staff/officers who have background and experience related to Environmental, Social and Gender-based compliance. These officers are part of the NABARD Regional Offices and Training Establishments located across India, as well as at the NABARD Head Office, Mumbai. NABARD frequently carries out training of its staff, government departments, banks, research institutions, universities and NGOs, on Environmental and Social Impact Assessment (ESIA) and gender mainstreaming in developmental projects. These officers ensure the conformance to and execution of the NABARD board approved Environment and Social Policy (ESP) and Gender Policy which have been disseminated internally to all staff and partners.

109. NABARD provided evidence of E&S and gender training programmes for its staff on development projects.

110. The AP finds that the AE's organizational capacity and competency to implement the environmental and social management system, supported by evidence of its track record, fully meet the GCF Revised Environmental and Social Policy, to the extent applicable to accreditation, and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1-8.

3.3 Gender

111. NABARD has fulfilled and closed conditions with regard to gender recommended by the AP and approved by the Board in its decision to accredit the AE for the first accreditation term.¹⁶

112. NABARD continues to implement its Gender Policy approved by its Board in November 2015. The principle of gender equality is enshrined in the Indian Constitution in its Preamble, Fundamental Rights, Fundamental Duties and Directive Principles. The Constitution of India not only grants equality to women but also empowers the State to adopt measures for positive discrimination in favour of women for neutralizing the cumulative socioeconomic, educational and political disadvantages faced by them. The constitutional Fundamental Rights ensure, among others, equality before the law and equal protection by the law, prohibit discrimination against any citizen on grounds of religion, race, caste, sex or place of birth, and guarantee equality of opportunity to all citizens in matters relating to employment.

113. As per the national-level government policy applicable to public institutions, NABARD endeavours to provide equal opportunities among all women staff members, good working conditions for personal growth, opportunity for promotion, capacity-building and trainings to enhance equitable representation of women in decision-making at various levels. Accordingly, human resources systems and policies are made gender-sensitive and responsive.

114. Gender equality is central to the mandate of NABARD to support millions of small and marginal farmers, landless labourers and women engaged in agriculture and rural development. NABARD, the principle bank for agriculture and rural development, recognizes that incorporating gender sensitivity into its business and development practices will help in increasing equity and social justice for women.

115. Currently, NABARD is accredited as a National Implementing Entity of the AF board, and of the NAFCC as well as direct access entity of the UNFCCC GCF. Development of a Gender Policy was one of the conditions for accreditation of NABARD by GCF.

116. The broad objective of NABARD's Gender Policy will be to promote equality and equity between women and men. To achieve this objective, the Gender Policy will aim to gradually mainstream gender in all functions of NABARD in order to achieve women's empowerment (financial, legal, social and political) in all developmental activities through long-term

¹⁶ Refer to document GCF/B.15/16.

commitment and engagement, including creating awareness, raising adequate resources, leadership and capacity development of partners.

117. NABARD's Policy on Gender is divided into four priority areas: (i) governance and institutional structure; (ii) operational guidelines for functions and business activities of NABARD; (iii) resource allocation and budgeting; and (iv) knowledge generation and capacity-building.

118. The projects and activities shall endeavour to have specific gender components, both in physical and financial terms, provide project templates, and review criteria to include specific sections to capture information on gender dimensions, benefits, and approaches. Gender analysis may be incorporated into NABARD's outreach and marketing activities and a communication strategy may be developed to spread knowledge on gender equality and sensitization to NABARD employees, partners and public.

119. Gender assessment in respect of climate change adaptation/mitigation projects for creating baseline data and promoting adequate participation of women in such projects. NABARD may influence the policy of client institutions to facilitate helping rural women through opening opportunities, assisting women to participate in activities, being proactive in providing appropriate instruments, among others. Suitable provision will accordingly be made in the General Refinance Agreements of financial institutions receiving refinancing from NABARD. Executing entities under climate change adaptation/mitigation projects with fund assistance from the AF and GCF will be responsible for overall implementation of various covenants of the Gender Policy. NABARD as NIE of the AF and AE of GCF will oversee implementation of the gender-specific action plan, through periodic monitoring and review.

120. NABARD has in-house staff/officers who have background and experience related to gender, environmental and social compliance. These officers are part of the NABARD Regional Offices and Training Establishments located across India, as well as NABARD Head Office, Mumbai. NABARD provided the CVs of its staff including their experience with E&S screening and gender assessment of projects and programmes. Knowledge management is developed around the creation of a knowledge base within an organization and strong networking with other organizations.

121. As evidence of its track record on gender assessment and gender action plan, NABARD provided a sample of project documents in category B/I-2 and category C/I-3.

122. The AP finds that the AE's gender policy, procedures, capacities and competencies, supported by evidence of its track record, fully meet the updated GCF Gender Policy to the extent applicable to accreditation.

IV. Conclusions and recommendation

4.1 Conclusions

123. Following its assessment, the Secretariat concludes the following in relation to the application with respect to the potential to continue in the role of an AE and to support the mandate and objectives of GCF: the AE can continue to contribute to GCF in implementing its 2020–2023 Strategic Plan with respect to:

- (a) Alignment of the AE's GCF portfolio with the climate-related national priorities of India, where the AE operates;
- (b) Potential to contribute to the adaptation and mitigation balance in the GCF portfolio since the AE has the ability to programme adaptation projects or include adaptation components in its activities;

- (c) Supporting diversity in GCF results areas such as health, food and water security, and ecosystems and ecosystem services;
- (d) Enhancing private-sector participation as, although the AE is a government-owned institution, it lends to private sector players and institutions, and has shown willingness to sponsor funding proposals from the private sector to GCF as in FP081 with Tata Cleantech Capital Limited;
- (e) Diversification of the use of financial instruments as NABARD is seeking re-accreditation for equity and guarantees, in addition to loans; and
- (f) Mobilizing climate finance at scale since the AE is seeking to undertake medium and large-size projects/programme activities.

124. Following its assessment, the AP concludes the following in relation to the application with respect to the AE's ability to meet the GCF accreditation standards and GCF policies relevant for accreditation for which it is seeking re-accreditation:

- (a) The AE meets the requirements of the GCF basic fiduciary standards, and to the extent applicable to accreditation, the GCF Policy on Prohibited Practices, the GCF AML/CFT Policy, the GCF Policy on the Protection of Whistleblowers and Witnesses, and the specialized fiduciary standard for project management, specialized fiduciary standard for grant award and/or funding allocation mechanisms, and specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees; and
- (b) The AE meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation, GCF interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to the medium E&S risk category B/I-2; and
- (c) The AE has demonstrated that it has a policy, procedures and competencies in order to implement its gender policy, which is found to be consistent with the GCF Updated Gender Policy to the extent applicable to accreditation and has demonstrated that it has experience in gender consideration in the context of climate change; and
- (d) The AE has demonstrated that it has institutional-level systems, capacities and competencies regarding evaluation as required by the aforementioned GCF basic and specialized fiduciary standards and interim ESS standards that would enable it to meet the requirements of the GCF Evaluation Policy for its GCF-funded activities.

4.2 Recommendation on re-accreditation

125. The AP recommends, for consideration by the Board, NABARD for re-accreditation for its second term as follows:

- (a) **Accreditation type:**
 - (i) **Maximum size of an individual project or activity within a programme:** large (including micro, small and medium);
 - (ii) **Fiduciary functions:**
 - (1) Basic fiduciary standards;
 - (2) Specialized fiduciary standard for project management;
 - (3) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - (4) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and

(iii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/I-3¹⁷)); and

(b) **Conditions:** none.

126. The AE has been informed of the recommendation for accreditation, including the accreditation type, as identified in paragraph 125 above, and agrees to the recommendation.

4.3 Remarks

127. In line with the intentions demonstrated by NABARD senior management and in the interests of further strengthening transparency and public access to information, NABARD is encouraged to consider simpler accessible communication of policies and processes related to prohibited practices, beyond the prescriptive sections within its website.

128. The AE is encouraged to build on current transparency initiatives and summaries of the remit of its internal departments on its website, to ensure all policies are published and easily and directly accessible from the directories on the home page of its website.

¹⁷ As per the Revised Environmental and Social Policy adopted in decision B.BM-2021/18 , category C is defined as “Activities with minimal or no adverse environmental and/or social risks and/or impacts”, and intermediation 3 is defined as “When an intermediary’s existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts.”