Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 22-Sep-2020 | Report No: PIDC213138

BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P173503		Substantial	Support for improved farm management and piloting models of aggregation in Iraq
Region	**Country**	**Date PID Prepared**	**Estimated Date of Approval**
MIDDLE EAST AND NORTH AFRICA	Iraq	22-Sep-2020	
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Ministry of Agriculture	Food and Agriculture Organization of the United Nations	

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	5.00
Total Financing	2.50
Financing Gap	2.50

DETAILS

Non-World Bank Group Financing

Trust Funds	2.50
Iraq Reconstruction Trust Fund	2.50

B. Introduction and Context

Country Context

Iraq's economy is gradually rebounding in 2019. GDP grew at 4.8 percent in the first half of 2019 (H1-19), however, the recent oil price drop and COVID-19 breakout can reverse this progress. In 2019 the growth came mainly at the back of a rise in crude oil production (up 6.3 percent so far) and a rebound in non-oil economic activity (up 5.6 percent in H1-19 y/y). The latter is underpinned by better rainfall and record agriculture yields, an improvement in electricity production, and an expansionary fiscal policy linked to

growing wage bill and public consumption. Despite recent improvements, Iraq continues to be in need of humanitarian assistance as more than 1.5 million Internally Displaced Persons (IDPs) are yet to return home. The recent oil price collapse, COVID-19 breakout and political deadlock further compound the challenge.

The Government of Iraq (GoI) maintains a policy of fiscal loosening based on expanding subsidies and the public sector wage bill to ensure social peace amidst weak private sector job creation. This is evident through the expansion of social assistance programs and the decision to assimilate large numbers of individuals into the public sector and the army. As a result, recurrent spending has increased by 28.8 percent in H1-19 (y/y) at the expense of growth-enhancing public investment. This not only puts a drag on growth but also increases social vulnerabilities as the reconstruction program for the liberated areas remains severely lagging, and the infrastructure gap persists elsewhere in the country. Furthermore, domestic revenue mobilization is weak, with non-oil revenues representing only 8 percent of budgetary receipts, well below expectations. Customs exemptions coupled with poor tax compliance and collection have led a 24.4 percent decline in taxation receipts.

Lack of jobs, corruption, and poor service delivery remain among the most important risks to growth and fiscal sustainability. Young Iraqis have taken the streets in October 2019 to raise those concerns. These demonstrations exposed the fragility of the existing socio-economic system. The social unrest is expected to be addressed through more short-term fiscal stimulus - cash transfers, public employment and housing schemes among others - to appease demonstrators. However, results might not be satisfactory as job creation and meaningful anti-corruption and structural reforms will require a longer time frame. COVID-19 further escalate the situation. Diversifying through labor-intensive sectors such as in agriculture could be a path forward and help improve household welfare while deeper structural reforms take place.

Sectoral and Institutional Context

The prolonged conflict in Iraq has had a major impact on the development of Iraq's agri-food sector. Both private and public infrastructure has been significantly damaged and needs to be rehabilitated. For example, lack of inputs such as seeds and fertilizer are rampant, irrigation canals and pumps have been degraded, post-harvest storage facilities no longer exist, agricultural machinery and storage facilities have been damaged, veterinary services, research facilities, and extension centres have been either destroyed or need comprehensive rehabilitation. Further, water and electricity services have deteriorated, and the ability to access markets, provide services and access new technologies and knowledge have been severely disrupted. Currently, the World Bank is working with the Government of Iraq to restore the basic infrastructure (irrigation, storage, seeds facilities) through the Emergency Operation and Development Program (EODP - P161515). However, the rehabilitated infrastructure is not sufficient for the development of a competitive and resilient to the economic shocks and climate change agri-food sector, and capacity building and knowledge transfer are required.

The impact of COVID-19 on the agri-food sector is already tangible, particularly after the ban of all agricultural products from Iran (mainly vegetables). For example, prices for tomatoes, cucumber, and

potatoes had increased by 100 percent in Baghdad within one week from 9-16 March 2020. International trade over land and sea is of great importance to Iraq, as it relies heavily on the import of food products from overseas, starting with wheat. While the global prospect for cereal production for 2020 is overall favorable according to FAO's estimate, bottlenecks may occur along the supply chain at points of transshipment and internal distribution. In addition, the containment efforts to prevent the spread of the virus – e.g., the lockdown of cities and towns, mandatory quarantine, checkpoints and roadblocks – impact both the supply and demand side. It disconnects consumers from shops and markets and producers from suppliers of raw materials and production inputs. This calls for urgent action for building resilience and avoiding the devastating impacts of economic shocks.

The agri-food sector offers opportunities for economic diversification and growth and can contribute to peace and reduce fragility. Primary agriculture represents one of the largest non-oil sectors of Iraq's economy (5 percent of total GDP). The entire agri-food sector contributes to a much higher rate. The agricultural sector is a significant source of employment (approximately 19 percent) and is probably the main source of jobs in the private sector. Currently, Iraq has limited options for export diversification as dates, Iraq's second export commodity, are far after oil and contribute to a minor share of export. Once the agri-food sector is rehabilitated, it has a high potential to increase and stabilize crop yields. The projections of the Iraq Economic Monitor 2019 indicate that achieving Iraq's Net Domestic Product (NDP) yield targets for fruits and vegetables, livestock and cereals would lead to a 27 percent increase in agriculture GDP in short to medium term (an average annual increase in agriculture GDP of 4.9 percentage points); this would increase both rural and urban household incomes, and even more so for female-headed households. Especially, high-value horticulture has also a high potential as it is less affected by government policies than cereals.

Iraq is not currently maximizing the agri-food sector's potential to address unemployment and support the empowerment and employment of both women and youth. It is estimated that a 1 percent increase in agriculture GDP growth could lead to a 1.2 percent increase in total employment compared to just 0.35 percent for the industrial sector. Overall, the agri-food sector in Iraq has the potential to add over half a million jobs to the economy in the short-run, and about 2.5 million jobs over the medium-term (5-10 years). Young people, aged 15 to 29, make up approximately one-third of Iraqi citizens, and women 50-60 percent of the agricultural workforce compared to just 9 percent of the overall workforce. Ensuring youth and rural women's access to training and skills, grants and financial services, support for the creation of cooperatives, decent jobs and livelihood opportunities in the agri-food sector will lead to increased women's and youth participation in value chains, rural labor markets and enhanced opportunities for leadership roles in associations and cooperatives. Such an achievement in the agri-food sector would also contribute to social stability, conflict prevention and peacebuilding.

Climate change exacerbates the challenges the agri-food sector is facing. Climate projections include an increase in average annual temperatures of 2oC, and a decrease in average annual rainfall of 9 percent by 2050. Most importantly, climate change will bring about a higher frequency of extreme weather events and unpredictability of water flows. Water stress, drought, desertification and salinization will increasingly undermine agricultural production and jeopardize incomes and jobs in rural areas, which will potentially lead to local tensions over resources, further marginalization of vulnerable groups, instability and displacement.

The situation calls for more strategic and climate-sensitive management of land and water resources, and rapid scale-up of efficient irrigation technologies, among others.

Policy reforms and collective action by farmers (in cooperatives, associations, or other systems of aggregation) and ensuring equitable access to natural resources could help rebuild local institutions and reduce the risk of fragility and economic shocks in the future. Agriculture in Iraq is practiced predominantly by small to medium scale farmers. These production systems are not well coordinated and links to markets and services are fragmented. Due to conflict, aggregation, essential for efficient value chains, has become more challenging and underdeveloped. This has eroded social capital and the institutions that enable collective action. Furthermore, in Iraq the infrastructure which is essential to aggregation, farm productivity and value chain competitiveness have been destroyed or need major rehabilitation as it was mentioned above. For example, Water Users Associations (WUAs) cover less than 15 percent of the total irrigated area of 1.22 million hectares and even the existing WUAs need substantial capacity development as well as infrastructure investment. The lack of infrastructure also means that access to innovation, knowledge and technology have been restricted and as a result, farming practices and technologies in value chains became outdated and contributed to negative environmental consequences. In rebuilding this infrastructure, there are opportunities to identify and build strong points of aggregation.

Global lessons indicate that aggregation of small and medium scale farmers into groups both links producers with off-takers and helps achieve economies of scale along value chains. Aggregation also helps producers to meet the standards and requirements of modern markets and address other barriers to access and supports farmers to improve their productivity through increased access to services and markets and enhances their competitiveness by reducing the transaction costs of companies choosing to work with them. In Iraq there is an opportunity to link points of aggregation with appropriate models. The points of aggregation may take different forms, depending on the product; e.g., processing facility needs are significantly different for livestock (slaughterhouse) versus vegetables (packing sheds). The models could be new or build on more traditional/established institutions. Furthermore, the integration of digital technologies can improve points of aggregations and make the agri-food sector more efficient, inclusive, and environmentally sustainable, thereby increasing benefits for farmers, consumers, and society at large. They can help overcome information asymmetries and reduce inefficiencies caused by reliance on market intermediaries. It is a long-term effort which will remain of paramount importance for any revitalization of the rural areas and for an effective decentralization policy.

Relationship to CPF

The WBG has put on hold the preparation of a new Country Partnership Framework (CPF). The proposed work is aligned with Memorandum of Understanding between Iraq and the World Bank Group which specifically underlines the need to (1) improve access to knowledge and technology solutions to improve the sector's competitiveness, and addressing the impacts of climate change; (2) introduce regulatory reforms to

improve the targeting and efficiency of public support programs and facilitate market access for private operators.

The tasks also complement the ongoing World Bank-financed EODP lending operations in Iraq. EODP started its implementation in 2015 to support the Government of Iraq in the reconstruction of damaged infrastructure and the restoration of public services delivery in targeted municipality areas and has so far disbursed over US$ 250 million for various infrastructures, including in the agriculture and irrigation sectors.

The task is also fully aligned with the Government's main priorities presented in the National Development Plan 2018-2022: (1) increase the agricultural sector share in GDP (for non-oil activities) from 4.5 percent in 2015 to 5.2 percent in 2022; (2) achieve sustainable food security; (3) secure the annual demand for water for sustainable uses in the (agricultural, industrial, municipal) fields and achieving water balance with the possibility of reducing the annual demand for water 500 million m3 annually; (4) provide sustainable water resources.

This technical assistance will not only increase the impact of EODP and relevant programs by building capacity of governmental officials and beneficiaries but also contribute to the implementation of the Iraq's Nationally Determined Contribution (NDC) and various national strategies, such as the National Strategy for Water, the National Strategy for Agriculture, the National Strategy for Biodiversity and the National Framework for the Management of the Dangers of Drought in Iraq.

Activities described in this project may also be co-financed by the European Union, Agence Française de Développement (AFD) and other donors.

The task team is also engaged in significant consultations with relevant stakeholders in Iraq (i.e., UN agencies and donors), in order to ensure complementarity and avoid duplication of efforts.

C. Project Development Objective(s)

Proposed Development Objective(s)

The PDO is to test a model of aggregation to improve competitiveness and accessibility to markets and climate-resilience for small-scale rural producers in selected pilot areas for selected value chains (tomatoes, dates, poultry) by: (i) promoting strategic productive alliances between smallholders and private sector, (ii) empowering rural producers through the development of self-managed organizations, (iii) increasing access to productive assets and technology, and iv) promoting more effective and climate smart practices in Basra (tomatoes and dates), Babylon (dates and poultry), and Erbil (poultry) Governorates.

The higher-level objective to which the project will contribute is to revitalize competitive agri-food value chains, create new employment and sustainable livelihoods opportunities.

Key Results

This activity will promote (1) efficiency by strengthening the links between producers and buyers; (3) competitiveness by improving production, productivity and/or sales of smallholder producers; (2) social inclusion and equity by facilitating access of disadvantaged groups to markets, productive infrastructure and services and promoting the interest and needs of women and youth access to economic opportunities through value addition and entrepreneurship; (3) environmental sustainability by promoting environmentally friendly CSA practices actions in the agri-food sector which will contribute to climate resilience and climate change mitigation.

D. Preliminary Description

Activities/Components

The proposed work will contribute to the implementation and delivery of the I3RF Workplan's Component 1: Socio-economic recovery and reconstruction, specifically, the Sub-component: Agriculture, natural resources and water.

With the support of this activity, individual smallholders will be encouraged to engage in collective action to generate economies of scale, and to invest in and share common goods (e.g. warehouses or processing equipment). Hence, their relationship is of a socio-economic nature, focused on identifying market opportunities within a concrete business plan while strengthening social cohesion, both of which are further reinforced through an improved model of aggregation.

In order to achieve the PDO this activity will build social capital and foster trust between rural smallholders and buyers through the following sub-components:

Component 1: Identifying demand and opportunities for aggregation (USD 0.3 million)

Key investments under this sub-component include: (i) design and implementation of an information campaign to identify buyers/processors who have a demand for increased supply; (ii) a call for proposal to select groups of producers (20 to 40) who have the interest/commitment/potential to meet buyers/processor increased demands and standards; (iii) identification of the production standards required by the buyers/processors.

The information campaign will raise awareness among potential beneficiaries (i.e., producers groups and buyers) about the aggregation approach, the support offered by the project, the related eligibility and selection criteria, and the application procedure. The aim of the campaign will be to attract producers with a market-oriented mindset and likely to adopt and prosper from the technical assistance and investments offered by the projects. The information campaign will also contribute to a market study to identify potential buyers and understand their size and limitations. The information campaign will be coordinated with the local governantes. The campaign will focus on tomatoes, dates and poultry value chains which were identified as promising and competitive value chains in the on the recent CEM report.

The eligibility criteria will include:

- Farm sizes: May not exceed the small land ownership
- Evidence of a producer groups (minimum 20 members) formation.
- Evidence of a producer-buyer relationship (a letter of intent and /or commercial agreement between the group of producers and the buyer regarding the provision of a good in a specific value chain) is an asset. The agreement can have a varying degree of formality, preference will be given to a written contract detailing product specifications, quantity required, product quality, and the respective unit price to be paid, delivery specifications and payment modalities. The selection will also take into the consideration the identification of financially and commercially strong buyers with a strong commitment to an alliance with the producers.

The buyers can be private firms and/ or individuals such as brokers, traders, exporters, wholesalers, supermarkets, specialized distributors, processors, restaurant chains, school feeding programs, hospital food supply. The buyer should have at least two years of experience in the national market and legally established and with proven commercial infrastructure.

Subsequently, a call for initial subproject proposals will be launched. Interested producers will be invited to submit an initial subproject proposals that will describe the key elements of their intended productive alliance and will lay out the justification for project support. The initial subproject proposals should indicate (i) purchase commitment between buyer and producer organization i.e., commitment to buy all or at least 70% of the products from the alliance and willing to willing to guarantee a minimum price through a purchase agreement/contract; (ii) provide clear technical specifications (quantity, quality, terms, conditions of storage, packaging and other related to the specificity of each product marketed).

The initial subproject proposals will be screened and evaluated against the following criteria:

i. Technical feasibility (production capacity and quality);
ii. Financially viability (financial sustainability beyond the duration of project support);
iii. Market linkage strength (quality of market analysis, identification of technical assistance needs);
iv. Alliance partners' capacity (e.g. quality of production planning, quality control, identification of production bottlenecks);
v. Social aspects (e.g. potential for job creation, at least 30 percent of membership should be female producers, 30 % youth representatives (under 32 years).
vi. Environmental sustainability (e.g. the subproject's promotion of improved or climate-smart production practices).

Finally, subproject proposals which will meet the established criteria will be approved for financing. The selected proposals will be invited to develop business plans. The PMU will recruit and pays for private service providers (individual consultants and/or consultant firms pre-approved by the project and agreed with the POs) to prepare and finalize the details of the business plans working with the alliance partners. Business

plan will provide greater detail than the initial subproject proposal and typically include the objectives, implementation arrangements, needs for technical assistance, productive infrastructure and/or seed capital, budget projections, financial feasibility including cash flows, and results indicators.

Component 2: Investing in supply chains (USD 3.8 million)

Based on the identified needs in production systems required to meet standards demanded by buyers/producers, this component will (1) provide productive investments, technical assistance, and business development, (2) identify technical experts and other relevant service providers with the capacity/knowledge to help production systems and supply chains meet standards required. Where relevant these investments would include CSA attributes

The productive investments will be provided in the form of matching grants and minimum of 20% co-financing will be requested to encourage greater ownership. The total grant ceiling amounts US$2000 per household and USD 70,000 per PO. The matching grants will be disbursed into the subproject-specific beneficiary producer (or community) organization bank account. Thus, they will be accountable for the proper use and management of grant resources in line with their approved subproject business plans. The "Community-based Procurement" will be used as procurement procedure, it will be explained during training and capacity-building activities organized by the projects. Prior to the transfer of resources to a PO bank account, the PCU has to first verify and clear the PO's requests for payment both technically and financially.

Productive investments will include the provision of technology (quality grading technology, digital innovations) and infrastructure (post-harvest storage facilities, cooling stations, and sorting facilities). Where feasible, these technologies will be climate smart and energy-efficient, there will be a particularly strong emphasis on the use of solar technologies. The activity will also provide innovative ICT solutions, tailored to support aggregated groups of farmers and accelerate information exchange between beneficiaries and provide market information, agrometeorological alerts and crop treatments guidance to mitigate risks of pests. A better collection system through digital technologies would benefit farmers, processors and consumers by providing accurate information about existing sources of collectable products – information on volume, seasonal availability and quality characteristics.

The technical assistance will entail the delivery of extension services technology and specialized assistance on technical matters related to production, processing, health/sanitation and environmental aspects, as well as market studies. Capacity building activities will

The activity will also enhance producers' access to commercial financial services to complement project grant financing and beneficiary contributions, through (i) specific technical assistance to producer organizations to improve the "bankability" of subproject business plans, i.e., meeting the standard requirements of commercial financial institutions; (ii) a diagnostic study of local financial institutions and their coverage and service provision to smallholder producers

Finally, business development will focus on strengthening producers' capacities in management, accounting, business administration and marketing.

Component 3: Governance and monitoring (USD 0.5 million)

Component 3 will (1) regularly monitor the producer-buyer relationship to reduce the risk of choosing an noncompetitive buyer or promoting elite capture in imperfect markets; (2) identify financing mechanisms and governance structures that facilitate trust between buyers/processors and producers; (3) detect governance structures that ensures investment in aggregation points are maintained to an appropriate standard; (4) identify the technical support to enable financing mechanism and governance structures to be sustainably maintained.

This component will produce an assessment which will identify standards and requirements for strengthening the position of smallholder farmers in modern agricultural markets. The identification of standards will explore the needs and disparities around input and output markets; agricultural services such as extension, credit, transport and warehousing; and social and gender differences. The identification of sustainable financing mechanisms and governance structures that facilitates trust between beneficiaries can inform the future operations which will aim to enable aggregation.

Component 4: Project Coordination, Management and Monitoring and Evaluation (USD 0.4 million)

This component will ensure effective project administration and management and produce regular monitoring and evaluation (M&E) reports. Specifically, it will finance: (i) project administrative, technical, and financial management (FM); (ii) coordination among all partners to ensure an efficient flow of information and support to all actors; (iii) effective contractual arrangements with service/technology providers; (iv) M&E of project performance and project financial, environmental, and social impact management; (v) timely communication of results (e.g. publicize and disseminate project results, best practices and success stories and consistent citizen engagement). All Project Implementation Agency staff are expected to be fully qualified to undertake their assigned responsibilities.

The use of communication and engagement will maximize the development impact of the project by ensuring that information about project objectives, scope, and activities are communicated to intended beneficiaries accurately and on a timely basis, and by facilitating a wider range of other stakeholders, including the government and private sector, to become aware of the agri-food sector's and aggregations models potential and participate in its promotion.

Funds can also be used to support activities that will enable Iraq to establish an effective and coordinated response to food supply and food access issues related to COVID-19. Appropriate priority will be given to actions related to vulnerable communities and refugees.

Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4	Community Health and Safety	Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8	Cultural Heritage	Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

Legal Operational Policies

Safeguard Policies	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	No	
Projects in Disputed Areas OP 7.60	No	

Summary of Screening of Environmental and Social Risks and Impacts

The Environmental risk rating of the project is considered Substantial. At this stage, the specific locations of the anticipated interventions are not yet known. The project will include small scale civil works for the rehabilitation or restoration of agriculture facilities on the same footprint of existing infrastructure. The project will result in environmental benefits through the introduction of new technologies, including use of solar technologies, that will be climate smart and energy efficient. Infrastructure interventions will entail environmental and health and safety risks that are site-specific, short term and reversible. Anticipated impacts and risks include typical construction work, such as occupational health and safety risks during the operation phase, and environmental and social risks due to the generation of waste, noise, air emissions. Support to warehouses and processing facilities might result in the use of pesticides during the operations of the facilities that will have some occupation and community health and safety impacts. All these impacts are easily remediable and can be effortlessly mitigated. Additionally, the risk of ERW (explosive remnants of war) presence in different project areas, including UXO (unexploded ordnance), and AXO (abandoned explosive ordnance) must be considered during selection of site-specific interventions and could impact access. The social risk rating is considered High at PCN stage, particularly due to potential social risks and impacts

inherent to the project and contextual factors. The social risk rating may be revised as more information on specific locations and design characteristics are known and mitigation measures are in place. Infrastructure works inherent to project activities are expected to be temporary, predictable and medium in magnitude and spatial extent; however, specific locations will only be determined during implementation. On the contrary, risks associated with the socio-political and security context of violence, risks associated to Labor Influx, potential risks of elite capture, and GBV risks are High. Risks of exclusion of vulnerable groups, especially the disabled and refugees, community health and safety and occupational health and safety risks (especially due to ERW and due to the new COVID risks) are also high. To mitigate potential social risks, the project will support a comprehensive social outreach program and stakeholder engagement during the design and implementation of project activities. In addition, it will support activities that will enable communities to establish an effective and coordinated response to food supply and food access issues related to COVID-19. Priority will be given to actions related to the inclusion of vulnerable communities and refugees and impacts will be reviewed during project preparation based on further information on, and analysis of the project activities and location. The Borrower will prepare an Environmental and Social Management Framework (ESMF), before appraisal, to assess risks associated with the project including site risk assessment on the presence of ERW ensuring sites which are already cleared and confirmed of absence of ERWs will be used for project activities. The relevant Environmental and Social Standards to the project are ESS1, ESS2, ESS3, ESS4, ESS5, ESS8 and ESS10. The ESMF will analyze the Borrower?s legal and institutional framework, identify risks and layout measures to mitigate such risks. The project will also require the preparation of an Environmental and Social Commitment Plan (ESCP) before appraisal, to document material measures and actions that are required for the project to achieve compliance with the ESSs. Additionally, the borrower will prepare a Stakeholder Engagement Plan (SEP) , a Resettlement Framework (RF), a Gender Action Plan, and a Labor Management Plan (LMP).

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Borrower/Client/Recipient

Borrower :	Ministry of Agriculture

Implementing Agencies

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