



Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 03-Oct-2018 | Report No: PIDISDSC25483



BASIC INFORMATION

A. Basic Project Data

Country India	Project ID P168310	Parent Project ID (if any)	Project Name State of Maharashtra's Agribusiness and Rural Transformation Project (P168310)
Region SOUTH ASIA	Estimated Appraisal Date May 13, 2019	Estimated Board Date Aug 12, 2019	Practice Area (Lead) Agriculture
Financing Instrument Investment Project Financing	Borrower(s) Republic of India	Implementing Agency Department of Agriculture, Government of Maharashtra	

Proposed Development Objective(s)

The project development objective is to support the development of inclusive and competitive agriculture value chains , focusing on small holder farmers and agri-entrepreneurs in Maharashtra. This would be achieved by expanding access to new and organised markets for producers and enterprises with complementary investments in technical services and risk management capabilities.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	300.00
Total Financing	300.00
of which IBRD/IDA	210.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	210.00
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Non-World Bank Group Financing

Counterpart Funding	80.00
Borrowing Agency	80.00



Other Sources	10.00
Foundation/s (identified)	10.00

Environmental Assessment Category

B - Partial Assessment

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **India continues to be one of the world’s fastest-growing large economies and has experienced a substantial decline in poverty.** The Indian economy’s annual growth rate grew from 5.5 per cent in 2012-13 to 8 per cent in 2015-16, supported by robust private consumption, a resilient services sector, and some revival in industrial activity. In recent times, temporary disruptions from demonetization and uncertainty surrounding GST slowed India’s economic momentum; real GDP growth declined to 7.1 per cent in 2016-17 and further to 6.5 per cent in 2017-18. Private investments have remained subdued. Economic activity is expected to stabilise in 2018-19 and growth will resume gradual acceleration in the near term. Since the 2000s, India has made remarkable progress in reducing absolute poverty, declining sharply from 38.9 to 21.6 per cent at the international poverty line (US\$1.90 PPP/day) between 2004 and 2011. With over a 100 million people escaping poverty, the pace of poverty reduction in India exceeded that of the developing world as well as that of Middle-Income Countries (MICs) in this period. High economic growth, a rapid rise in rural wages, greater rural-urban integration and increase in non-farm activity, especially construction, were the key drivers of poverty reduction. Since 2011, robust economic growth may have aided further reduction in poverty. However, trends in the construction sector and rural wages suggest that the pace of poverty reduction may have moderated.

2. **Agriculture plays a vital role in India’s economy and is central to policies aimed at alleviating poverty. Increasingly, the potential role of the sector to expand growth, create jobs and support the ongoing rural-urban transformation is becoming evident.** More than 54 per cent of the population is engaged in agriculture and allied activities (census 2011), and the sector contributed 17.1 per cent to the country’s Gross Value Added (GVA) for the year 2017-18 (at current prices). As expected in a fast-growing economy, there has been a continuous decline in the share of agriculture and allied Sectors in the GVA from 18.6 per cent in 2013-14 to 17.4 per cent in 2016-17. The annual agriculture growth rate was around 3-3.5 per cent in the 1990s and 2000s and dropped below 2 per cent per annum during 2013-15, due to low productivity, growing water and land scarcity, rising labour costs, and declining commodity prices. This



has led to an agrarian crisis with a growing emphasis on improving the ecological sustainability of the resource base and the socio-economic potential of the sector to increase farmer welfare and rural growth opportunities¹.

3. **Rapid urbanisation in India is driving change in the agriculture value chain, deepening linkages between urban food systems and producers.** This urbanisation leads to (i) an increased uptake of agricultural produce from rural to urban areas; (ii) changes in the farm production to reflect the food marketed and consumed; and (iii) larger and changing role of food supply chains in meeting urban food needs². However, the current urban food system is in disarray with limited or no focus on food safety, food security to urban poor and multiplicity of authorities handling food related issues.

4. **Over the years India has developed export competitiveness in certain specialised products, making it the world's 10th largest agriculture exporter.** Leading exports consisted of basmati rice, the meat of bovine animals, marine products, cotton, and sugar. However, India's agriculture export basket accounts for only about 2 per cent of world trade. and the share of India's high value and value-added agriculture produce in its agriculture export basket is less than 15 per cent compared to 25 per cent in the US and 49 per cent in China. This low share and low value are contributed mainly by (i) inconsistent policies in the areas of farm production, support prices and R&D (all focused on food security); (ii) poor inland transportation, exit point infrastructure; and (iii) export restrictions which results in uncertainty among the stakeholders.

Sectoral and Institutional Context

5. **Maharashtra has a high agricultural growth rate, agricultural transformation toward higher value crops is underway, and the state is relatively integrated into global commodity markets.** Agriculture has grown at an annual average of 6.4 per cent from 2004-05 to 2011-12, and the area under cultivation for cereals has declined since 2000, reflecting a shift from food grains towards cash crops. Food grains (rice, wheat, and millets, excluding maize) account for about 25 per cent of the gross cropped area, contributing only 7.7 per cent of agricultural GDP³. Since 2000, with the upsurge in the production of high-value crops, the state has emerged as one of the country's largest producers and exporter of fruits, vegetables, pulses, cotton, and soybean. Many of these changes in the sector have led to positive developments because production is labour intensive (e.g., horticulture and floriculture), climate resilient (pulse-based cropping systems increase resilience, e.g. pigeon pea intercropping leads to higher soil carbon sequestration than monocrop system), and responds to market needs, both domestically and globally. The food processing industry is dynamic in the state with increasing value addition, and it employs approximately 240,000 workers, about 15 per cent of the total formal sector employment. However, agriculture growth and structural transformation are not spread evenly across the state with some areas, notably the north and east, lagging behind. Likewise, around 57 per cent of all industries are concentrated in only three districts⁴.

6. **Small and marginal farmers⁵ dominate Maharashtra's agriculture and commodity downturns significantly impact them as the state's agriculture is diversified and relatively integrated with the global value chains.** Commodities like soybean, cotton, and sugar (covering 44 per cent of the cropped area in Maharashtra) are strongly influenced by global price movements. Commodities with little footprint outside India are mainly influenced by trade policies. For example, over the past few years, the price of pulses (where pulses cover about 20 percent of the total cropped area in

¹ Annual Report, 2017-18. Department of Agriculture, Cooperation & Farmers Welfare, Government of India

² India is the fifth largest online grocery market in the Asia Pacific region and one of the fastest growing. India's online food and drink market grew to \$135 million in 2016 and is expected to cross \$464 million in 2021. Likewise, the emergence of larger chains and stores which began around 2005 and has grown to over 3,000 modern retail outlets in 2016.

³ Economic Survey of Maharashtra, 2017-18, GOM.

⁴ A Report Based on ASI 2010-11, GOM.

⁵ With average farm size of 1.44 ha.



Maharashtra), while influenced by domestic consumption, were largely affected by the inconsistent trade policies of India. This is reflected in periodic farm distress in sectors linked to domestic and global markets, with broad shifts in the global prices of commodities such as pulses, soybean, sugar and milk leading to farmers not even being able to cover the cost of production in many cases.

7. **In response to these emerging production and market-related challenges, the Government of India (GOI) and Government of Maharashtra (GOM) have launched a number of programs, policies, and reform initiatives under the overarching vision of “Doubling Farmer’s Income by 2022”.** New initiatives to address the production risks include a crop insurance scheme with enhanced coverage and use of technology; and a dedicated long-term irrigation fund with an initial tranche of US\$3 billion. Additionally, to liberalise the regulated agriculture market, the GOI launched, and GOM adopted, second-generation marketing reforms, including the move towards integrating the country into a unified national market; and 100 per cent Foreign Direct Investment (FDI) is allowed to enhance investments in agribusiness/food processing sectors. A new agricultural export policy is in the final stages of approval and proposes doing away with arbitrary export quotas, and price restrictions. Through this policy, India is targeting a doubling of agriculture exports to 4.00 per cent (US\$ 60 billion) by 2022.

8. **Women face a number of additional barriers to the transition to high value agriculture (HVA) and agribusiness.** While India’s farmers are increasingly likely to be women, they are less able to transition to HVA than men, and their ownership of agricultural assets has stagnated. Unlike men who, in addition to production, also serve as the actors in the upper levels of the value chains, including intermediaries or village-level traders and processors, wholesalers, retailers, or exporters, women are generally concentrated at the lower levels of the value chains. This division of labour is mostly a reflection of social and cultural norms, which discourage women to travel by themselves or own land. These factors curtail women’s access to resources and services, including credit, training, extension, inputs, and trading and marketing networks. Women do not have collateral to apply for loan or opportunities to participate in extension training because selection for these opportunities is often based on land ownership titles or other formal records. **More than 2 million poor women have been mobilised into Self Help Groups (SHGs) and federated organisations in the state.** These SHGs and federated organisations can serve as an important pillar to substantially enhance inclusion of rural poor women into agribusiness transformation and related entrepreneurship opportunities.

9. **The state also faces significant adverse risks from climate change:** As part of the National Action Plan on Climate Change (NAPCC), the Government of Maharashtra has formulated the Maharashtra State Adaptation Action Plan on Climate Change (MSAAPCC) by commissioning a comprehensive vulnerability assessment study. The MSAAPCC climate modelling results for 2030, 2050 and 2070, show that temperature and rainfall are projected to increase across the state, with important regional variations resulting in potentially significant adverse impacts on agriculture performance. Impacts will be further aggravated by the projected increase in the frequency of extreme climate events (droughts, hailstorms, floods, delays in the onset of monsoons, higher rainfall intensity) already experienced in the state over recent past, as illustrated by the three severe droughts that hit the state over the past five years. Given these uncertain shifts in weather and climatic events, the small and marginal farmers are disproportionately exposed to risk and farm distress.

10. **With the support of the World Bank, Maharashtra has recently rolled out four programs, to enhance the climate resiliency of the state’s agriculture:** the Maharashtra Project on Climate Resilient Agriculture, and three national level programs that have significant presence in the state: the National Dairy Support Project (P107648), the National Groundwater Management Improvement Program (P158119) and the proposed Agriculture Risk Resilience Insurance Access Project (P165923). Their focus is on enhancing climate resilience of farmers through promoting adoption of climate-resilient agricultural technologies, irrigation and production risk management. The proposed project will seek to complement and leverage these Bank financed projects/programs and other thematically related on-going/pipeline



projects and initiatives both nationally and in the state viz., National Rural Economic Transformation Project (P104164), the proposed Food Processing and Value Addition Pilot Program (P167559).

Relationship to CPF

11. The project advances two focus areas of the India CPF of promoting more resource efficient growth and enhancing competitiveness and creating jobs. Specifically, the project will support the following CPF goals:

12. **Objective 1.1: Promote more resource-efficient, inclusive, and diversified growth in the rural sector.** The project closely aligns to the CPF sectoral goal of supporting Government of India (GOI) priorities of agricultural transformation and doubling farmer incomes by 2022. The project seeks to undertake a range of interventions to enhance market access, competitiveness and resilience to market shocks of farmers and value chain actors in the state of Maharashtra. The project will seek to generate jobs in agribusiness related areas including input supply, provision of technical services and food processing. The project will also explicitly target and develop mechanisms for inclusion of women at all level of agricultural transformation, from diversification to higher value crops, to access to higher level technical services, and access to a broader range of markets. This will promote inclusivity and diversification of the rural growth. With its strategy to align with complimentary investments under other projects and schemes, the project will also advance resource efficient growth and build climate resilience of farmers.

13. **Objective 2.1: Improve the business environment and select firm capabilities.** The project will support the GOM's efforts to develop a more favourable regulatory environment for private investment in agribusiness related areas, promote private sector investments and enhance the competitiveness of the agricultural sector. This will include support for the improved implementation of reforms already undertaken; setting up of institutional structures for consultative planning and capacity building of identified value chains and growth clusters, and provision of technical services to agribusiness enterprises. .

C. Proposed Development Objective(s)

14. The project development objective is to support the development of inclusive and competitive agriculture value chains⁶, focusing on small holder farmers and agri-entrepreneurs in Maharashtra.

B. Key Results

- a) Increased access to new and organised markets (gender disaggregated, with a target for increased access for women producers/value chain participants); *(measured by increase in the value of marketed output at the beneficiary level)*;
- b) Beneficiaries of job-focused interventions (CRI) (gender disaggregated); *(measured by the number of beneficiaries reached by training, employment in processing, entrepreneurial development and other interventions that contribute to the jobs agenda)*; and
- c) Farmers reached with agricultural assets or services (CRI) (gender disaggregated).

15. Project beneficiaries include producers, community-based organisations (viz., SHG federations, Farmer Producer Organisations, and Primary Agriculture Credit Cooperative Societies), agri enterprises and other value chain participants, including individuals where relevant.

D. Concept Description

⁶ Competitive value chains are defined as those providing project beneficiaries with access to services, markets, and jobs.



16. The **proposed project will strengthen and speed up ongoing agricultural systems transformation in the state of Maharashtra**. The project will support the state in strengthening the continuing market-driven transition, with an expanded private sector role in the production, processing, and value addition, commercialisation of crops, and livestock products. With a substantial urban population – the highest in the country; relatively high per capita incomes – third highest in the country; and the highest industrialisation level amongst states, Maharashtra is well placed for such agricultural sector transformation. The proposed project will support the following pillars of agriculture and rural transformation in the state:

- (a) **Build state capacity for evidence-based agribusiness reforms.** The state has undertaken many agriculture market reforms and plans to do more to address market-distorting interventions and bottlenecks for private sector activity. The project will seek to build capacity of the state to inform on how reform issues are debated, decided, implemented and evaluated; and develop institutional mechanisms for coordination with the private sector.
- (b) **Expand market access.** Constraints to producers and entrepreneurs accessing emerging domestic and export markets include lack of access to technical services relating to food safety and quality; weak information on market opportunities and requirements; and inability to invest in market development activities. The project will seek to improve access of producers and entrepreneurs to a range of technical and business development services to enhance competitiveness through food safety and quality; new technologies; and skills training. International experience shows that accessing new markets requires longer-term strategic actions including identifying opportunity based on local competitive advantages and supply-demand projections; and support for firms and entrepreneurs to undertake market development. The project will support a range of such activities including: identifying opportunity commodities and value chains for interventions; scaling up production and processing of identified commodities; enhancing access to timely market information and intelligence; and supporting producer and enterprise associations to undertake market access activities.
- (c) **Strengthen risk mitigation measures.** The project will support strengthening risk mitigation measures including building the capacity of the state to respond to commodity-price fluctuations and agriculture sector crises; developing access to timely information on markets and productions trends; and enhancing access of producers to financing and hedging instruments. Additionally, for building the climate resiliency and resource growth, the project will align with complimentary investments under other projects and schemes.

17. **In addressing these constraints, the project will support a number of actions for leveraging additional resources by** (i) improving the policy and regulatory environment for private sector investments in the agricultural sector; (ii) using public financing to enhance private sector incentives and to reduce transaction costs and risks ; (iii) forging innovative partnerships for leveraging funding, including Corporate Social Responsibility (CSR) funding through the Village Social Transformation Foundation (VSTF), a foundation promoted by the GOM, with private sector participation and financing, to catalyze rural transformation.

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

Maharashtra is one of India's most prosperous states, with a population of 114 million. Yet, it has some of India's poorest people, four of its 36 districts are among India's 106 most backward. Agriculture and industry form the mainstay of the state's economy. Most of the cultivable land is still rain-fed, relying heavily on the southwest monsoon rains. The net irrigated area is only 30.77 million Ha or about 16% of cultivable land. Maharashtra has typical monsoon climate, with



hot, rainy and cold weather seasons. The state has been affected by the recurrent monsoon failures in recent years resulting in droughts which have disproportionately impacted the state’s semi-arid agro climatic zones. Sahyadri and Satpura are two important hill ranges and Godavari, Bhima and Krishna are the two major rivers of the state. The state also has a long coastline. About 17% area of the state is forest, majority of which are in the eastern and Sahyadri regions of the state. Since the central parts of the state receives low rainfall, most of the rivers in the region have multiple dams. Maharashtra has around 1800 notable large dams. Maharashtra is generally rich in biodiversity Southern Tropical Thorn with five major forest types (Southern Tropical Semi-Evergreen, Southern Tropical Moist Deciduous, Southern Tropical Dry Deciduous, Southern Tropical Thorn and Littoral and Swamp Forests). The Western Ghats areas of Maharashtra are included in the 34 global Biodiversity Hotspots. The proposed project will be implemented throughout the state.

B. Borrower’s Institutional Capacity for Safeguard Policies

The Borrower is familiar with the World Bank's safeguard policies having implemented several Bank funded projects. More recently, in the agriculture sector, Maharashtra Agricultural Competitiveness Project (MACP) and Project on Climate Resilient Agriculture (PoCRA) are being implemented. Both have sound environmental and social management frameworks. MACP has been rated Satisfactory on safeguards performance consistently. There is now adequate capacity in the state to manage potential safeguard risks of projects. However, some capacity building efforts are needed to deal with the new set of challenges arising as a result of climate change impacts. In general, Maharashtra has good institutions that can prove technical support to deal with safeguards related impacts, risks and challenges and build on positive outcomes of resource efficiency and sustainability.

C. Environmental and Social Safeguards Specialists on the Team

Anupam Joshi, Environmental Specialist
Gitanjali Chaturvedi, Social Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	This policy is triggered. The project involves a series of interventions on agriculture value chain development, facilitating market access, supporting improvement of livestock productivity, food processing and, in general, enhancing resilience. It is anticipated that investments to be made under the project will not lead to any major irreversible impacts. the project by design promotes market-led better natural resource and environmental management within the selected sectors and sub-sectors. The potential environmental issues that could arise if project financed investments are not implemented appropriately, include food safety, supply chain sustainability, waste generation and management, poor energy efficiency and associated emissions, soil degradation etc. Activities for post-harvest management and value chain creation for product aggregation, handling, and marketing



		could have impacts associated with general civil works construction, if supported under the project. This includes appropriate site selection for creating new infrastructure and reducing impacts of construction related activities like debris disposal, dust and solid wastes.
Performance Standards for Private Sector Activities OP/BP 4.03	TBD	This policy may/may not be triggered. At this stage it is not clear if investments in enhancing the access of intended project beneficiaries to private markets will trigger this policy. The project investments may result in increased role of private markets and attract private investments in food processing etc. The proposed EA will ascertain whether this policy will be triggered.
Natural Habitats OP/BP 4.04	TBD	This policy may/may not be triggered. Project investments are not likely to adversely impact natural habitats but certain elements may have some bearing on agro-biodiversity. The EA will ascertain whether this policy will be triggered.
Forests OP/BP 4.36	No	The project will not lead to any impact on forests or their management practices.
Pest Management OP 4.09	Yes	Even through the project is not going to invest on the crop production side of agriculture, this policy is triggered as opportunities created through better market access could lead to overuse of pesticides and other agro-chemicals for boosting production.
Physical Cultural Resources OP/BP 4.11	No	The project is unlikely to have any impact on physical cultural resources. Proposed investments are largely in existing markets and/or rural household level.
Indigenous Peoples OP/BP 4.10	Yes	Project activities will be implemented state-wide. Given that Maharashtra has a large tribal population spread across the state with 54% of those living below poverty line, OP 4.10 has been triggered. As specific locations for the project are unknown, an Indigenous People's Planning Framework (IPPF) will be prepared after free, prior and informed consultation with affected Scheduled Tribes as per OP 4.10
Involuntary Resettlement OP/BP 4.12	TBD	Project activities currently envisaged are not likely to cause any involuntary resettlement. This will be updated during preparation.
Safety of Dams OP/BP 4.37	No	The project will not invest on constructing any new dam and/or support rehabilitation/improvement of any existing dam.
Projects on International Waterways OP/BP 7.50	No	The project does not involve any international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The project does not include any disputed areas.



E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Apr 08, 2019

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

The safeguard preparation will involve undertaking an Environment Assessment. The preparation timeline is aligned with project processing timeline. In addition, an Indigenous People's Planning Framework (IPPF) will be prepared to take into account initiatives undertaken in areas populated by Scheduled Tribes.

CONTACT POINT

World Bank

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APPROVAL

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