



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

Concept Stage | Date Prepared/Updated: 03-Apr-2018 | Report No: PIDISDSC23742

**BASIC INFORMATION****A. Basic Project Data**

Country India	Project ID P165923	Parent Project ID (if any)	Project Name Agriculture Risk Resilience and Insurance Access Project (P165923)
Region SOUTH ASIA	Estimated Appraisal Date Aug 10, 2018	Estimated Board Date Dec 06, 2018	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) Department of Economic Affairs	Implementing Agency Department of Agriculture, Cooperation & Farmers Welfare	

Proposed Development Objective(s)

The Project Development Objective is to enhance farmer access to and service delivery standards of the crop insurance scheme in select states in India.

Financing (in USD Million)**SUMMARY**

Total Project Cost	404.68
Total Financing	404.68
Financing Gap	0.00

DETAILS

Total World Bank Group Financing	202.34
World Bank Lending	202.34
Total Government Contribution	202.34

Environmental Assessment Category

B-Partial Assessment

Concept Review Decision

Track I-The review did authorize the preparation to



continue

Other Decision (as needed)

B. Introduction and Context

Country Context

Agriculture plays a vital role in India's economy and is therefore a policy priority. A sizable 54.6 percent of the population is engaged in agriculture and allied activities (census 2011). Yet, it contributes 17.3 percent to the country's Gross Value Added (GVA) at current prices¹. A majority of India's 138 million operational farm holdings are small and marginal in size with about 85 percent of farmers operating with less than 2 hectares keeping them poor. Women comprise 33 percent of cultivators and 47 percent of agricultural laborers.² On an overall basis, about 84 percent of women depend on agriculture for their livelihoods directly or indirectly. Increasing agricultural productivity as well as its resilience to shocks, notably for small and marginal farmers are therefore priority areas for the Indian Government.

The policy priority also derives from agriculture's sensitivity to climate shocks, both temperature and rainfall. Data³ shows that extreme temperature shocks can lower agriculture yields on average for Kharif and Rabi crops by 4percent and 4.7percent respectively, and for extreme rainfall shocks by 12.8percent and 6.7percent respectively. These averages mask wide variations between irrigated and rain fed regions making some crops, typically non-cereals, more at risk to climatic changes. Expectedly, the combined effect of small holdings and higher variability to climate change has direct implications for poverty action.

Designing appropriate mitigation methods is central to enhancing agriculture's resilience. Ex post methods at addressing shocks can often be fiscally and economically sub-optimal, create moral hazards in lending and distort credit markets. The Pradhan Mantri Fasal Bima Yojana (PMFBY), a redesigned market based crop insurance scheme aims to de-risk Indian agriculture through universalizing coverage and enabling transparent, timely claims settlement even while credibly managing fiscal risks for government. This is proposed through effectively deploying market infrastructure, technology and governance protocols to foster market participation and efficiency.

Sectoral and Institutional Context

GoI has historically supported the provision of subsidized crop insurance given its strategic importance for agriculture finance and crucially as a mechanism for risk mitigation and social protection for farmers. After a series of variants introduced to improve design, the PMFBY was introduced in 2015 with an emphasis on transparent and competitive pricing, greater use of technology in yield estimation and uniformity in farmer premiums. PMFBY is set in the context of India's evolving federalism with larger roles devolving on states for implementation.

¹ 2016-17

² Khyade, and Khyade (2016), Indian Women in Agriculture, International Academic Journal of Economics, Vol. 3, No. 12, 2016, pp. 1-8

³ Economic Survey 2018



Even as design has progressively embraced good practice, implementation challenges remain. To list a few, the accuracy and timeliness of ‘yield data’ - the cornerstone of PMFBY - is crucially dependent on the adequacy of crop cutting experiments and is an area where much work is needed on optimizing capacity; the use of credible frameworks like a crop notification calendar by state governments can greatly help address adverse selection, assist production planning and market participation; crop insurance delivery which is perceived as unreliable, slow, and costly for many farmers especially in low risk areas needs to address the trust deficit especially with regard to timely claims settlement; and lack of awareness among the farming community which limits demand for insurance and transfers decision making disproportionately to the supply side needs addressing to spur responsible financial inclusion.

The Project will help strengthen efficacy of the large PMFBY program, trigger institutional change and capacity creation at federal and state levels. Aided by technology, this institutional reform becomes central to catalyzing commercial finance sustainably and achieving PMFBY’s ambitious mandate of 50% coverage by 2021.

Relationship to CPF

The Project strongly supports the Resource Efficient Growth Focus and Enhancing Competitiveness Areas in addition to the cross cutting theme of sub-national engagement. As a crop insurance operation, it contributes to the objectives of climate resilience, access to social safety nets, and sustainability of Indian agriculture – the latter through influencing policy and market action on agricultural transformation. The project contributes to financial strengthening and deepening access to finance as well as gender Inclusion objectives with expected financial risk mitigation benefits for India’s small and marginal farmers. Collectively, the crop insurance interventions contribute to the twin goals by lowering risks of a slide back to poverty while enhancing sustainability, and increasing shared prosperity especially for women. The operation is set in the context of India’s evolving federalism and therefore supports changes in institutional incentives to address the causes of sub-optimal performance of crop insurance programs. The funding mix is accordingly 50:50 for the Bank and counterparts to balance stakeholder ownership. Importantly, it aligns with the government priority of doubling farmers’ incomes by 2022 through helping mitigate agricultural losses due to agro climatic shocks.

The Project aims to address bindings constraints for the commercial sector to deliver crop insurance and foster effective public private solutions including for financing specific market infrastructure. By addressing the underlying causes of market failures including setting the right institutional processes, governance protocols and technical capacity, and optimally using public private modalities to scale supporting physical infrastructure, the project will help deepen financial sector participation, align pricing closer to actuarial / technical risks, and help achieve development objectives of maximizing coverage while enhancing sustainability of budgets and the financial sector.

C. Proposed Development Objective(s)

The Project Development Objective is to enhance farmer access to and service delivery standards of the crop insurance scheme in select states in India.

Key Results (From PCN)

1. The following Key Performance Indicators (KPI) are proposed for measuring the core outcomes of the project:
 - a) loanee and non-loanee farmers’ participation increased by XX% & YY% respectively compared to baseline;



- b) women, SC & ST farmers' participation increased by XX% & YY% respectively compared to baseline (measure of inclusiveness & equity);
- c) turn-around-time (TAT) in claims settlement reduced from XX weeks (baseline) to YY weeks (by end-term);

D. Concept Description

To achieve the PDO and KPI targets, the project is designed around the four components:

Component 1: Strengthening yield assessment through improving CCEs methodology and weather data infrastructure - Improving quality and timeliness of the crop cutting experiments (CCE) will be critical for improving reliability of underlying crop yield data. Similarly, building a robust ground-based weather measuring/monitoring infrastructure will be critical for improving the reliability of underlying weather data for estimating crop loss.

Component 2: Improving crop insurance service delivery through enhanced central and state government capacity on agriculture insurance - This component will finance investments in improving technical and operational capacity of central and state governments to expand coverage of crop insurance in a manner that is technically sound, promotes efficient delivery and bolsters fiscal efficacy.

Component 3: Expanding coverage through promotion and awareness programs - This component will target demand and supply side stakeholders in increasing awareness and understanding of crop insurance and its modalities, with particular attention to the underserved non-loanee farmer segment.

Component 4: Project Management, and Monitoring & Evaluation - This component will focus on strengthening capacity of implementing partners, namely the DoAC&FW. In addition to the TSU, a Project Implementation Unit (PIU) will be set up within DoAC to implement the project, conduct monitoring and evaluation (M&E) activities, conduct financial management and carry out all required procurements under the project.

SAFEGUARDS

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

Project locations are currently unknown. The project will attempt to connect farmers with insurance in respect of different crops. The project is likely to be implemented in several States in India that will have different agro-climatic zones. For example, ranging from semi-arid and dry to sub-tropical and wet. The project locations would be confined to farmlands that may be in plain or hilly terrain. At this point it is difficult to ascertain exact physical characteristics that may be relevant to proposed project activities.

B. Borrower's Institutional Capacity for Safeguard Policies

The project will be implemented by the Ministry of Agriculture and will include participation of public and private insurance firms/companies. The Ministry of Agriculture has implemented several Bank funded operations but mostly with the help of an expert institution, such as, the Indian Council of Agricultural Research (ICAR), which is implementing an ongoing Bank funded project on National Agriculture Higher Education Project. At this stage, the client does not have



environment and social safeguards professionals in their team. During preparation a limited environmental and social assessment will be undertaken. The client is already in the process of recruiting qualified specialists in their team to address safeguards issues as and when they arise.

C. Environmental and Social Safeguards Specialists on the Team

Anupam Joshi, Environmental Safeguards Specialist

Gitanjali Chaturvedi, Social Safeguards Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	A limited environmental assessment will be undertaken to identify any potential risks and likely impacts of the proposed project investments that include crop cutting experiments and installation of (mostly portable) weather stations. Only minor works, if any, are expected to be undertaken. The assessment will cover a few potential locations where the project might be implemented and will also assess the institutional capacities in dealing with any unforeseen adverse environmental impacts. Stakeholder consultations will be undertaken. An Environmental Management Framework (EMF) will be prepared that will comprise primarily of a construction code of practice and some other best practices depending on the nature and scope of identified risks.
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	TBD	Project locations are yet unknown. Hence it is not known if the policy will be triggered at this stage.
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	TBD	Project locations are yet unknown. Hence it is not known if the policy will be triggered at this stage.
Involuntary Resettlement OP/BP 4.12	No	The project does not involve involuntary resettlement.
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	



E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Jun 29, 2018

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

Environment Management Framework (including construction code of practices)

Indigenous People's Planning Framework (in case OP 4.10 is triggered)

CONTACT POINT

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APPROVAL

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