

INTEGRATED SAFEGUARDS DATA SHEET

CONCEPT STAGE

Report No.: AC435

Date ISDS Prepared/Updated: September 23, 2003

I. BASIC INFORMATION

A. Basic Project Data

Country: Georgia	Project ID: P078544
Project Name: RURAL DEVELOPMENT PROJECT - GE	Task Team Leader: Rapeepun Jaisaard
Estimated Appraisal Date: June 1, 2004	Loan/Credit amount (\$m.): IDA: 16
Estimated Board Date: March 29, 2005	
Managing Unit: ECSSD	Lending Instrument: Specific Investment Loan
Sector: General agriculture, fishing and forestry sector (50%);Agricultural marketing and trade (25%);Agro-industry (25%)	Theme: Rural markets (P);Rural policies and institutions (S)
Safeguard Policies Specialists in the task team: Rita Cesti	
Other financing amounts by source: (\$m.)	

B. Project Objective

The objective of the project is to develop the private commercial agriculture sector by facilitating the access of Georgia's mainly small farmers to supply chains, and improving the competitiveness of the supply chains in response to demand from domestic and international markets. This would increase incomes and employment and reduce poverty in rural areas.

C. Project Description

The project would support clusters of agro-processors, traders, packers, graders, farmer and traders associations, and commercial farmers producing specific commodities to develop the supply chains for selected commodities. These commodities would already have established demand from both domestic and international markets for which Georgia has a demonstrated comparative advantage. The integrated supply chain approach links market demand backward to production by transmitting market requirements to producers and enabling them to respond

effectively to buyers by bringing competitive products to market. During project preparation, commodity studies would be carried out to assess major constraints at all stages of the supply chain, including those involving production, policies and regulation, institutions and infrastructure. These studies will be done in cooperation with government, donors, private sector and stakeholders. Each study would identify project interventions, e.g., private- and public-sector roles, assess commercial quality and food safety requirements, evaluate risk and identify market opportunities and requirements.

The commodities supported could be classified into two groups; high value horticulture and livestock products; and bulk commodities such as wheat, corn and other grains. The major difference between the two groups lies in the extent of government involvement in marketing; while for the first group of commodities, market activities include mainly private farms and businesses and public-sector services to these farms and businesses; for bulk commodities, market activities include partially privatized public enterprises and potentially sensitive political issues. Government willingness to undertake policy reform identified in commodity studies would be an essential element in determining whether any commodities in the second group would be supported in the project.

The project will focus on a few commodities which have clear market demand to reduce commercial risk. For the first group of commodities (high value crops and livestock) the project would use a competitive approach in selecting a commodity and its supply chain. Rural communities that form the base of an existing priority commodity supply chain or have the potential for development of such a supply chain would be encouraged to submit a proposal for evaluation by a screening committee. During project preparation, a public awareness program would be used to inform the public about the project and a local preparation team would assist communities in preparing proposals. Criteria for screening would be developed. After passing the first round, TA would be used to evaluate the desirability of assisting candidate programs.

The preparation team will investigate whether to support the implementation of land registration and cadastre programs invested in by the ADP under the project in order to secure sustainability of the programs and continued progress in developing an effective land market and the ability of agricultural borrowers to use land as collateral.

Description of Components: The project would support activities under three main components plus a project management and M&E component:

Policy and Institution Development. Commodity analysis would outline recommended changes in policy and regulatory frameworks, restructuring and strengthening of public services, and building of public and private participation, which will be necessary to support increased competitiveness and an improved environment for private sector development. The policy frameworks could be in trade, tax, legal and regulatory policies; food safety and standards; land markets; credit policies; and policies concerning farmer groups and cooperatives. Institutional development would be limited to strengthening the quality and efficiency of the core public services necessary to support commercial agriculture. These are seed and seedling regulation, veterinary services, technology extension services, and input supply. During project preparation, other services will be evaluated as to whether to include them in project activities, including

animal breeding, quarantine, food safety and border services. Core and other services will be analyzed with respect to public or private provision. Cost-recovery mechanisms would be designed as appropriate.

Development of Supply Chains. This component would strengthen all links in project-assisted supply chains. The commodity studies will identify weak links in technology, institutions, market information, transportation and market infrastructure. Project interventions would probably involve (a) provision of TA and training to individual, firms and professional associations in development of their capacity to satisfy supply chain commercial requirements, (b) support the start-up of marketing and other commercial agriculture associations including farmer associations, (c) support pilot programs to develop private-sector input supply, and (e) finance essential commercial public sector infrastructure, such as feeder roads, storage facilities, collection points and wholesale markets. The project would seek assistance from the Social Investment Fund Project for other needed community-based social programs.

Access to Credit. The project would provide (a) two credit lines; one through commercial banks for investment and working capital for large loans, which would typically be needed for upgrading agro-processing. Existing agro-business firms typically need investment to upgrade their technology, improve product quality and expand their market reach. Additional loans may be required by agro-processors who may want to extend supplier credit to primary producers in the context of supply chain development. The second credit line would be the provision of small working capital loans for small farmers and traders through existing credit unions or micro finance organizations. (b) The project would assist participating commercial banks in improving their capacity to lend to agro-business borrowers, in developing loan products suitable for the rural sector and in exploring alternatives to collateral such as warehouse receipts. TA would also be financed to assist the participating credit unions in strengthening their management capacity.

Project Technical Unit. The project would also strengthen the capacity of the project technical unit and project coordination unit to manage day-to-day project activities and coordinate work with governmental departments. It would support activities related to project's monitoring and evaluation.

Project Costs: Estimated project costs would be about US\$20million. This would include a loan amount of approximately US\$16 million. Efforts are being made to obtain co-financing from other donors, including IFAD, KfW and DFID.

D. Project location (if known)

The project would support selected rural communities with potential for development of commercial, demand driven agriculture. Project locations would be selected during project preparation.

E. Borrower's Institutional Capacity

The borrower has set up an experienced well functioning project coordination center which currently is implementing the ADP, ARET and the Irrigation project. The RDP would be managed by the same upgraded PCC and would therefore make use of the experienced staff.

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Applicable?	Safeguard Policy If Applicable, How Might It Apply?
[yes]	Environmental Assessment (OP/BP 4.01)
[no]	Natural Habitats (OP/BP 4.04)
[no]	Pest Management (OP 4.09)
[no]	Involuntary Resettlement (OP 4.12)
[no]	Indigenous Peoples (OD 4.20)
[no]	Forests (OP 4.36)
[no]	Safety of Dams (OP/BP 4.37)
[no]	Cultural Property (draft OP 4.11 - OPN 11.03)
[no]	Projects in Disputed Areas (OP/BP 7.60)*
[no]	Projects on International Waterways (OP/BP 7.50)

Environmental Assessment Category:

☐ A ☒ B ☐ C ☐ FI ☐ TBD (to be determined)

If TBD, explain follow-up and calendar/steps for the determination of the category:

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

Safeguard Policies Classification:

☐ S₁ ☒ S₂ ☐ S₃ ☐ S_F ☐ TBD (to be determined)

If TBD, explain follow-up and calendar/steps for the determination of the classification:

III. ACTIONS DURING PROJECT PREPARATION

A. What actions might be needed during project preparation to assess safeguard issues and prepare to mitigate them?

Environmental-, Social- and Economic Assessments will be carried out during project preparation. After project sites have been identified, the preparation team will evaluate in which of the safeguard policies the project falls into. Environmental studies will be carried out according to each Operational Directive. If there is no specific category, the Environmental Assessment will be carried out according to the Bank's guidelines, and will contain a first draft Environmental Management Plan.

The Social Assessment will be done using a participatory process to identify the priority needs of the poor rural population and their views on how their needs can best be addressed.

An Economic Analysis would be carried out to assess the expected medium and long term economic costs and benefits of the project to the government, as well as potential economic benefits to beneficiaries.

B. How might consultation and disclosure requirements be addressed?

The project team will work very closely with authorities in Georgia, including government officials, NGOs and the private sector. To assist in fulfilling the Bank's requirements for the dissemination of the draft assessments and project preparation reports, it is planned to hold two workshops.

IV. AGREEMENTS REACHED ON SAFEGUARDS AT PCN REVIEW

[Guideline: Summarize the key agreements reached on follow-up actions to be taken regarding safeguards during project preparation]

Agreed target date for Quality Enhancement Review: