

**COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED
SAFEGUARDS DATA SHEET (PID/ISDS)
CONCEPT STAGE**

Report No.: PIDISDSC15495

Date Prepared/Updated: 28-Dec-2015

I. BASIC INFORMATION

A. Basic Project Data

Country:	India	Project ID:	P155617
		Parent Project ID (if any):	
Project Name:	Assam Agribusiness and Rural Transformation Project (P155617)		
Region:	SOUTH ASIA		
Estimated Appraisal Date:	05-Sep-2016	Estimated Board Date:	22-Dec-2016
Practice Area (Lead):	Agriculture	Lending Instrument:	Investment Project Financing
Sector(s):	Agricultural extension and research (20%), Agro-industry, marketing, and trade (30%), Crops (20%), General agriculture, fishing and forestry sector (20%), Animal production (10%)		
Theme(s):	Rural markets (40%), Rural services and infrastructure (40%), Trade facilitation and market access (20%)		
Borrower(s):	Republic of India		
Implementing Agency:	Assam Rural Infrastructure and Agricultural Services (ARIAS) Society		
Financing (in USD Million)			
	Financing Source	Amount	
	BORROWER/RECIPIENT	50.00	
	International Development Association (IDA)	200.00	
	Total Project Cost	250.00	
Environmental Category:	B - Partial Assessment		
Concept Review Decision:	Track II - The review did authorize the preparation to continue		
Is this a Repeater project?	No		
Other Decision			

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(as needed):	
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B. Introduction and Context

Country Context

1. During the last decade, India's economy expanded at an average annual rate of 7.6 percent, and projections are for the high growth rate to continue. Despite the headline figures on growth, concerns linger about the pattern of growth. India continues to face daunting challenges in reducing the number of poor, creating jobs, and achieving shared prosperity. Long term agricultural growth remains volatile, fluctuating around 3 percent per year. With India's labor force predominantly in rural areas, and about 68 percent employed in agriculture, the political, social and economic importance of agriculture continues.
2. The Government of India (GoI) recognizes the important role of agriculture in the ongoing rural-urban transformation process and the potential it represents as an important source of growth and job creation. The GoI also recognizes the necessity of strategic shifts for structural transformation of Indian agriculture to tap into this potential of growth and job creation. These shifts reflect underlying trends in demand for food and factors affecting the supply of agriculture produce, and include: (i) a shift away from a focus on foodgrain production towards diversification into high value agriculture production of fruits, vegetables, dairy, etc.; (ii) a shift away from a focus on on-farm production towards value addition in the post-harvest segments of agriculture value chains; (iii) a shift away from a focus on productivity towards resilience of agriculture production systems for addressing the effects of climate change; and (iv) a shift away from a focus on agriculture production towards nutrition sensitive agriculture.
3. To facilitate these four shifts, GoI has launched a number of policies and initiatives since 2014. These include, among others, a technology driven second green revolution with a focus on higher productivity and diversification; a "National Adaptation Fund" to meet the challenges on climate change; a nationwide District Level Incubation and Accelerator Programme" focusing on micro, small and medium enterprise (MSME) sector; and a scheme for promotion of a National Agricultural Market to accelerate the integrated development of agriculture marketing and trade.
4. Consumer demand for food commodities in India is rapidly changing, fueled by strong economic growth. The structural shift in consumption pattern away from cereals to high value agricultural commodities is seen both in rural and urban areas. This in turn is generating growing domestic demand for higher quality/value agricultural commodities (including animal proteins) as the share of cereals and staples in food expenditure declines, whilst that of animal proteins, fruits and vegetables increases. This provides opportunities for farmers to obtain higher incomes from increasingly smaller holdings.
5. Signaled by changes in consumers' food baskets, India's agriculture and agri-food marketing system is poised for a profound transformation. The agri-food marketing system is changing from ad hoc transactions towards coordinated systems like cooperatives, producers' associations and contract farming. Public policy has been proactive in facilitating this transformation. The central and state governments have taken important policy initiatives, such as de-regulation of food industry, enactment of an integrated food law, de-monopolization of agricultural markets, reduction in excise duties on manufactured food products, and priority sector lending to food industry to strengthen agriculture-industry linkages.

6. Food processing is a “sunrise sector” and its share in GDP is on a continuous rise, with a compound annual growth rate of 8.4 percent. According to the Annual Survey of Industries 2012-13 the food processing sector ranks first amongst all industry groups, both in terms of total number of factories (16%) and number of factories in operation (16%), and third in terms of total output (12%), next only to ‘coke and refined petroleum products’ and ‘basic metals’. More importantly, this sector is the largest employer amongst all industry groups, accounting for 11.59 per cent of industry employment in India. Its employment intensity can be seen by the fact that for every INR 1 million invested, 18 direct jobs and 64 indirect jobs are created in organized food processing industry. Furthermore, food in India has an economic multiplier of 2-2.5, thus implying that not only the food products industry can be the antidote for India’s jobless growth, but that such a scenario may come at a relatively low (fixed capital) cost.

7. Transition to high value commodities and opportunities in agro-food processing underscores the enormous potential for commercialization and income growth in agriculture (including small holder) as production, consumption and trade shift from traditional food crops to horticulture and other non-traditional (high value) commodities. Moreover, relative to other countries, India has considerable comparative advantages in having a very large (growing and largely un-tapped) domestic market, which reduces reliance on exports as the principal driver for near term agriculture growth. Nonetheless, beyond the domestic market there are also strong comparative and competitive advantages in developing high value agricultural trade, which is currently negligible.

Sectoral and Institutional Context

8. In Assam, agriculture and related sectors are the principal occupation of the vast majority of rural population in terms of employment and livelihood. About 90 percent of state’s population lives in rural areas and is mostly dependent on agriculture for their livelihoods. Agriculture and the allied sectors directly or indirectly support more than 75 percent of the population, providing employment to about 50 percent of the total workforce. While the average operational holding in India is 1.10 hectare, Assam’s farmer families are predominantly small and marginal (85%) with an average land holding of only 0.63 hectare.

9. The recently concluded the Assam Agricultural Competitiveness Project (AACP) was instrumental in increasing cropping intensity, on-farm productivity and diversification of agriculture in the state. Supported by AACP and other Government of Assam (GoA) initiatives, high value horticulture has seen a significant growth in production - the annual growth rate of production of fruits, spices and vegetables was 19.2, 6.4 and 72.2 percent respectively in the last decade, with Assam contributing significantly to national production in commodities like ginger, banana, pineapple, litchi, etc. As such AACP has laid the foundations for long term agriculture transformation in the state by shifting the focus from rice production towards diversification into high value agriculture production (vegetables, spices, fish, dairy etc.). This move towards higher value products offers opportunities to increase contribution of agriculture to Assam’s growth.

10. Diversification to higher value commodities and opportunities in specialized commodities reflect significant opportunities and challenges for farming communities in Assam: growing specialized commodities would need adoption of rapidly changing technologies and quality standards. Smallholder farmers face significant challenges in learning about and adopting rapidly changing agriculture technologies. The Bank supported AACP has successfully introduced the Agricultural Technology Management Agency (ATMA) model, a participatory, decentralized

planning, funding and implementation of technology dissemination to district, block and village levels in partnerships with farmer groups, and different line departments. While the ATMA platform has introduced improvements in technology transfer and demand driven extension, the current approach focuses mainly on production related issues. Its capacity needs to be strengthened to enhance the ability of farmers to adopt efficient and market led production and post-harvest practices for meeting the volume, timing and quality requirements of different markets.

11. The key constraints in structural transformation of agriculture in Assam are limited market access, poor post-harvest handling infrastructure and fragmented supply chains: agriculture marketing in Assam is characterized by a multiplicity of regulatory authorities in the state (viz., local panchayats, municipalities and state agriculture marketing board). Reforms would be needed not only to harmonize the regulatory regime in the state, but also for the development of alternative marketing options for farmers. The supply chain is characterized by the dominance of middlemen at different levels, involving pre-harvest contractors, forwarding agents, commission agents, wholesalers, sub-wholesalers and retailers. The existence of multiple intermediaries causes prices to snowball with each transaction. Despite the comparative production advantage in agriculture and allied commodities, and emerging marketing opportunities, conversion of this advantage into competitive food processing industries has proved to be a challenge in the state. There is low investment in assets and limited technology penetration across the food processing sector in the state, even though this sector contributes about 22 percent of the industrial output and represents 26 percent of gross value add of the state. The food processing sector is largely unorganized and operates on a small scale. Facilitating the development of organized Micro, Small and Medium Enterprises (MSME) both for value addition and job creation, would require handholding, business facilitation services, and facilitation of access to financing, along with critical regulatory changes for agro and allied MSMEs to flourish in the state.

12. GoA recognizes that creating conditions for agriculture based rural transformation in the long term would require: (i) a shift away from a focus on on-farm production towards value addition in the post-harvest segments of agriculture value-chains; (ii) a focus on productivity towards resilience of agriculture production systems in order to deal with the effects of climate change; and (iii) creating the necessary conditions for the emergence of a dynamic agri-business and enterprise sector in Assam. Furthermore, GoA at the highest level is committed to transforming the agriculture and allied sector to a more commercial and market oriented production; promoting MSMEs and implementing necessary reforms for realizing the project goals. GoA has also stated its intention that this project will form the nucleus of a much larger government agribusiness and rural transformation program. Fundamentally this will involve mainstreaming of project's initiatives in government programs and policies as well as convergence of various public programs to deliver along the objectives enshrined in this project. Especially the government will oversee the refocusing and strengthening of training and human resources program to support (agriculture) enterprise development activities in Assam.

Relationship to CAS/CPS/CPF

13. The proposed World Bank support to this project is consistent with the current Country Partnership Strategy (CPS) for India (2013-2017). The CPS outlines Bank support to India under the three pillars of integration, transformation and inclusion with a cross-cutting focus on improving governance, environmental sustainability and gender equality. The proposed project is aligned along at least two of these three pillars – transformation, and integration. Under transformation, the project will directly help achieve one of the intended outcomes of the CPS,

which is increase investor confidence and inward financial flows into the agriculture sector (CPS para 43). The broader objective would be to instill a collective entrepreneurial spirit where producers shift from being “price takers” of primary produce, with no or very little influence over the market to being more business and value focused. A key project thrust will be on enhancing agglomeration of producers to improve economies of scale in producing, processing and marketing. In parallel with this, the project will support agriculture and livestock productivity (including value and incomes) through essential technology transfer in production and improved post-harvest and market operations, and also explore and pilot possible financing modalities to support entrepreneurship and agri-business (CPS outcome 2.4 para 86 and 89). Overall, the support of the project to the development of higher value commodities and more efficient supply chains will underpin ongoing structural transformation of the economy (CPS para 34). Under integration, the project offers the opportunity to increase gross state domestic product (GSDP) growth by stimulating private sector investment and agri-enterprise development in Assam, a special category state. (CPS, Outcome 1.4).

14. The project will also leverage the pent-up demand and natural resource advantages of the state as well as improve the investment climate (CPS para 72). In particular, the focus will be on processed food, agribusiness, logistics and infrastructure, and MSME finance and insurance. The project will establish a new standard of excellence for entrepreneurship and business skills training by improving skills and knowledge transfer from trainers to MSMEs (CPS, Outcome 1.3). Furthermore, the proposed project is aligned with the WBG’s goal of promoting shared prosperity.

C. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

15. The proposed Project Development Objective (PDO) is to “increase value-added and improve resilience in the production and processing of selected agriculture commodities, focusing on small farmers and agro-entrepreneurs in targeted districts”.

16. Project beneficiaries will include farmers and entrepreneurs especially in the MSME segment. Others would include farmer producer organizations, sector management companies, and other value chain participants. During preparation, specific attention would be given to gender inclusion in project design and implementation arrangements. The methodology followed to identify targeted districts is elaborated in the Annex 3, attached to the PCN.

Key Results (From PCN)

17. The Key Project Indicators (KPI) will be:

- a) Increase in value addition by agri-enterprises;
- b) New agri-enterprises established in the targeted districts;
- c) Number of jobs created, including for women (percent);
- d) Increase in value of agricultural marketed output per farm (in formal partnership);
- e) Increase in market oriented production – (% of farmer and area under cultivation); and
- f) Direct project beneficiaries (number), of which female (percentage).

D. Concept Description

18. The proposed project would support, value addition in the production and post-harvest segments of selected agriculture value-chains; facilitate agribusiness investments through

inclusive business models that provide opportunities to small farmers as well as stimulate the establishment of new small and medium agribusiness enterprises; and support resilience of agriculture production systems in order to better manage increasing production and commercial risks associated with climate change, in the targeted districts . The project would adopt a cluster strategy within the targeted districts to generate economies of scale; promote vertical and horizontal links between local agricultural enterprises; enable diffusion of innovations; leverage network externalities; and channel public support for services and infrastructure. By adopting a cluster approach, the project would enable all the value chain participants to develop competitive and innovative products that meet market demands rapidly and successfully.

19. The project would achieve the PDO by: (i) promoting investments in agri-enterprises, reducing the business and transaction costs, facilitating access to finance for agribusiness entrepreneurs, and, where appropriate, push for process, regulatory and/or policy change; (ii) supporting the development of a modern supply chain; improved information communication technologies (ICT) based farm information and intelligence services, and alternative marketing channels; and (iii) improving producer's access to knowledge, technologies and infrastructure so that they are able to respond to market opportunities and climate variability.

20. By simultaneously intervening along multiple dimensions of the growth nexus (business environment, key infrastructure, access to basic services, local governance), the proposed project aims to remove key constraints to business development and strengthen the platform for growth in agriculture and allied sectors within targeted districts. By doing so, it will contribute to the key aspects of the GoI, GoA and the Bank's CPS strategic objectives related to faster and broader agriculture sector growth and inclusive development. In line with the PDO, the project will have the following components.

Component A: Support to Agri Enterprise Development

21. The focus of this component to enhance the pace of agricultural enterprise growth and employment in the targeted districts. This would be done by establishing a cohesive institutional platform, and securing increased private sector investment in the development of value chains, processing and marketing in the targeted districts.

Component B: Farm - Market Infrastructure Development

22. The focus of this component is to establish a modern supply chain from farm to market that would enable farmers and other value chain participants to access new markets. This would be done by enabling secondary and tertiary processing that creates higher value for the produce; improving value realization at the farm level through improved sorting, grading and packing of produce that enhances the average price realized; supporting a supply chain infrastructure that prevents wastage and value erosion in transportation, and allows access to more distant markets; and supporting the development and up-gradation of basic and agriculture-specific infrastructure, including transportation linkages, warehousing capacity and wholesale market facilities.

Component C: Market-led Production and Resilience Enhancement

23. The focus of this component is to enable farmers in the targeted districts to take advantage of the rapidly changing consumer demand and ensuring resilience of agriculture production systems

in order to better manage increasing production and risks associated with climate change. This would be done by diversification of their farm production; and introduction of climate resilient solutions.

Component D: Project Management, Monitoring and Learning

24. This component will ensure effective implementation of the project activities and monitor and evaluate project implementation progress, outputs and outcomes, building on implementation experience of AACP. The component will support: (i) establishment and operations of a Project Coordination Unit (PCU), which will oversee and coordinate activities of the implementing agencies of the project; (ii) establishment and operations of Project Implementation Units in the respective implementing agencies; and (iii) setting up of a monitoring and evaluation (M&E) system for the project, including a project management information system, and contracting an external M&E agency to monitor project activities and impact. This component will also finance dedicated staffing for the project activities, consultancies, training and related material, office equipment, and incremental operational costs. The Project will provide investment and technical support for the establishment of a sound management information system and information and communication technology (ICT) systems and accompanying capacity strengthening of key personnel.

25. Green House Gas (GHG) Accounting: In accordance with guidelines for IDA 17 projects, GHG accounting for the proposed Project will be undertaken during the preparation phase. This analysis will help to measure the impact of the project on the GHG footprint and also guide investments that contribute to climate mitigation, given that world-over agriculture investments account of 25% of the GHG emissions. The conceptual framework of the proposed project indicates there could be reduced GHG emissions and carbon sequestration benefits as a result of interventions such as adoption of improved cropland management, plant nutrient management and conservation farming practices, soil health/fertility enhancement, whereas increased emissions and decreased carbon stocks could result from cropland expansion and increased electricity and fuel consumption during past harvest management, processing and transportation. There is a paucity of specific carbon accounting data for the agri-horticulture sector. The implementing agency will coordinate with the relevant departments to collect the relevant data for these analyses. Furthermore, the recently concluded AACP and other government and donor-aided projects will provide a basis for developing carbon balance estimates for the proposed project. This accounting exercise will be undertaken using established methodologies that are consistent with the international best practice to measure GHG emissions in the proposed project. The ex-ante carbon balance tool developed by FAO has been selected as the primary tool for GHG accounting in agriculture. The analysis will be carried out by a World Bank team during the project preparation phase in close collaboration with state government counterparts and will be finalized by project appraisal.

II. SAFEGUARDS

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

Though the project location and boundaries are yet to be established, it is expected to cover most of the state, and would comprise of critical landscape features, ranging from hills and mountains on the one hand and floodplains and wetlands on the other. Water quality in Assam has often come under scrutiny for presence of natural fluorides, iron and arsenic. Assam is also endowed with a good forest

cover and rich biodiversity that is well protected with several designated Protected Areas. The project will support small infrastructure development including rural roads that may require land and leading to minimal adverse impact on people including those who belong to Schedule Tribe, Schedule Caste and other vulnerable groups. Proposed agri-infrastructure development under the project could have adverse impacts on natural features, such as, wetlands, if not sited and built appropriately. Disposal of construction waste would require monitoring, as it could block natural drainage channels if dumped casually. Such impacts would necessitate an Environmental and Social Assessment (ESA) and management plans and/or framework for managing adverse environmental and social impacts and risks.

B. Borrower's Institutional Capacity for Safeguard Policies

The state is well versed with the Bank's safeguard policies, as it has, over the past several years, implemented the World Bank funded projects including the recently concluded Assam Agricultural Competitiveness Project (AACP) wherein the safeguards have been rated as Highly Satisfactory in the Implementation Completion and Results Report. The ARIAS society, earlier supported under AACP would be responsible for implementing the project's environmental and social safeguards. ARIAS Society would be suitably staffed for this purpose. An ESA will be undertaken that would identify the potential adverse environmental and social impacts and risks. The ESA would develop and include an Environment and Social Management Framework (ESMF) that would have appropriate mitigation guidance for complying with the Bank's safeguard policies. The proposed ESMF would draw from the experience of implementing the existing one for AACP and build upon new activities that would be supported under this project, including wider dissemination and use of the Integrated Pest Management Plan developed under AACP. A good reporting mechanism on safeguards already exists in AACP and will be continued. At present all project locations are not known, therefore the use of framework is proposed. The ESA would be undertaken based on a sample of locations covering most of the proposed investment activities under the project. Therefore, even though the nature and scope of investment activities would be known, it may so happen that actual physical locations may not be known until an advanced stage of preparation. Therefore, an ESA will be done during preparation but an ESMF would be used during implementation. As far as possible and as the project design evolves, the borrower would ensure that some of the sampling locations and sites for the ESA are actual locations/sites proposed for project interventions. In addition, the proposed ESMF would include a screening mechanism that would allow for preparation of specific EMPs to mitigate adverse impacts of infrastructure investments, once exact location and design of infrastructure activities are identified. These would be particularly required for rural feeder roads, rural markets and supply chain infrastructure. At this stage, neither the scope and nature of infrastructure investments nor the locations are known. By appraisal, the borrower will develop site-specific EMPs for infrastructure whose locations have been determined and detailed technical designs completed.

C. Environmental and Social Safeguards Specialists on the Team

Anupam Joshi (GEN06)

Mridula Singh (GSU06)

D. POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment	Yes	An ESA is required as the project is likely to support new activities that were not included in the recently

OP/BP 4.01		completed AACP.
Natural Habitats OP/BP 4.04	Yes	The State has a widespread network of naturally occurring wetlands (beels) and would require mapping of potential impacts through project supported infrastructure and other agricultural investments.
Forests OP/BP 4.36	No	The project is unlikely to bring any management changes to the State's forest resources that are governed under a robust national law.
Pest Management OP 4.09	Yes	There is likelihood of use of pesticides and other agrochemicals once project investments are realized. The project would promote the wider use of the Pest Management Plan and Integrated Pest Management Plan that was developed under AACP.
Physical Cultural Resources OP/BP 4.11	No	The project will not impact any physical, cultural and/or religious sites and will be implemented in areas where agriculture is already practiced.
Indigenous Peoples OP/BP 4.10	Yes	The policy is triggered, accordingly a Tribal Development Framework will be prepared to address impact. It will also include an action plan to ensure that equal opportunities are provided to access benefits.
Involuntary Resettlement OP/BP 4.12	Yes	The policy is triggered as land may be required for the small infrastructure and rural roads. Resettlement Policy Framework including Social Management Framework will be prepared.
Safety of Dams OP/BP 4.37	No	The project will not support construction, refurbishment and replacement of equipment etc. of any dams. It also does not support rehabilitation of existing or building any new irrigation schemes originating from existing dams in the State.
Projects on International Waterways OP/BP 7.50	TBD	During project preparation applicability of this policy would be determined based on a technical analysis.
Projects in Disputed Areas OP/BP 7.60	No	Project activities do not fall in any disputed areas.

E. Safeguard Preparation Plan

1. Tentative target date for preparing the PAD Stage ISDS

01-Sep-2016

2. 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 PAD-stage ISDS.

The safeguards documentation would require four to six months for completion from the time it is started. We expect it to be ready by September 2016.

III. Contact point**World Bank**

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 Title: Sr Agricultural Spec.

Borrower/Client/Recipient

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Implementing Agencies

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V. Approval

Task Team Leader(s):	Name: Manivannan Pathy	
<i>Approved By</i>		
Safeguards Advisor:	Name: Takeaki Sato (SA)	Date: 04-Jan-2016
Practice Manager/ Manager:	Name: Martien Van Nieuwkoop (PMGR)	Date: 05-Jan-2016
Country Director:	Name: Onno Ruhl (CD)	Date: 06-Jan-2016

1 Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.