



# Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 17-Oct-2019 | Report No: PIDISDSA26965



**BASIC INFORMATION**

**A. Basic Project Data**

Country India	Project ID P168310	Project Name State of Maharashtra's Agribusiness and Rural Transformation Project	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Appraisal Date 11-Oct-2019	Estimated Board Date 17-Dec-2019	Practice Area (Lead) Agriculture and Food
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 smallholder farmers and agri-entrepreneurs in Maharashtra.

Components

- Component A: Enhancing Institutional Capacity to Support Agricultural Transformation.
- Component B: Expanding Market Access and Supporting Enterprise Growth.
- Component C: Building Risk Mitigation Mechanisms.
- Component D: Project Management, Monitoring and Learning.

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

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

**DETAILS**

**World Bank Group Financing**



International Bank for Reconstruction and Development (IBRD)	210.00
<b>Non-World Bank Group Financing</b>	
Counterpart Funding	80.00
Borrowing Agency	80.00
Other Sources	10.00
Foundation/s (identified)	10.00

Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

## B. Introduction and Context

### Country Context

**1. While still high by global standards, India’s growth rate has decelerated in the past two years.**

After peaking at 8.2 percent in FY16/17, economic growth has been lower in FY17/18 (to 7.2 per cent) and FY18/19 (to 6.8 percent). Estimates for the first quarter of FY19/20 suggest that growth is likely to be soft by Indian standards at around 6.4 percent for the full fiscal year (assuming the external environment remains benign). In addition to relatively low levels of private investment over the past several years, the latest data shows a broadening of the slowdown across all categories of aggregate demand. Although the current account deficit widened to 2.1 percent of GDP in FY18/19, robust capital inflows during the second half of the year allowed for a build-up of international reserves to US\$ 411.9 billion at the end of the fiscal year (equivalent to 10 months of imports). Going forward, subdued import growth and benign oil prices are expected to contain the current account balance to some extent. On the fiscal side, the general government deficit is estimated to have widened to 5.9 percent of GDP in FY18/19 but is expected to consolidate to 5.7 per cent in FY19/20.

2. Since the 2000s, India has made remarkable progress in reducing absolute poverty. Between FY11/12 and 2015, poverty declined from 21.6 to an estimated 13.4 per cent at the international poverty line (2011 PPP US\$ 1.90 per person per day), continuing the earlier trend of fast poverty reduction. Thanks to robust economic growth, more than 90 million people escaped extreme poverty and improved their living standards during this period. Despite this success, poverty remains widespread. In 2015, 176 million Indians were living in extreme poverty, while 659 million - half the population- were below the higher poverty line commonly used for lower middle-income countries (2011 PPP US\$ 3.20 per person per day).



Implementation challenges of indirect tax reforms, stress in the rural economy and a high youth unemployment rate in urban areas, may have moderated the pace of poverty reduction since 2015.

### Sectoral and Institutional Context

3. **Agriculture plays a vital role in India's economy.** More than 54 per cent of the population is engaged in agriculture and allied activities (Census 2011), with its contribution to the country's Gross Value Added (GVA) is declining steadily; from 18.6 per cent in 2013-14 to 17.4 per cent in 2016-17 to 17.1 per cent in 2017-18 (at current prices). With a large area under cultivation, India is a significant producer of many commodities including rice, wheat, milk, cotton, pulses, sugarcane, vegetables, fruits, fish, spice and plantation crops.

4. **While the agriculture output has been increasing steadily, agribusiness activity and value addition remain relatively low.** In recent years, the growth in agriculture output is due to area expansion and improvement in productivity. This trend is expected to be sustained for the next decade with the increase continued to be led by fruits, vegetables, milk, cotton, pulses, and other high-value commodities. However, the ratio of agribusiness to agricultural contribution to Gross Domestic Product (GDP) is only 0.64, compared to 1:2 in Brazil and China, indicating minimal value addition to primary agriculture.

5. **With primary agriculture commodity dominating this sector, producers are significantly impacted by the continued downturn in the commodity prices.** The downturn in commodity prices (especially post 2008 when the commodity supercycle ended) is here to stay for a foreseeable future<sup>1</sup>. One of the key trends in the last few years has been the consistent weakening in the price of agricultural commodities. Be it cotton, food-grains, pulses or edible oil, most of these agri commodities have seen a consistent fall in price. This downtrend has been secular. In the coming decade, prices for key commodity groups are projected to fall in real terms.

6. **Rapid urbanisation in India is driving change in the agriculture value chain, deepening linkages between urban food systems and producers.** This urbanisation has led to (i) an increased uptake of agricultural produce in urban areas (roughly 30 per cent of the total population live in urban areas, yet urban areas represent about 40 per cent of total food consumption - purchased plus self-produced food - and about 50 per cent of the total value of the commercial food market)<sup>2</sup>; (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 needs,<sup>3</sup> e.g. increasing importance of high value crops has necessitated investments in cold chains, and coordinated supply chains, leading to changes in mechanisms for input supply and output procurement, and emergence of short food supply chains with traceability and certification.

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<sup>1</sup> OECD/FAO (2018), OECD-FAO Agricultural Outlook 2018-2027, OECD Publishing, Paris/Food and Agriculture Organization of the United Nations, Rome.

<sup>2</sup> Growing food For growing cities: Transforming food systems In an urbanizing world, April 2016

<sup>3</sup> 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.



7. **Agricultural transformation is underway in Maharashtra, but the state faces many challenges in managing this transformation.** 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 to only 7.7 per cent of agricultural GDP<sup>4</sup>. 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., in 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 domestic and global market needs. The food processing industry is dynamic in the State with increasing value addition, and 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, continuing to lag.

8. **Small and marginal farmers<sup>5</sup> dominate Maharashtra's agriculture and commodity downturns significantly impact them as the state's agriculture is diversified and relatively integrated with global value chains.** A combination of increasing production and downturn in the commodity prices affect the producer profitability significantly. Furthermore, commodities like cotton, soybean, sugar, (covering 44 per cent of the <sup>6</sup>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, the price of pulses (where pulses cover about 20 percent of the total cropped area in Maharashtra) over the past few years, 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.

9. **Women face a number of additional barriers to the transition to high value agriculture (HVA) and agribusiness.** Seventy-nine per cent of rural women are engaged in agriculture and allied activities, compared to sixty-three per cent men (NSSO 2009-10). Eighty-one per cent of these women agriculture workers are from scheduled castes, scheduled tribes and other backward caste households. Nearly eighty-three are from landless, marginal or small farm households. The Agriculture Census (2010-11) shows that an estimated 144.3 million (42.6 per cent) females work as agricultural labourers, however, merely 12.8 per cent of the operational holdings were owned by women, which reflects the gender disparity in ownership of landholdings in agriculture. Women's ownership of productive agricultural assets has remained low and stagnant. Women do not have collateral to apply for a loan or benefit from extension and agriculture technology demonstrations and training because selection for these opportunities is often based on land ownership titles or other formal records. These factors curtail women's access to resources and services, including credit, training, extension, inputs, and trading and marketing networks. Absence of women service providers in extension, credit, input supply, or marketing also compounds this problem.

10. **While India's farmers are increasingly women, their participation in high-value agriculture, post-harvest and value addition activities remains low, and they are less able to transition to the higher**

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<sup>4</sup> Economic Survey of Maharashtra, 2017-18, GOM.

<sup>5</sup> With average farm size of 1.44 ha.

<sup>6</sup> Market Co-integration Study (September 2018) done under MACP



**end of the agriculture value chains.** Unlike men who, in addition to production, also serve as the actors in the upper levels of the value chains, including as intermediaries or village-level traders and processors, wholesalers, retailers, or exporters, women remain concentrated at the lower levels of the agriculture value chains. Some of the key barriers that women farmers face in moving up the agriculture value chains are related to (i) low access to technical know-how on high-value agriculture practices/technology; (ii) lack of access to gender-sensitive extension services; (iii) lack of access to productive assets; and (iv) lack of access and exposure to markets and market intelligence. These barriers also manifest in women's lower representation and effective participation in the farmer producer company board, as well as shareholder member (which tends to be about 15-25 per cent in Maharashtra).

11. **Policy and programmatic interventions to enhance market access and access to credit for small farmers and women through mobilising them into federated organisations have not yet led to the intended results.** Maharashtra has a large pool of federated farmer and women's Self-Help Group (SHG) organizations with more than 21,000 Primary Agricultural Cooperatives (PACs), 1,700 Farmer Producer Organizations (FPOs) and 800 women's Community Level Federations (CLFs) and Community Managed Resource Centres (CMRCs). These were promoted by different government departments and institutions with the objective of achieving economies of scale through aggregation of produce and lowering cost of technical service provision; and facilitating credit linkages to formal financial institutions. However, these organizations have remained dependent on public support, and have not been able to provide needed technical services to members and develop linkages to organised markets. Formal financial institutions are also not lending to these institutions due to the lack of a credit history, variability in sales revenue and the consequent high cost in assessing credit risks.

12. **The institutional framework for managing agricultural transformation in the state is fragmented and is focused on the implementation of schemes.** Multiple departments manage different aspects of agriculture in the state, including the Department of Agriculture, Department of Animal Husbandry, Directorate of Marketing, Maharashtra State Agriculture Marketing Board (MSAMB), Maharashtra State Warehousing Corporation (MSWC) and Maharashtra Cooperative Development Cooperation (MCDC) and the Maharashtra State Cooperative Cotton Growers Marketing Federation (MahaCot). Nodal departments are focused on the implementation of schemes with more than a 100 national and state schemes, with most of them being narrowly focused on different aspects of agricultural production and offering subsidies to producers. There exist gaps in institutional capacity and stakeholder collaboration to deliver and execute these programs and policies. Staff often lack the capacity for more market-oriented programs and are unaware of the set of policies and reforms. Little dialogue among government, private stakeholders, researchers, and other value chain stakeholders, leads to a set of policies and programs with little integration of research, evidence, and broader consultation.

13. **The state faces significant adverse risks from climate change.** The Maharashtra State Adaptation Action Plan on Climate Change (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. Adaptation and mitigation approaches have been mainstreamed in the project design for increasing resilience against such risks.

14. **To encourage the growth of the agriculture and allied sector, and to respond to the emerging production and market-related challenges, Maharashtra recently launched a transformative agricultural development strategy<sup>7</sup>.** This strategy, embedded within Maharashtra's Vision 2030 promotes sustainable agriculture development in line with the Sustainable Development Goals, thus making this project the nucleus of a much larger government agribusiness and rural transformation program. Furthermore, GoM is likely to take advantage of recent national level policy changes that now allow 100% Foreign Direct Investment in agribusiness and food processing to leverage the new agriculture export policy, which is targeting doubling of agriculture exports to 4 per cent (US\$60 billion) by 2022. **Additionally, to enhance the climate resilience and support enterprises development, Maharashtra has recently rolled out a number of programs, with the support of the World Bank:** The Maharashtra Project on Climate Resilient Agriculture (P160408), and five national level programs that have significant presence in the state viz., National Dairy Support Project (P107648), National Rural Economic Transformation Project (P104164), National Groundwater Management Improvement Program (P158119), proposed Agriculture Risk Resilience Insurance Access Project (P165923), and proposed Food Processing and Value Addition Pilot Program (P167559). These projects focus on enhancing climate resilience of farmers through promoting adoption of climate-resilient agricultural technologies, irrigation and production risk management coupled with enterprise development. This project will seek to complement and leverage these Bank financed projects/programs while building adaptation and mitigation Co-Benefits from its own investments.

### C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

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

#### 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).

### D. Project Description

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<sup>7</sup> Maharashtra Vision 2020.



15. The project will strengthen and speed up ongoing agricultural systems' transformation in the state of Maharashtra. The project will support the state in strengthening the market-driven transitions, 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 an agricultural sector transformation. The proposed project will support the following pillars of agriculture and rural transformation in the state –

- a) **Build state capacity to support agriculture transformation.** Strengthen institutional capabilities of the nodal government departments and agencies of the GoM towards more effectively supporting agricultural transformation in the state. The project will support effective regulatory functions for both input and output markets, promote a well-functioning public-private dialogue platform, reorient market reforms to remove bottlenecks for private sector investments in agribusiness and refocus the public extension machinery from a scheme-oriented approach to a market-driven strategy.
- 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; supporting switching costs to scale 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 climate resiliency and resource growth, the project will align with complementary investments under other projects and schemes.

16. **In addressing these constraints, the project will include a number of actions to assist the Government of Maharashtra's efforts in promoting both enabling and mobilizing private sector investments for Maximizing Finance for Development (MFD).** For enabling MFD, the project will (i) improve the policy and regulatory environment for private sector investments in the agricultural sector including better tracking and implementation of regulatory reforms, licensing and service provision to private sector investors; (ii) reduce transaction costs and risks to increased private sector participation by supporting partnerships between agribusiness and producers, enterprises and lead firms; and working with innovative agri-services start-ups and producers to expand service provision; (iii) forge partnerships for leveraging funding, including Corporate Social Responsibility (CSR) funding through the Village Social



Transformation Foundation (VSTF), a foundation promoted by the GoM to catalyse rural transformation, with private sector participation and financing. Private sector, through the VSTF has already committed US\$ 10M toward the project cost; and (iv) leverage private sector capabilities, through VSTF financed secondments of competent and professional staff for project management and agribusiness. The project will also contribute to enhancing access to formal credit for Community based Institutions and agri-enterprises through providing technical assistance to develop business plans and loan proposals; and reducing the risk exposure of financial institutions through setting up partial credit guarantee facility.

17. The IFC is actively engaged in project design and implementation. First, the project will leverage existing IFC clients for productive partnerships (e.g. Big Basket, Agrostar), and in improving access to finance (Ratnakar Bank, L&T Finance, Mahindra Finance). The access to finance agenda of the project is supported by IFC, with both FIG and FCI staff involved with project preparation, and in supporting the design of the Partner Financial Institutions (PFI) platform which will include some of IFC investee clients. Second, the project is also working with the IFC MAS Upstream unit and FCI-Advisory team to crowd-in potential private sector players, particularly agritech start-ups, contributing to developing a pipeline of investment clients for IFC over the next 18-24 months.

18. **The project will support the GoM in its efforts to mobilise private sector investments as part of market access support.** The project aims to promote 300 such market access support plans over the life of the project. Based on the initial market access support plans that were prepared as part of project preparation, the project expects to mobilize US\$19 million in private sector investments as part of 300 market access support plans over the life of the project. In addition, besides the inclusion of counterpart co-financing in all types of subprojects, the project will promote access to credit for smallholder producers by providing technical assistance and capacity building to community-based enterprises and agri-enterprises.

19. **The project will support enhanced climate resilience for the agricultural sector.** Climate-smart approaches and investments directly supporting resilience to weather events will be prioritised. The selection of business plans for funding under the financing mechanisms will give priority to plans that include climate-smart approaches appropriate to the type of beneficiary under each subproject. Resilience will be achieved through several interventions including fostering the development of climate-resilient sub-projects; improving producer access to knowledge, technologies, markets; and environmentally optimized and climate-resilient designs of the infrastructure supported under the project.

20. **The project is supported by an IBRD Loan in the amount of US\$ 210 million using an Investment Project Financing (IPF) with Disbursement-Linked Indicators (DLIs) lending instrument.** The DLI instrument is focused on Component A and is well suited to support the results-focused approach of the Government of Maharashtra in institutional reform and capacity building of the Department of Agriculture (DoA) so as to more effectively support agricultural transformation in the state.

## E. Implementation

### Institutional and Implementation Arrangements



21. **The project will be fully integrated into the GoM administration, and implementation is designed to promote the use of existing GoM structures at the state, region and districts level.** Where institutional capacity is limited, and special skills are required, the project will acquire outside expertise, including international technical assistance and consulting services. The project will put efforts into institutional coordination across the participating line departments.

22. **Overall management and coordination will be the responsibility of the SMART Society.** The newly formed SMART Society is anchored within the Department of Agriculture, GoM and was established recently to serve as a coordinating agency for the agribusiness transformation in the state. The society controlled by a Project Steering Committee (PSC), chaired by the Chief Secretary, GoM; and a Governing Council (GC), chaired by the administrative secretary - Agriculture, GoM. The day-to-day executive control is with the Commissioner Agriculture cum Project Director, who heads the Project Coordination and Management Unit (PCMU).

23. **Eleven Project Implementing Units (PIUs) have been set up within the project implementing agencies.** These PIUs are housed in the Department of Agriculture, Department of Animal Husbandry, Directorate of Marketing, Maharashtra State Agriculture Marketing Board (MSAMB), Maharashtra State Warehousing Corporation (MSWC), Maharashtra Cooperative Development Cooperation (MCDC), Maharashtra State Cooperative Cotton Growers Marketing Federation (MahaCot), Maharashtra State Rural Livelihood Mission (MSRLM), Village Social Transformation Foundation (VSTF), Mahila Arthik Vikas Mahamandal (MAVIM), and Pune Municipal Corporation. For greater coordination and review of project implementation at the district level, Eight Regional Implementation Units (RIU) and thirty-four District Implementation Units (DIU) will be established.

24. **Implementation capacity will be strengthened by effective collaboration and technical assistance.** The project will collaborate with both national and international institutions for training technical backstopping and collaborating for new technologies wherever necessary.

25. A Project Implementation Plan (PIP) has been prepared to explain the roles and responsibilities of the PIUs, RIUs and DIUs and detailing arrangements for the flow of funds down to implementing units/project participants in the field. Selection criteria for participating groups have been agreed and are included in the PIP. The PIP will be subject to periodic reviews conducted jointly by GoM and the World Bank with stakeholder participation to address any constraints to the successful implementation of the project.

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#### **F. 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. More than 9% of Maharashtra’s population is tribal. SMART interventions will cover all the districts of Maharashtra, Many of these districts and SMART intervention areas will be located in tribal dominated districts such as Gadchiroli, Yavatmal, Nandurbar, Nashik & Palghar. Like the rest of the country, Maharashtra's tribal lag on socio-economic and human development indicators, compared to the non-tribal social groups. The tribal display significant variations in their living conditions, social relations, languages, habitations and livelihoods patterns. The social assessment and the indigenous peoples planning frameworks and tribal development plans would need to align with the social, institutional and cultural characteristics of tribal communities in the state, especially for the constitutionally designated schedule V areas that are dominated by presence of tribal groups.

**G. Environmental and Social Safeguards Specialists on the Team**

Anupam Joshi, Environmental Specialist  
 Varun Singh, Social Specialist

**SAFEGUARD 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	No	This is not triggered as environmental risks and impacts associated building capacity of farmer groups in meeting the Maximum Residue Limits for the crops/commodities are adequately covered under the provisions of OP4.01 and OP4.09.
Natural Habitats OP/BP 4.04	No	This is not triggered, as the project will not be located on any critical and/or legally protected habitats. The envisaged investment support on farmlands, agricultural markets, training and workshops etc. are unlikely to impact natural habitats.
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 OP 4.10 has been triggered. As specific locations for the project are unknown, an Indigenous People's Planning Framework (IPPF) has been prepared to meet the safeguard policy objectives.
Involuntary Resettlement OP/BP 4.12	Yes	The policy is triggered. The borrower will not be undertaking compulsory land acquisition and no



privately owned land will be acquired by the borrower and implementing agencies. However, Project may utilise government owned land for upgradation and construction of some infrastructure subprojects such as slaughterhouses, warehouses & other post harvest bulidings, and these may impact squatters and encroachers who would need to be relocated and rehabilitated. Similarly small scale community owned and managed infrastructure such as warehouses, processing and storage units may also utilise small land parcels accessed from panchayats, government departments or private land donation/leasing. Any localised, adverse social impacts arising from these infrastructure would need to be managed and mitigated, and a resettlement policy framework (RPF) has been prepared in this regard.

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.

**KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT**

**A. Summary of Key Safeguard Issues**

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The project is focusing primarily on post-harvest value chains and will invest in supporting market access, improvement of livestock productivity, food processing and enhancing climate resilience. The associated environmental risks and impacts identified include food safety issues, over use of agro-chemicals, construction management for upgrading existing markets and/or construction of new warehouses, energy use in processing and waste generation. Except for issues related to food safety, that primarily arise due to excessive use of agro-chemicals (fertilizers and pesticides) during crop production, most of the other impacts and risks would be localized and would be easily mitigated. Consumption of unsafe food for long duration could potentially have impacts on human health and nutrition..

No large scale, significant and irreversible social impacts are anticipated. No compulsory, private land acquisition is expected in the project. However, Project may utilize government owned land for up-gradation and construction of some infrastructure sub-projects such as slaughterhouses, warehouses & other post harvest buildings, and these may impact squatters and encroachments who would need to be relocated and rehabilitated. Similarly small scale community owned and managed infrastructure such as warehouses, processing and storage units may also utilize



small land parcels accessed from panchayats, government departments or private land donation/leasing. Any localized, adverse social impacts arising from these infrastructure would need to be managed and mitigated through the risk mitigation measures included in the ESMF and the RPF. Since Maharashtra has a large tribal population spread across the state, project interventions would need to align with the social, institutional and cultural characteristics of tribal communities in the state, especially for the constitutionally designated schedule V areas that are dominated by presence of tribal groups. Specific measures would need to be designed and implemented to ensure the participation, inclusion and access to benefits for these tribal communities.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: Project investments are likely to improve the overall adverse environmental risks and impacts by lowering their intensity and scale. Some potential future indirect impacts may arise due to creation of new infrastructure, such as, agricultural markets and warehouses, and may include, waste disposal, traffic congestion, drainage related etc. These are not expected to be significant. On the contrary, with introduction of Good Industrial Practices, India GAP (Good Agricultural Practices) and support to meet the Maximum Residue Limit (MRL), some prevalent long term impacts, such as, soil degradation may be reversed.

Increased adoption of high value agriculture, post harvest processing and market linkages are expected to increase household income in project areas. Project interventions are also expected to increase opportunities for employment and businesses for local producers, aggregators, suppliers as well as service providers. Projects focus on small and marginal producers, especially women and their collectives, will result in increased participation in value chains, markets that would lead to long term economic benefits.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts. The alternative to bring in private sector for technical hand holding and marketing support was considered and accepted against the business as usual approach of investing only at the production phase of the value chain. This will help improve food safety, lowering of waste production and timely transactions.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

Measures taken by the Borrower: The borrower has completed a detailed Environmental and Social Assessment (ESA) by contracting a qualified consulting firm. The borrower also hired technical experts on environment and social to support the preparation phase and oversee the ESA. Following the completion of the ESA, an Environmental and Social Management Framework (ESMF) has been prepared. In addition, project specific strategies, for example, Food Safety and Gender, as well as a Pest Management Plan has been prepared. The ESA and ESMF were prepared following adequate consultations with relevant stakeholders across the state, representing the different agro-climatic zones of the state. The ESMF includes a negative list of activities that the project will not finance and a robust screening tool for evaluating the sub-project proposals. The borrower has ensured that the participating private sector will share the responsibility for upholding the safeguards requirements and in many cases will share their good practices with the farmer producer groups.

The Social Management Framework (SMF) has been prepared that includes resettlement policy framework (RPF), indigenous peoples policy framework (IPPF), Gender Action Plan, Citizens' Feedback and Grievance Redressal Mechanism. A stakeholder engagement plan has also been prepared to ensure the participation of the primary



stakeholders throughout project implementation. Some of the specific measures included in these frameworks are: social safeguard screening and negative list for avoiding and mitigating involuntary resettlement risks, screening of and consultations with tribal groups and adoption of area-specific interventions, technical training of women producers and collectives on high value agriculture and post harvest processing, telephone hotline and surveys for citizen’s feedback, multiple channels for registration and and resolution of project related grievances as well as regular consultations with primary stakeholders.

**Borrower Institutional Capacity for Safeguards Policies:** The Borrower is familiar with the World Bank's safeguard policies having implemented several Bank funded projects. More recently, in the agriculture sector, MACP was recently completed and Project on Climate Resilient Agriculture (POCRA) is being implemented. Both have sound environmental and social management frameworks. There is now adequate capacity in the state to manage potential safeguard risks of projects. MACP has been rated Satisfactory on safeguards performance consistently. However, the focus of SMART on high value agriculture, post harvest processing and infrastructure and market linkages would mean that the existing safeguard capacity would need to be strengthened to manage the environment and social risks of SMART project. Capacity building efforts are also needed to deal with the new set of challenges arising as a result of climate change impacts. Maharashtra has good institutions that can provide technical support to deal with safeguards related impacts, risks and challenges and build on positive outcomes of resource efficiency and sustainability. The borrower has identified the requirements for technical human resource (environment and social) for deploying at various levels during project implementation and has earmarked a budget for all safeguards management tasks.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The key stakeholders include farmers, including marginal, small and women, farmer producer organisations, women's groups and federations, entrepreneurship, private sector agencies, food processors and market actors. Maharashtra government departments/agencies such as department of agriculture, rural development, MSRLM, MAVIM, agriculture marketing, cooperative development as well as the Village Social Transformation Foundation etc would be directly involved in project implementation are also key stakeholders. Given the inclusion of an Urban Food Pilot, the stakeholders also include the Municipal Corporation of Pune and the consumers of food within and around the location of the pilot. As part of ESA, consultations with primary and secondary stakeholders were undertaken covering several locations representing different farmer groups, commodities and agro-climatic zones within the state. The safeguard documents were disclosed through four disclosure workshops with wide participation of government agencies, community based organizations (CBOs) and farmer producer groups. The safeguard documents were revised based on the feedback received in these disclosure workshops. The draft final safeguards documents were disclosed nationally on August 09, 2019 on the projects website.

**B. Disclosure Requirements**

**Environmental Assessment/Audit/Management Plan/Other**

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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**"In country" Disclosure**

**Resettlement Action Plan/Framework/Policy Process**

Date of receipt by the Bank

Date of submission for disclosure

**"In country" Disclosure**

**Indigenous Peoples Development Plan/Framework**

Date of receipt by the Bank

Date of submission for disclosure

**"In country" Disclosure**

**Pest Management Plan**

Was the document disclosed prior to appraisal?

Date of receipt by the Bank

Date of submission for disclosure

**"In country" Disclosure**

**If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.**

If in-country disclosure of any of the above documents is not expected, please explain why:



All safeguard documents already disclosed on August 09, 2019.

**C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)**

**OP/BP/GP 4.01 - Environment Assessment**

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

**OP 4.09 - Pest Management**

Does the EA adequately address the pest management issues?

Yes

Is a separate PMP required?

Yes

If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?

Yes

**OP/BP 4.10 - Indigenous Peoples**

Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Practice Manager?

**OP/BP 4.12 - Involuntary Resettlement**

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?



### The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

### All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

### CONTACT POINT

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**APPROVAL**

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**Approved By**

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Country Director:	Hisham A. Abdo Kahin	17-Oct-2019