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

Report No.: PIDISDSC16145

Date Prepared/Updated: 04-Nov-2016

I. BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country:</th>
<th>India</th>
<th>Project ID:</th>
<th>P157702</th>
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<tbody>
<tr>
<td>Parent Project ID (if any):</td>
<td></td>
<td></td>
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<tr>
<td>Project Name:</td>
<td>Tamil Nadu Rural Transformation Project (TNRTP) (P157702)</td>
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<td>Region:</td>
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<td>13-Feb-2017</td>
<td>Estimated Board Date:</td>
<td>26-May-2017</td>
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<td>Lending Instrument:</td>
<td>Investment Project Financing</td>
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<td>Borrower(s):</td>
<td>Mr. Rishikesh Singh, Director, Department of Economic Affairs, Govt. of India</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementing Agency:</td>
<td>Mr. Hansraj Verma, Secretary, Department of Rural Development &amp; Panchayati Raj, Govt. of Tamil Nadu</td>
<td></td>
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<td>Track II - The review did authorize the preparation to continue</td>
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<td>Other Decision (as needed):</td>
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B. Introduction and Context

Country Context
1. India's economic growth and human development is one of the most significant global
achievements of recent times. In the last decade, India witnessed an economic growth at an average annual rate of 7.6 percent, and found its place in the world's ten fastest growing nations. This growth helped reduce the country's poverty (at the official poverty line) by 1.5 percentage points per year during 2005 to 2010. Despite a steady progress in economic growth, poverty alleviation, and human development, significant concerns regarding equity and employment implications of the growth process remain. Over two-thirds of the nation's population resides in rural areas, alienated from much of the fruits of economic reforms. Despite being the second highest employment provider in the country, the Micro, Small and Medium Enterprise (MSME) sector is plagued with challenges related to lack of technical skills, poor business acumen, inadequate access to markets, and most importantly, insufficient access to finance. The sector is critical for the success of "Make in India" vision of the Government of India (GoI) which is promoting the schemes pertinent to the sector with increased focus on financial reforms to infuse credit into the MSME sector through initiatives like Mudra Bank and Stand-up India. However, per the above statistics, social and economic inclusion needs to be a primary focus for the sector.

2. The increasing agricultural productivity and rising consumer demand for high-value commodities provides a huge opportunity in the form of forward and backward linkages between the agricultural sectors and select manufacturing industries and services. Both food and cash crops form the key input for multiple textile, agricultural and food processing industries. There is evidence of rural diversification in both skilled and unskilled non-farm activities mostly in the manufacturing, agro-processing, and skilled and unskilled services sectors. However, agro-processing and related manufacturing significantly lead in the skilled and unskilled employment in rural, urban and transitional areas. At the same time, a majority of GoI Programs focus on creating opportunity and reducing vulnerability. Key programs of GoI that align with this focused approach are: (i) a strategic shift in agriculture sector with more focus on value addition and post-harvest value chains; (ii) strengthening the existing programs of MSMEs; (iii) promoting innovations and entrepreneurs through schemes like ASPIRE, Start-Up India, and MSME Virtual Cluster among others; (iv) increased focus on manufacturing through Make in India; (v) increased focus on skill development and thrust on futuristic sectors like renewable energy; and (vi) the smart cities infrastructure program. The enabling environment created by the GoI through expediting both industrial and governance reforms needs to be matched by a quick response from other stakeholders to harness this opportunity of integration of the inter-connected sectors to bring about sustainable transformations.

Sectoral and Institutional Context

3. Tamil Nadu is the second largest state economy in India, and its Gross State Domestic Product (GSDP) has been growing at an average annual growth rate of 9.5 percent between 2004 and 2013. Economic growth, however, is not equally distributed both geographically and by population groups. Average per capita income for the State as a whole in 2010-11 was Rs. 50,260 ($773), but half of the districts had lower incomes. The poverty ratio in the State as of 2011-12 was 11.3 percent - overall rural poverty ratio was 15.8 percent which translates to 5.9 million people living below the poverty line; and the urban poverty ratio was 6.5 percent, with 2.3 million people living below the poverty line. Among the economic sectors, agriculture continues to be important for the State economy, as it provides both livelihood and food security. The overall growth for agricultural sector registered an increase of 8.2 percent in 2013-14 as against the negative growth in 2012-13. Over 40 percent of the population is dependent on the agriculture and allied sectors. The State accounts for the largest number of (15.1 percent), MSMEs in the country with 0.7 million registered units, producing over 8,000 varieties of products with a total investment of more than $4.79 billion. Tamil Nadu is the most urbanized state in India (by
geography and population) with about 48 percent of its population living in urban areas, indicating a much higher urbanization rate than the national average of 31.16 percent. The organized sector employment share is a meagre 7 percent in the state. The workforce participation rate for women was 41.8 percent in rural areas and 21.8 percent in urban areas relative to 60 and 58.4 percent respectively for men. The work participation rate in the case of males was higher than that of females both in rural and urban areas. The challenge therefore is to increase female labor participation across sectors.

4. The proposed project builds on the government and on-going World Bank supported Tamil Nadu Empowerment and Poverty Reduction Project (TNEPRP) and National Rural Livelihoods Project (NRLP) which supports the National Rural Livelihoods Mission (NRLM), both flagship programs in the State for rural livelihoods and community mobilization. Launched in 2004 and 2011 respectively, the TNEPRP and NRLM are supporting the empowerment of the poor and improving their livelihoods by developing, strengthening and synergizing pro-poor community institutions/groups; enhancing skills and capacities of the poor (especially women, youth, differently-abled, and the vulnerable); and financing productive demand driven investments in economic activities.

5. The focus of TNEPRP and NRLM has been to reduce vulnerability of the below poverty line (BPL) households (categorized as poor and ultra-poor households), building their social and institutional capital, and increasing their capacity to participate and benefit from economic activities. As a first step, programs like TNEPRP and NRLM have begun mobilizing rural producer households into producer groups/organizations to better access inputs, modern technology and financial capital. The purpose of aggregating the producer households is to ensure that these rural producers can effectively participate and sustainably benefit from the rapidly expanding infrastructure facilities, industrial development and market access.

6. However, there are certain challenges for sustainably integrating rural producer households into higher level income opportunities and some of these are identified as: i) human resource and capacity gaps in existing agencies to coordinate and facilitate business promotion and development services; ii) lack of start-up capital and predictable business service support and overall access to finance; iii) weak entrepreneurial management capacity within existing producer associations and businesses promoted by individual entrepreneurs and enterprises; iv) asymmetry in prices and business information; and v) lack of coordinated planning and resource mobilization for promotion of farm or off-farm producer linked business enterprises, individual entrepreneurship and value chain development. The other important impediments are the lack of responsiveness and sustained engagement of the buyers or private players with these producers due to lack of compliance with requirements demanded by the markets, and small volumes and low production efficiency leading to high transaction costs. In addition, the private players do not have the knowhow to engage with the dispersed individual producers, producer groups and downstream enterprises that lack market orientation.

7. There is increasing evidence from various World Bank financed projects in Latin America (Productive Alliance Projects), Eastern Europe (Rural Development and Rural Finance Projects), East Asia (Rural Development Projects), South Asia (Agriculture Competitiveness, Rural Livelihoods and Enterprise Development Projects), and Africa (Agri-business, Women Entrepreneurship and Rural Development Projects) and other initiatives in India (such as AMUL, SEWA, ACCESS, Jeevika- Bihar &Techno Serve, Udyogini, PRADAN etc.) where rural
Producers, entrepreneurs and enterprises have been successful in enhancing the efficiency of their production systems; increasing productivity, sales volumes and prices; improving market linkages through private player participation; and increasing income of producers. The key lessons indicated that this has been possible because rural producer groups/alliances were: i) properly identified and systematically organized; ii) provided with institutional capacity building along with predictable and timely business development services; iii) provided with start-up gap/grant funds for initiation and implementation of well-appraised business plans; and iv) able to sign up-front agreements with buyers and private players for marketing linkages. This has also generated farm and off-farm employment, as well as inclusion of the vulnerable and marginalized groups.

**Relationship to CAS/CPS/CPF**

8. The main objective of the World Bank Group's Country Partnership Strategy (CPS) for the period FY2013 to 2017 is to support poverty reduction and shared prosperity in India. The proposed project is in-sync with all three broad engagement areas of the India CPS: (i) Integration, (ii) Transformation, and (iii) Inclusion. Under integration, the project plans to create jobs by supporting development of end-to-end business skills in communities for setting up enterprises and nurturing them through incubation systems. Hence, the project will directly achieve demand driven skills for productive employment by equipping rural youth with skills training and connecting young people to jobs. With respect to the transformation engagement, one of the main thrusts of the project will be on developing value chains using end-to-end investments in selected commodities, and facilitating access to finance to support enterprises in agriculture and allied sectors thus contributing to improving agricultural productivity. The inclusion pillar of the CPS will be addressed through particular focus on women, in promoting women entrepreneurs and enhancing female labor participation. It will nurture local craftsmen with traditional skills for aggregation and creation of micro enterprises. The project will also work towards promoting and facilitating financial services to producers, entrepreneurs and enterprises by creating customized financing facility and linkages with the formal financial institutions thus directly contributing to Outcome 3.7. Furthermore, the proposed project objective will contribute to the vision for development outlined in the Country's 12th Five-Year Plan (FY2013 to 2017), which calls for faster, sustainable, and more inclusive growth focusing on poverty reduction, group equality, regional balance, empowerment, environmental management, and employment.

**C. Proposed Development Objective(s)**

**Proposed Development Objective(s) (From PCN)**

The proposed Project Development Objective (PDO) is to improve income of targeted producer households with high value added economic activities and job opportunities in selected project blocks of Tamil Nadu.

Project beneficiaries: will include producer households/organizations across farm and non-farm sectors, entrepreneurs, staff of facilitating agencies, and private players.

Project Location: The project will be operational in 120 development blocks across 26 districts in Tamil Nadu. Although, the new project will be implemented in districts covered earlier under the TNEPRP, it will not cover the blocks where TNEPRP was operational. The 120 blocks for the projects have been selected based on existing investments on community institutions and participatory processes; opportunity to promote cluster approach in a specific geography; and with proximity to investment zones, road networks, urban centers and availability of other infrastructure.
Key Results (From PCN)

12. The proposed key results indicators (the first four indicators below will be disaggregated by gender) specific to the project are:

a) Percentage increase in targeted producer household income;
b) Percentage increase in producers mobilized into producer organizations with financed business plan in selected value chains;
c) Percentage increase in enterprise registered and financed;
d) Percentage of eligible project beneficiaries directly supported for self-employment or gainful job opportunities; and
e) Direct project beneficiaries (number) of which female (percentage).

D. Concept Description

13. The proposed project will help mobilize and strengthen producer organization and by providing start-up capital that will go towards productive investment, technical assistance and business development. The capacity of the implementation agency will also be strengthened to ensure the effective delivery of technical assistance and business development services. Project components will support gap financing across the value chain which will be structured around cluster development approach and will be aligned with the business plans of producer organizations. Furthermore, the project will support skill development initiatives, convergence and partnership for skill promotion and jobs, strengthen local implementation capacity for skill development, and implement innovative pilots on the skilling and employability. Lastly, it will support financing for systems development on learning, planning, monitoring, evaluation and project management. The proposed project design will be structured around four components with a total estimated outlay of US$150 million to be implemented over six years. The project would be co-financed by the GoTN (US$50 million or 30%) and the World Bank (US$100 million or 70%). The project is structured around four components:

14. Component 1: Cluster Based Diagnostic, Value Chain Prioritization and Strengthening of Producer Organizations: This component aims to provide an analytical basis for planning through cluster approach and prioritization of value chains. It will build on the participatory elements such as community led initial diagnostic using PRA tools and will focus on targeted identification of producers and entrepreneurs. It will leverage the existing Community Based Organizations (CBOs) like the Village Poverty Reduction Committees (VPRC), Self-Help Groups (SHGs) and Panchayat Level Federations (PLFs). This component will have two sub-components, which are: a) Support for Identification and Prioritization of Value Chains; and b) Strengthening of Producer Organizations/Entrepreneurs and Business Plan Preparation.

15. Component 2: Financing for Value Chain and Enterprise Development: This component will primarily focus on deeper analysis of select value chains towards fostering private investment generation and entrepreneurial activities. It will include a technical assistance fund for value chain financing. It will also include investments in public/community infrastructure and creating the facilitation structures needed to sustain value chain development and effective public-private sector dialogue. This will be accomplished through four sub-components: a) Value Chains Analysis; b) Financing of Value Chains Investment Plans (VCIP); c) Facilitating Private Sector Investments; and d) Technical assistance fund for development of financing facility for value chains and enterprise.
16. Component 3: Employability - Skill Enhancement and Jobs: The main aim of this component is to enhance the access of poor and marginalized populations in lagging regions to jobs in growth clusters; and to support enterprise development through ensuring an adequate supply of skilled labor. The planning and investments under this component are primarily linked to outputs under Component 1 & 2. The component will support sustainable institutional frameworks including industry association partnerships and regular industry consultations to move towards a demand-led model of training provision and job placements; develop training capacity where it is lacking in identified sectors through strategic partnerships; build implementation capacity in lagging regions to provide intermediation services such as counseling, job search assistance, and logistical support for training and post-training job placements; and also support for institutional frameworks and mechanisms at the community-level to ensure greater transparency and accountability of skills training provision at the local level. This component will have three sub-components, which are: a) Partnerships and Convergence; b) Build Local Implementation Capacity; and c) Skills Fund for Pilots and Special Sub-projects.

17. Component 4: Knowledge Management, Monitoring & Evaluation and Project Management: The main aim of this component is to support a cluster based planning and knowledge management system for coordinated resource mobilization through investment plans developed on the principles of cluster approach. It will also focus on dedicated activities for ensuring strategic convergence with public programs and support setting-up a modernized and results focused project management, monitoring, evaluation and learning mechanism. This component will have three sub-components, which are: a) Development of Knowledge and Learning System; b) Monitoring and Evaluation; c) Strengthening and Restructuring of Implementing Agency; and d) Project Management.

II. SAFEGUARDS

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

18. The exact project locations and the project activities to be supported are not known at this stage. However, it is envisaged that project financing will result in the setting up of a considerable number of small/medium, micro or nano-enterprises, and the strengthening of production systems and value-chain development, based on a wide range of business ideas. The scope and scale of project activities are expected to have a moderate environmental footprint, and therefore, as per World Bank Operational Policy OP 4.01, this project is classified as Category B. Due to the widespread and diverse nature of these activities, the safeguard instrument will most likely be an Environment and Social Management Framework (ESMF). Once there is more clarity on project activities, the client team will be required to conduct an environmental assessment of potential environmental impacts per sector and type of activity and prepare the appropriate safeguards document (to be confirmed). The Bank requires that this document is consulted with a wide range of stakeholders, before it is finalized and disclosed both in-country and on World Bank Infoshop before Project Appraisal.

19. The project is envisaged to support enterprise development in the agriculture and allied sectors and also the manufacturing and service sectors. The project will not resort to involuntary land acquisition and hence OP 4.12 is not triggered. Lands required, if any, for the sub projects would be organized by beneficiary groups/enterprises through open market land purchase or leasing arrangements. A data base of all land transactions would be maintained and monitored for adverse
impacts if any. Given that the Scheduled Tribe population in the state is less than one percent, the project interventions may or may not overlap with predominately tribal blocks. The tribal population in the peri-urban and urban areas are mainstreamed in the predominant culture and do not maintain their distinct characteristics. However, while many of the 120 project blocks would lie outside major tribal belts, it is possible that some of the blocks may offer scope/potential for meaningful directed inclusion of tribal communities. This would be assessed as part of the social assessment process and based on the findings; a tribal inclusion/development plan would be prepared and implemented. Hence at the PCN stage OP 4.10 on Indigenous Peoples is maintained as TBD.

B. Borrower’s Institutional Capacity for Safeguard Policies

20. The project will be housed in the Tamil Nadu Rural Development Department which has experience with implementing World Bank supported operations. The proposed project preparation team will have a dedicated environmental safeguards specialist, and a social inclusion and safeguards specialist, with specific responsibilities for ensuring that the project puts in place the instruments, systems and processes to address environmental and social safeguards risks and has robust mitigation measures, the specialist will also emphasize in social inclusion aspects. Efforts are being made for building in and mainstreaming social and environmental due diligence upstream into this process so as to strengthen the state capacity and ensure long-term sustainability into project supported investments.

C. Environmental and Social Safeguards Specialists on the Team

Anupam Joshi (GEN06)
Ramachandran R. Mohan (GWA06)

D. POLICIES THAT MIGHT APPLY

<table>
<thead>
<tr>
<th>Safeguard Policies</th>
<th>Triggered?</th>
<th>Explanation (Optional)</th>
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<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>Yes</td>
<td>Project financing will result in the setting up of a considerable number of value-chains and small/medium/micro or nano-enterprises. It will also foster strengthened production systems in existing small enterprises. There will be site-specific environmental impacts resulting from the emergence and operation of these enterprises. Such impacts will need to be assessed and addressed on a sectoral and case by case basis. This policy is triggered to ensure that an Environment and Social Management Framework will be developed, that enables assessment of environmental impacts of individual sub-projects and defines commensurate mitigation measures to address them.</td>
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<td>Natural Habitats OP/BP 4.04</td>
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<td>It needs to be determined whether any of the project activities will be close to or have an impact on some kind of natural habitat.</td>
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<td>Forests OP/BP 4.36</td>
<td>Yes</td>
<td>This policy is being triggered to address the impacts of certain value chain activities that involve NTFP.</td>
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<td>Pest Management OP 4.09</td>
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agriculture sector, but it needs to be determined whether there is potential for use or management of pesticides or alternatives

| Physical Cultural Resources OP/BP 4.11 | TBD | Project activities are unlikely to have impact on PCR. However chance find precautions and guidelines will be built into the ESMF.

| Indigenous Peoples OP/BP 4.10 | TBD | The project is spread across 120 blocks of the State. While many of these would lie outside major tribal belts, it is possible that some of the blocks may offer scope/potential for meaningful inclusion of tribal communities. This would be assessed as part of the social assessment process and based on the findings; a tribal inclusion/development plan would be prepared and implemented.

| Involuntary Resettlement OP/BP 4.12 | No | The project will not involve involuntary land acquisition under the eminent domain and hence this policy is not triggered. Lands required, if any, for the sub projects would be organized by beneficiary groups/enterprises through open market land purchase or leasing arrangements. A data base of all land transactions would be maintained and monitored for adverse impacts if any.

| Safety of Dams OP/BP 4.37 | No | The project will not involve construction or reliance on dams.

| Projects on International Waterways OP/BP 7.50 | No | The project does not impact on international waterways.

| Projects in Disputed Areas OP/BP 7.60 | No | This policy is not applicable for the project area.

### E. Safeguard Preparation Plan

1. Tentative target date for preparing the PAD Stage ISDS
   15-Jan-2017

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.
   Safeguards documents will require about 2-3 months for preparation and will be ready by appraisal. Consultations and disclosure will be undertaken before appraisal.

### III. Contact point

**World Bank**

Contact: Samik Sundar Das  
Title: Senior Rural Development Speci

Contact: Izabela Leao  
Title: Rural Development Specialist

**Borrower/Client/Recipient**
Name: Mr. Rishikesh Singh, Director, Department of Economic Affairs, Govt. of India
Contact: 
Title: 
Email: 

Implementing Agencies
Name: Mr. Hansraj Verma, Secretary, Department of Rural Development & Panchayati Raj, Govt. of Tamil Nadu
Contact: 
Title: 
Email: 

IV. For more information contact:
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

V. Approval

<table>
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<tr>
<th>Task Team Leader(s)</th>
<th>Name: Samik Sundar Das, Izabela Leao</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved By</td>
<td></td>
</tr>
<tr>
<td>Safeguards Advisor:</td>
<td>Name: Maged Mahmoud Hamed (SA)</td>
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<tr>
<td></td>
<td>Date: 23-Jun-2016</td>
</tr>
<tr>
<td>Practice Manager/</td>
<td>Name: Shobha Shetty (PMGR)</td>
</tr>
<tr>
<td>Manager:</td>
<td>Date: 24-Jun-2016</td>
</tr>
<tr>
<td>Country Director:</td>
<td>Name: Junaid Kamal Ahmad (CD)</td>
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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.