
President's report

Proposed loan

Republic of India

Competitiveness Improvement of Agriculture and Allied Sectors Project in Jammu and Kashmir (JKCIP)

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Action: The Executive Board is invited to approve the recommendation contained in paragraph 51.

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Financing summary

Initiating institution:	IFAD
Borrower:	Republic of India/Government of Jammu and Kashmir
Executing agency:	Agriculture Production Department, Government of Jammu and Kashmir
Total project cost:	US\$217.2 million
Amount of IFAD loan:	US\$100.0 million
Terms of IFAD loan:	Ordinary terms. The loan is granted on ordinary lending terms and shall be subject to interest on the principal amount outstanding of the loan rate equal to the IFAD reference interest rate with variable spread, and have a maturity period of 18 years, including a grace period of 5 years.
Cofinanciers:	Domestic financial institutions, local private sector, beneficiaries; Convergence with government schemes and the Government of Jammu and Kashmir
Amount of cofinancing:	Private banks: US\$20.8 million Private sector: US\$20.7 million Convergence (complementary investments under relevant ongoing national programmes): US\$3.4 million
Terms of cofinancing:	To be determined
Contribution of borrower:	US\$26.4 million
Contribution of beneficiaries:	US\$45.8 million
Amount of IFAD climate finance:	US\$50.77 million
Cooperating institution:	IFAD

I. Context

A. National context and rationale for IFAD involvement

National context

1. The Republic of India is one of the world's fastest growing economies, with GDP growth of 7.7 per cent between 2022 and 2023. Meanwhile, the country has halved the share of its population living in extreme poverty.¹ Between the periods 2005–2006 and 2020–2021, India's Multidimensional Poverty Index fell from 55 to 16.4 per cent, lifting 415 million people out of poverty.² Despite strong economic growth, progress in poverty reduction has been uneven, with an extreme poverty rate of 13.8 per cent. Inequality in consumption continues, with a Gini index of around 35 over the past two decades and high child malnutrition rates of around 35.5 per cent.
2. In Jammu and Kashmir around 12.8 per cent of the population is multidimensionally poor. The literacy rate is 67.2 per cent. Factors such as remoteness, limited connectivity, security concerns and low levels of investment have constrained economic growth over the past decades. Following an improvement in the security situation and an upswing in economic activity since 2019, Jammu and Kashmir's GDP is expected to grow at 8 per cent between 2022 and 2023 at constant prices.
3. The Government of Jammu and Kashmir has launched the Holistic Agriculture Development Programme (HADP), an ambitious undertaking costing approximately US\$650 million, aimed at transforming agriculture from subsistence farming into a sustainable and commercial economic activity. The Government of Jammu and Kashmir is keen to use IFAD's expertise to complement the HADP.

Special aspects relating to IFAD's corporate mainstreaming priorities

4. In line with IFAD's mainstreaming commitments, the project has been validated as:
 - Including climate finance
 - Youth-sensitive
5. **Gender and social inclusion.** India ranked 91 out of 144 countries in a new index that measures global gender equality by looking at aspects such as poverty, health, education, literacy, political representation and equality in the workplace. In Jammu and Kashmir the Gender Development Index rose from 0.83 in the 2011–2012 period to 0.945 in 2017, reflecting an overall improvement in gender relations. Two critical challenges, however, remain: a large income gap and high levels of drudgery for women.
6. **Youth.** Young people account for almost a third of India's population. Likewise, Jammu and Kashmir has a predominantly young population, 69 per cent of whom are under 35 years of age. Its relatively high youth unemployment rate can be attributed to a number of factors, including remoteness, extreme weather conditions, low savings and investment rates, high population growth, declining small-scale industries and the slow growth of infrastructure, which are further aggravated by acts of terrorism. However, this situation has changed considerably over the past three or four years thanks to government intervention. Young people are now interested in becoming entrepreneurs and are seeking to become part of the mainstream.
7. **Climate and environment.** Projections indicate the continued intensification of climate change and variability, resulting in the increased occurrence of extreme weather events, including drought, floods and natural disasters. The greater frequency and intensity of extreme weather events will cause more seasonal

¹ The World Bank Poverty and Inequality Platform and Macro Poverty Outlook, spring 2023.

² United Nations Development Programme.

droughts and floods, exacerbating soil erosion in the mountainous areas of Jammu and Kashmir where many of the rural poor rely on natural resources, rainfed agriculture and horticulture for their livelihoods. The promotion of high-value agricultural and horticultural crops, and environmentally sustainable and climate-resilient value chains is an appropriate climate-smart approach for the development of Jammu and Kashmir.

8. **Nutrition.** While Jammu and Kashmir has made significant improvements in its nutrition status, a number of challenges remain, including child malnutrition, particularly underweight and wasting, and anaemia among women. The Government of Jammu and Kashmir is implementing a number of initiatives to address malnutrition. The Competitiveness Improvement of Agriculture and Allied Sectors Project in Jammu and Kashmir (JKCIP) will work primarily towards improving the socioeconomic status of poor households to enhance their ability to access improved diets.

Rationale for IFAD involvement

9. There are several factors behind the rationale for IFAD's involvement: (i) IFAD's track record of working with smallholder farmers and value chain strategies in India, which have effectively increased farmers' incomes; (ii) IFAD's ability to tap into crop-specific global technical expertise to enhance capabilities in Jammu and Kashmir; (iii) a well-established network of partnerships allowing IFAD to harness the strength of community organizations to develop group response models; (iv) geographic targeting focusing on disadvantaged regions in the country strategic opportunities programme (COSOP); and (v) opportunity to introduce innovative solutions to double the income of impoverished and marginalized farming communities and contribute to unlocking the full potential of the HADP.

B. Lessons learned

10. A number of key lessons are relevant to the JKCIP: (i) opening alternative marketing channels can lead to increased efficiencies in traditional markets; (ii) for the mobilization of farmer-producer organizations (FPOs) to be successful, it should prioritize building businesses as a starting point, making business sustainability a key consideration; (iii) the participation of stakeholders in project implementation ensures smooth execution and sustainability, especially in conflict-affected areas; (iv) an integrated system, linking production, processing, value addition and marketing, is essential for resource optimization; (v) building business partnerships among smallholders, private entities, farmer cooperatives and the Government is crucial for sustainable and mutually beneficial agribusinesses; and (vi) cost-sharing is critical for sustainability and the success of interventions.

II. Project description

A. Objectives, geographical area of intervention and target groups

11. The goal of the project is to contribute to a sustained increase in the incomes of rural households by improving the competitiveness and climate resilience of farming operations. The project objective is to improve the competitiveness and climate resilience of farmers through a value chain approach, covering the production, value addition and marketing of high value, niche commodities derived from agriculture, horticulture and allied sectors in Jammu and Kashmir.
12. The project will be implemented in all 20 districts of Jammu and Kashmir. The project design has adopted an exclusion strategy to minimize challenges including those related to environmental safeguards by excluding blocks and villages adjacent to the border that are ecologically sensitive.
13. The project will directly benefit 159,000 men and 141,000 women of whom 90,000 will be youth and 30,000 vulnerable communities, namely scheduled casts (SCs)

and scheduled tribes (STs), accounting for a total of 300,000 households and reaching 1.5 million individuals.³ The target group will comprise resource-poor farmers and rural households, including vulnerable groups such as pastoralists, fishing communities and other SC and ST communities.

14. There will be three categories of smallholders: (i) poor, (ii) relatively poor, and (iii) commercially oriented non-poor.⁴ The project will directly target only the poor and relatively poor households for productivity and production enhancement and expansion. The non-poor will participate in marketing and enterprise-related activities.

B. Components, outcomes and activities

15. The project will have four components: (i) climate-smart and market-led production; (ii) agribusiness ecosystem development; (iii) support to vulnerable communities; and (iv) project management, monitoring and evaluation (M&E) and knowledge management.
16. The project will pursue its objective through four major outcomes: (i) expansion and improved performance of FPOs; (ii) enhanced productivity and production of niche and horticultural crops; (iii) improved price realization by farmers and allied stakeholders; and (iv) improved resilience of vulnerable groups.
17. **Component 1: Climate-smart and market-led production.** This component will be implemented through three subcomponents: 1.1 scaling up collectivization; 1.2 niche agricultural crop support; and 1.3 horticultural crop support. The objective of subcomponent 1.1 is to expand outreach to target households and to develop viable and inclusive farmer institutions, with a view to taking a cost-effective service delivery approach and building economies of scale to start market-oriented production. The objective of subcomponent 1.2 is to optimize cultivable areas and diversify into high-value crops. The objective of subcomponent 1.3 is to optimize cultivable areas and diversify and intensify horticultural crops.
18. **Component 2: Agribusiness ecosystem development.** The component will be implemented through three subcomponents: 2.1 enterprise promotion support; 2.2 market promotion support; and 2.3 incubation and start-up. The objective of subcomponent 2.1 is enterprise promotion by the private sector, with a focus on generating the corresponding banking finance, focusing on youth and women, particularly young women. The objective of subcomponent 2.2 is to explore new and premium markets and to start production based on market demand. The objective of subcomponent 2.3 is to create a vibrant agri-tech start-up culture in the region with a focus on youth and to contribute to strengthening the agribusiness ecosystem.
19. **Component 3: Support to vulnerable communities.** This component will be implemented through three subcomponents: 3.1 support to pastoralists; 3.2 support to other vulnerable communities, and 3.3 integration of youth. The objective of subcomponent 3.1 is to improve pastoralists' animal breeding and wool price realization. The objective of subcomponent 3.2 is to support the diversification of the livelihood options of vulnerable groups comprising SCs and STs. The objective of subcomponent 3.3 is to support youth clubs to take up community activities related to environmental protection.
20. **Component 4: Project management, M&E and knowledge management.** This component will be implemented through two subcomponents: (i) M&E and knowledge management; and (ii) policy support. A project management unit (JKCIP-PMU) will be established within the programme management unit of HADP. The project will facilitate a shift from simple output-based monitoring by embedding outcome-based monitoring into the M&E system. The project will work towards

³ Average family size of 5.1 in Jammu and Kashmir, National Family Health Survey 2015–2016.

⁴ Eighty per cent will be poor and 20 per cent non-poor.

fostering an enabling and evidence-based policy environment for the development of the agricultural and allied sectors.

C. Theory of change

21. There are challenges to sustainable agricultural growth in India and in Jammu and Kashmir. Efforts to enhance production and productivity, building on comparative advantage to shift from a cereal based production system, remain critical to improving the incomes of smallholder farmers. The other main challenges are: (i) poor management practices with a limited focus on intensification and diversification; (ii) insufficient investment in value addition, processing and enterprise promotion and market development efforts; and (iii) limited livelihood diversification options for vulnerable communities.
22. These challenges will be addressed by: (i) introducing good agricultural practices, water management systems and expanding the niche crop cultivation area; (ii) improving tree management practices and nursery development, and intensifying the diversification and expansion of the cultivation area of horticultural crops; (iii) establishing agri-enterprises and start-ups; (iv) establishing market linkages, market development, and brand development and promotion; (v) providing support to vulnerable communities to diversify their livelihood options; and (vi) supporting policy dialogue and the development of standards. These interventions are expected to generate a number of outcomes, including improving the performance of community institutions, production and productivity and price realization on account of value addition, and marketing and policy development relevant to the sector. These outcomes will contribute to the project goal of contributing to a sustained increase in the incomes of rural households.

D. Alignment, ownership and partnerships

23. The JKCIP focuses on niche and high value crops to help marginal and small-scale farmers adapt to climate change. It contributes to SDGs 1 – end poverty; SDG 2 – zero hunger; SDG 5 – gender equality; and SDG 13 – combat climate change. The project aligns with the strategy of the Government of India and the Government of Jammu and Kashmir of doubling farmers' income, focusing on comparative advantage, productivity gains, value capture and connectivity to new markets. The three objectives of the IFAD Strategic Framework (2016–2025) are at the core of this project. The project also adheres to the recommendations of the midterm results review of the India COSOP. The project is aligned with IFAD's mainstreaming themes: it is gender- and youth-sensitive, contributes to climate financing and supports Indigenous Peoples. The project design has been fully adopted by the Agriculture Production Department (APD).

E. Costs, benefits and financing

Project costs

24. Total project costs are US\$217.2 million over seven years. The total amount of IFAD climate finance for this project is US\$50,776,000, which represents 50.7 per cent of IFAD's total project financing.

Table 1
Project costs by components and financier
(Thousands of United States dollars)

Component	IFAD loan		Government of Jammu and Kashmir		Convergence		Beneficiary		Private sector		Private banks		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Climate-smart and market-led production														
Scaling up collectivization	5 419	73	1 534	20	-	-	517	7	-	-	-	-	7 470	3
Agri-niche crop support	20 016	43	5 042	11	-	-	21 504	46	-	-	-	-	46 562	21
Horticulture crop support	24 246	41	6 062	10	-	-	22 945	39	6 162	10	-	-	59 415	27
Subtotal	49 681	44	12 638	11	-	-	44 966	40	6 162	5	-	-	113 446	52
2. Agribusiness ecosystem development														
Enterprise promotion support	22 261	41	6 590	12	-	-	-	-	10 316	19	15 422	28	54 589	25
Market promotion support	2 249	80	562	20	-	-	-	-	-	-	-	-	2 811	1
Incubation and start-up	4 678	28	1 170	7	3 255	20	-	-	2 170	13	5 424	33	16 696	8
Subtotal	29 188	39	8 322	11	3 255	4	-	-	12 486	17	20 846	28	74 096	34
3. Support to vulnerable communities														
Support to pastoralists	453	49	113	12	195	21	-	-	171	18	-	-	931	0
Support to other vulnerable communities	13 504	68	3 555	18	-	-	785	4	1 893	10	-	-	19 737	9
Subtotal	13 957	68	3 669	18	195	1	785	4	2 064	10	-	-	20 668	10
4. Project management														
Project management	5 934	80	1 484	20	-	-	-	-	-	-	-	-	7 418	3
M&E and management information system	825	80	206	20	-	-	-	-	-	-	-	-	1 031	1
Knowledge management and policy	416	80	104	20	-	-	-	-	-	-	-	-	520	0
Subtotal	7 175	80	1 794	20	-	-	-	-	-	-	-	-	8 969	4
Total	100 000	46	26 422	12	3 449	2	45 751	21	20 711	10	20 846	10	217 179	100

Table 2
Project costs by expenditure category and financier
 (Thousands of United States dollars)

Expenditure category	IFAD loan		Government of Jammu and Kashmir		Convergence		Beneficiary		Private sector		Private banks		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Investment costs														
A. Training and workshops	2 287	80	572	20	-	-	-	-	-	-	-	-	2 859	1
B. Consultancies	2 829	78	707	19	115	3	-	-	-	-	-	-	3 652	2
C. Goods, services and inputs	46 464	38	11 835	10	3 334	3	44 535	37	8 829	7	5 915	5	120 911	56
D. Equipment and materials	3 452	69	935	19	-	-	634	13	-	-	-	-	5 020	2
E. Grants and subsidies	36 944	50	10 368	14	-	-	581	1	11 882	16	14 932	20	74 707	34
Total investment costs	91 976	44	24 416	12	3 449	2	45 751	22	20 711	10	20 846	10	207 149	95
II. Recurrent costs														
A. Salaries and allowances	5 648	80	1 412	20	-	-	-	-	-	-	-	-	7 060	3
B. Operating costs	2 376	80	594	20	-	-	-	-	-	-	-	-	2 970	1
Total recurrent costs	8 024	80	2 006	20	-	-	-	-	-	-	-	-	10 030	5
Total	100 000	46	26 422	12	3 449	2	45 751	21	20 711	10	20 846	10	217 179	100

Table 3
Project costs by component and year
 (Thousands of United States dollars)

Component	Totals including contingencies								
	2023	2024	2025	2026	2027	2028	2029	2030	Total
1. Climate-smart and market-led production									
Scaling up collectivization	23	1 493	2 430	1 896	1 035	288	303	-	7 470
Agri-niche crop support	38	3 462	8 672	9 743	9 982	8 442	6 184	39	46 562
Horticulture crop support	70	7 118	13 931	14 295	14 624	6 166	3 210	-	59 415
Subtotal	132	12 073	25 034	25 934	25 641	14 896	9 698	39	113 446
2. Agribusiness ecosystem development									
Enterprise promotion support	-	6 206	13 323	17 459	14 026	2 107	1 467	-	54 589
Market promotion support	-	363	1 012	1 113	217	51	54	-	2 811
Incubation and start-up	5	750	2 936	3 833	3 791	3 857	1 348	176	16 696
Subtotal	5	7 318	17 272	22 406	18 034	6 015	2 869	176	74 096
3. Support to vulnerable communities									
Support to pastoralists	-	194	328	161	162	85	-	-	931
Support to other vulnerable communities	-	2 087	3 551	3 743	3 912	3 666	2 779	-	19 737
Subtotal	-	2 281	3 879	3 904	4 074	3 752	2 779	-	20 668
4. Project management									
Project management	230	1 063	1 041	1 090	1 068	1 126	1 186	614	7 418
M&E and management information system	10	98	75	79	50	53	667	-	1 031
Knowledge management and policy	32	192	92	104	27	35	28	10	520
Subtotal	272	1 352	1 208	1 273	1 145	1 213	1 881	624	8 969
Total	410	23 024	47 392	53 517	48 894	25 876	17 227	839	217 179

Financing and cofinancing strategy and plan

25. The project is cofinanced by the Government of Jammu and Kashmir and various government programmes (under convergence), banks, project beneficiaries and the private sector. The ratio of IFAD loan resources to all cofinancing is 1:1.2.
26. Funds will flow from IFAD through the Government of India into the consolidated fund of the Government of Jammu and Kashmir for the reimbursement of pre-financed expenditures.
27. **Retroactive financing.** As an exception to section 4.07(a)(ii) of the General Conditions for Agricultural Development Financing, IFAD is seeking Executive Board approval for retroactive financing of up to US\$5 million for eligible expenditures to finance start-up activities from 1 March 2024 until the date of entry into force. To be eligible for retroactive financing, goods and services must be procured according to the procurement procedures applicable to loan financing. Retroactive financing must be pre-financed by the Government and reimbursed using the financing after the agreement has entered into force and the conditions precedent to withdrawal have been met.

Disbursement

28. A designated account in United States dollars for the loan will be opened by the Government of India at the Reserve Bank of India to which funds will flow from IFAD on a reimbursement basis. The Government of India will pre-finance project expenditures. The project will submit to IFAD, through the Controller of Aid Accounts and Audit, under the Department of Economic Affairs, quarterly withdrawal applications to reimburse IFAD's share of project expenditures. A report-based disbursement modality will be applied to request funds from IFAD. The JKCIP-PMU will submit consolidated quarterly interim financial reports within 30 days from the end of the relevant quarter. The project accounts of the APD will be maintained in a commercial bank operating in Jammu and Kashmir with existing online banking services.

Summary of benefits and economic analysis

29. The direct project benefits are derived mainly from increased farm income attributed to the adoption of new technologies and income from new value chain enterprises established with project support. Cost-benefit analysis yields an overall internal rate of return (IRR) of 24 per cent. The estimated net present value (NPV) for a 7 per cent discount rate is US\$480.4 million (39.8 billion Indian rupees) and the benefit-cost ratio is 13.3. A positive NPV under the current opportunity cost of capital of 7 per cent indicates that the project investments are sound and robust. A scenario involving a 20 per cent cost increase and a 20 per cent benefits decline over the base case would entail a 23 and 22 per cent IRR, respectively, with an NPV of US\$462.85 million and US\$366.74 million, thus confirming the robustness and soundness of the project investments.

Exit strategy and sustainability

30. The JKCIP's exit strategy builds on three key pillars: (i) FPO promotion and support; (ii) niche agricultural and horticultural crop enhancement; and (iii) enterprise and market promotion. FPO mobilization will begin with community-centric businesses, with support tied to performance standards, aiming for self-sustainability. The project will boost production, productivity and the quality of niche crops, expand agricultural areas, introduce good agricultural practices and diversify horticultural crops. The project will support agri-enterprises with business services, bank linkages and matching grants to reduce investment risks, facilitating profitability and sustainability. Systems will be established to utilize government grants for the benefit of the communities, fostering self-reliance and sustainability for a smooth project exit.

III. Risk management

A. Risks and mitigation measures

31. The overall project risk is rated moderate and the residual risk is rated low. Risk probability related to political aspects and governance, macroeconomics, sector strategies, technical soundness, institutional capacity, M&E arrangements and policies are rated moderate and the residual risk is rated low. The inherent risks for financial management and procurement are rated substantial due to a lack of previous experience of the APD in implementing projects financed by IFAD and international financial institutions. IFAD's financial management manual proposes clear actions to mitigate the risks, including staffing and accounting software. Retroactive financing is proposed to tackle the risk of start-up delays after entry into force.

Table 4

Overall risk summary

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Substantial	Low
Sector strategies and policies	Moderate	Low
Environment and climate context	Moderate	Moderate
Project scope	Moderate	Low
Institutional capacity for implementation and sustainability	Moderate	Low
Financial management	Substantial	Substantial
Project procurement	Substantial	Substantial
Environment, social and climate impact	Low	Low
Stakeholders	Moderate	Moderate
Overall	Moderate	Low

B. Environment and social category

32. The environmental and social risk category for the JKCIP is assessed as moderate. The project will implement free, prior, and informed consent to enhance tribal communities' ownership of the project. The JKCIP will not work in the blocks in protected areas and will strictly adhere to a zero deforestation and forest encroachment policy, ensuring that no harm is done to the natural habitat and biodiversity. The project is expected to improve farm diversity, regulate and reduce chemical inputs and improve farm health by promoting good agricultural practices.

C. Climate risk classification

33. The climate risk category of the project is rated moderate. The main climate risks for the project include: (i) a decrease in productivity and quality of produce due to hailstorms; (ii) increased incidences of new and existing pests and diseases; and (iii) landslides. The project will promote climate-resilient production approaches. The capacity of government line agencies and FPOs will be enhanced to access, interpret and act wisely upon relevant weather-related information. Responsibilities related to the Social, Environmental and Climate Assessment Procedures (SECAP) are included in the terms of reference of thematic specialists.

D. Debt sustainability

34. India's economy was robust during the 2022–2023 period and headline inflation has, on average, remained moderate, although it remains volatile. The financial sector has been resilient – the strongest it has been for several years – and remained largely unaffected by global financial stress in early 2023. The current account deficit in 2022–2023 widened, the budget deficit has eased, public debt remains high and fiscal buffers need to be rebuilt. Growth is expected to remain

strong, supported by macroeconomic and financial stability. The International Monetary Fund (IMF) has stated that risks to the outlook are balanced.

35. India's debt-to-GDP ratio of 81.9 per cent in 2022–2023 is well above peer emerging markets⁵ and is projected to remain stable in the medium term. Real GDP growth is projected to grow at 6.3 per cent during the 2023/2024 and 2024/2025 periods, driven by agriculture, services and manufacturing.⁶

IV. Implementation

A. Organizational framework

Project management and coordination

36. The lead executing agency will be the Agriculture Production Department of the Government of Jammu and Kashmir, which will implement the JKCIP in cooperation with various directorates and universities in Jammu and Kashmir. The project will be implemented through the JKCIP-PMU headed by a mission director reporting to the principal secretary, APD, and assisted by a core team. The project's governance will be harmonized with the existing four-tier project coordination structure of the HADP comprising: (i) a central apex committee; (ii) an empowered committee; (iii) an executive committee; and (iv) district-level committees. Field-level implementation will be undertaken by the field-level staff of the participating directorates and universities.

Financial management, procurement and governance

37. Financial management arrangements reflect lessons learned from ongoing IFAD-supported projects. Project financial management arrangements will be mainstreamed into the Government of Jammu and Kashmir's planning and budgeting processes; and its public financial management system will be used for the allocation of project funds, the application of internal checks and controls, accounting and financial reporting, and tracking of project-related unspent bank balances. Based on IFAD's assessment, the proposed financial management arrangements are acceptable and provide reasonable assurance that loan proceeds will be used for intended purposes and properly accounted for.
38. The project's key financial management arrangements are as follows: (i) the JKCIP will employ existing financial management staff of the APD and its departments and two additional financial management consultants; (ii) budgeting for the JKCIP will be fully integrated into the overall government budgeting process. The draft and final budgets for the Government of Jammu and Kashmir will include JKCIP-related expenditures as a separate budget line item; (iii) JKCIP-related financial operations and transactions will be subject to the Government of Jammu and Kashmir's internal approval procedures. Moreover, private sector internal auditors will prepare semi-annual internal audit reports to the steering committee; (iv) accounting software will be used for record-keeping and financial reporting for all project financing sources to meet IFAD requirements; and (v) the Office of the Comptroller and Auditor General will audit, in accordance with IFAD's auditing standards, project financial statements each year.
39. The project will provide grants and subsidies to agri-businesses in line with eligibility criteria and fund flow arrangements pre-agreed with IFAD.
40. **Procurement.** Project procurement under the JKCIP will be undertaken as per the IFAD Project Procurement Guidelines and Project Procurement Handbook, as amended, and using IFAD standard bidding documents and other document templates. The inherent risk rating for procurement assessed at design is substantial, mainly on account of human resource capacity and non-exposure to IFAD's procurement compliance requirements. Procurement risk mitigation

⁵ [India and the IMF](#).

⁶ IMF Executive Board – 2023 Article IV Consultation with India.

measures are indicated in the integrated project risk management methodology. Procurement arrangements under the project will be strengthened by establishing a procurement unit headed by a senior procurement specialist and assisted by a procurement officer and an assistant. A procurement officer will be engaged for each of the directorates with a lead role in implementation. Procurement thresholds as per the risk assessment will be set forth in the project procurement arrangements letter. The JKCIP will also undertake a procurement audit through a qualified service provider annually. The project will adhere to the IFAD anticorruption policy and IFAD's Policy to Prevent and Respond to Sexual Harassment, Sexual Exploitation and Abuse, applicable also to contracted service providers, suppliers and individual consultants. Other good governance measures are incorporated into the project implementation manual (PIM). Procurement considerations for SECAP requirements are assessed and included in the PIM. The Government of Jammu and Kashmir has confirmed that the department vigilance officer of the APD will be the independent investigative authority to receive, investigate and proceed with action for the complaints of prohibitive practices in the project.

Target group engagement and feedback and grievance redress

41. The design of the JKCIP involved extensive consultation with various local, regional and national stakeholders. During implementation, the project will seek input and feedback from all relevant stakeholders in planning and executing community-level activities. The project will also uphold the principles of Free, Prior and Informed Consent to ensure that tribal communities have the right to make informed decisions about activities that may affect their lives and livelihoods. Other participatory tools, such as an annual outcome survey, safeguard monitoring and supervisory missions will facilitate target group feedback.

Grievance redress

42. The JKCIP will use the Government of Jammu and Kashmir's Integrated Grievance Redress and Monitoring System (JK-IGRAMS). This online portal allows round-the-clock registration of grievances and is linked to the Government of India's grievance handling portal (CPGRAMS).⁷ The system also allows postal and registered complaints addressed to the grievance cell. There is also a toll-free number to directly register complaints to the Department of Public Grievances, Jammu and Kashmir. The Government of Jammu and Kashmir has made it compulsory for all departments and officers to submit fortnightly reports to the Lieutenant Governor on any action taken.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

43. The JKCIP-PMU will be responsible for preparing an annual workplan and budget and a procurement plan, and securing approval from its management and IFAD.
44. The M&E system will be utilized as a management tool to track progress and compliance, and identify constraints and remedial actions. Knowledge management will support the effective flow of relevant information among project staff, beneficiaries and other stakeholders. Output, outcome and impact data will inform case studies, briefs and reports which will be used for policy dialogue, peer learning and potential scaling up.

Innovation and scaling up

45. Key innovations include: (i) business-led FPO promotion; (ii) holistic production support through a subproject model of production expansion; (iii) agribusiness incubation and start-up support; (iv) business leader-led enterprise promotion;

⁷ <https://pgportal.gov.in/>.

(v) entrepreneur-led service delivery; and (vi) digital climate information and extension delivery.

C. Implementation plans

Implementation readiness and start-up plans

46. IFAD and the Government have identified the following key actions: (i) recruitment of core staff; (ii) floating a tender in order to conduct a baseline survey of the project area; (iii) consultations with partner directorates and universities, and preparation of implementation guidelines for field-level implementation.

Supervision, midterm review and completion plans

47. IFAD will conduct regular supervision pursuant to standard procedures. Supervision missions will review project performance, progress towards the achievement of the project objectives and compliance with fiduciary requirements.

V. Legal instruments and authority

48. A financing agreement between the Republic of India and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as appendix I.
49. The Republic of India is empowered under its laws to receive financing from IFAD.
50. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

51. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the Republic of India in an amount of one hundred million United States dollars (US\$100,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Negotiated financing agreement

(Negotiations concluded on 26 February 2024)

Loan No: *[number]*

Project name: Competitiveness Improvement of the Agriculture and Allied Sectors Project in Jammu and Kashmir ("JKCIP") (the "Project")

The Republic of India (the "Borrower")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

WHEREAS, the Borrower has requested a loan from the Fund for the purpose of financing the Project in Jammu and Kashmir, as further described in Schedule 1 to this Agreement;

WHEREAS, the Project shall be carried out pursuant to a separate agreement between the Fund and the Government of Jammu and Kashmir of the Republic of India (the "Project Agreement");

WHEREAS, for this purpose, the Fund has agreed to provide financing for the Project upon the terms and conditions set forth in this Financing Agreement and within the Project Agreement;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

- 1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), and the Allocation Table (Schedule 2)
- 2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2022, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.
- 3. The Fund shall provide a Loan (the "Financing") to the Borrower, which the Borrower and Government of Jammu and Kashmir shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

- 4. The amount of the loan is one hundred million United States Dollars (USD 100 000 000).

5. The Loan is granted on ordinary lending terms and shall be subject to Interest on the principal amount outstanding of the Loan rate equal to the IFAD Reference Interest Rate with variable spread, payable semi-annually in the Loan Service Payment Currency, and have a maturity period of 18 years, including a grace period of 5 years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.
6. The Loan Service Payment Currency shall be in United States Dollars (USD).
7. The first day of the applicable Fiscal Year shall be 1st April.
8. Payments of principal and interest shall be payable on each on each 1st September and 1st March.
9. There shall be a Designated Account in USD for the Loan, for the exclusive use of the Project, opened by the Borrower at the Reserve Bank of India to which funds will flow from IFAD.
10. There shall be separate project bank account of the Agriculture Production Department of Jammu and Kashmir ("APD") Project Management Unit in Indian Rupees, for the benefit of the Project at the local Bank.
11. The Borrower shall cause the Government of Jammu and Kashmir to provide counterpart financing for the Project in line with the Borrower's guidelines on counterpart financing.

Section C

12. The Lead Project Agency shall be the APD ("Lead Project Agency").
13. The Ministry of Finance will be the nodal agency for the Project at the central level.
14. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
15. The Project Completion Date shall be the seventh anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower.

Section D

16. The Fund will administer the Loan and supervise the Project.

Section E

17. The following is designated as an additional ground for suspension of this Agreement: the Project Implementation Manual (PIM) and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.
18. The following is designated as an additional ground for cancellation of this Agreement:

- (a) the PIM or any provision thereof, has been waived, suspended, terminated, amended or substantially modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project, and the Borrower has not taken any measures to remedy the situation.
 - (b) In the event that the Borrower did not request a disbursement of the Financing for a period of at least 12 months, following the initial 18 month period from entry into force, without justification.
19. The following are designated as additional general conditions precedent to first withdrawal:
- (a) the IFAD no objection to the PIM shall have been obtained; and
 - (b) the Project Agreement, in form and substance acceptable to the Fund, shall have been duly concluded between the Fund and the Government of Jammu and Kashmir;
20. The following provisions of the General Conditions shall not apply to this Agreement:
- (a) As an exception to Section 4.07(a)(ii) of the General Conditions, expenditures of up to the equivalent of five million United States Dollars (US\$ 5 000 000) incurred after March 1, 2024 but before the date of entry into force of this Agreement for financing some of the Consultancies, Goods, Services and Inputs, Equipment and Materials, Grants and Subsidies, and Salaries and Operating costs, may be considered Eligible Expenditures for the purposes of this Agreement, if otherwise eligible, notwithstanding the fact that they have been incurred before the start of the Project Implementation Period.
 - (b) As an exception to Section 7.05(a) of the General Conditions, the procurement of goods, works and services under the Project financed from resources provided or administered by IFAD will be undertaken in accordance with IFAD's Procurement Guidelines and Handbook (September 2020), as amended from time to time, and using IFAD Standard Bidding Documents and other document templates.
21. The following are the designated representatives and addresses to be used for any communication related to this Agreement:
- For the Borrower:
- Additional Secretary, Department of Economic Affairs
Ministry of Finance,
New Delhi 110001
- For the Fund:
- The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

This Agreement has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

THE REPUBLIC OF INDIA

"[Authorised Representative Name]"
[Department of Economic Affairs
Ministry of Finance]

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Alvaro Lario
The President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall benefit approximately 159,000 men and 141,000 women of which 90,000 would be youth and 30,000 vulnerable communities corresponding to 300,000 households in total reaching approximately 1.5 million individuals. The main target group comprises resource-poor farmers and rural households, involved in farming in areas with the potential for cultivation of high value niche crops and horticultural crops, using climate-resilient and environment-friendly technologies. The target group also comprises the vulnerable communities including pastoralists, fishermen and other Scheduled Caste and Scheduled Tribe communities.
2. *Project area.* The Project will be implemented in all 20 districts of Jammu and Kashmir (the "Project Area").
3. *Goal.* The goal of the Project is to contribute to the sustained increase in incomes of rural households by improving the competitiveness and climate resilience of farming operations.
4. *Objectives.* The objective of the Project is to improve the competitiveness and climate resilience of the farmers through a value chain approach, covering production, value addition and marketing of high value niche commodities from agriculture, horticulture, and allied sectors.
5. *Components.* The Project shall consist of the following Components:
 - 5.1 *Component 1: Climate-smart and market-led production.* The main aim of this component is to address the value chain constraints of small and marginal farmers related to production and productivity by introducing better management practices and expanding the area under cultivation of climate-resilient and high value agriculture and horticulture crops. It includes 3 sub-components: (i) Upscaling collectivization; (ii) Niche Crop support; and (iii) Horticultural Crop Support.
 - 5.2 *Component 2: Agribusiness ecosystem development support.* This component is linked with Component 1 and builds on production and productivity enhancement. It will cover market led enterprise promotion in processing, value addition, and marketing of agri and allied sector produce to enable better price realization for the small producers/farmers. It includes 3 sub-components: (i) Enterprise promotion support; (ii) Market promotion support; and (iii) Incubation and Start-up.
 - 5.3 *Component 3: Support to vulnerable communities.* The Project, in consonance with the targeting priorities of IFAD, supports the most vulnerable groups comprising Scheduled Tribes (STs), Scheduled castes (SCs) and fisher folks to diversify their livelihood options and to increase their levels of income. It includes 2 sub-components: (i) Support to Pastoralists and other vulnerable communities; and (ii) Integration of Youth.
 - 5.4 *Component 4: Project Management.* The Project will support the setting up and operation of a PMU within the PMU of HADP with clear responsibilities for implementing JKCIP related activities. The PMU will also include a Monitoring and Evaluation ("M&E") and Knowledge Management unit as well as a computerised and GIS-linked Management Information System (MIS). The Project will facilitate a shift from simple output-based monitoring by embedding outcome-based monitoring into the M&E system. The Project will work towards fostering an enabling policy environment for the development of agri and allied sectors which will be evidence

based. It includes 2 sub-components: (i) M&E and Knowledge Management; and (ii) Policy support.

II. Implementation Arrangements

6. *Lead Project Agency.* The DPA of the Government of Jammu and Kashmir would be the Lead Project Agency and responsible for Project implementation.

7. *Project Oversight Committee.* The Project's governance will be harmonized with the existing four-tier Project coordination structure of the Holistic Agriculture Development Programme comprising: (i) a Central Apex Committee; (ii) an Empowered Committee; (iii) an Executive Committee; and (iv) District Level Committees. The Chair and the membership of the Committees shall be as per the decisions of the Government of Jammu and Kashmir.

8. *Project Management Unit.* A Project Management Unit ("PMU") for the Project will be established within the Holistic Agriculture Development Programme. This PMU will report to a Secretary-level officer of the DPA who will be nominated as the Mission Director reporting to the Principal Secretary, the DPA.

9. *Criteria.* The Project will provide Grants and Subsidies, to agribusinesses in line with pre-agreed IFAD eligibility criteria and funds flow arrangements.

10. *Monitoring and Evaluation.* The Project's M&E system will be designed to measure performance against the Project log frame as well as show the contribution of Project outcomes to the government's strategic objectives for the agriculture and allied sectors. The M&E system will offer comprehensive and reliable information to improve planning and decision-making for results-based management. The Project will link the business plans of the FPOs and entrepreneurs with the computerized MIS system to introduce real time outcome-based monitoring. The logical framework will constitute the basis for results-based M&E.

11. *Knowledge Management.* IFAD will engage closely with the LPA to catalyze knowledge and solutions from across the world to help enhance the performance of the Project as well as facilitate generation, documentation, and exchange of knowledge from the Project to other stakeholders within and outside the country.

12. *Project Implementation Manual (PIM).* The PMU shall finalise the draft Project Implementation Manual prepared during the design to be approved by the Executive Committee and will include all Project procedures, including financial management procedures, procurement, monitoring and evaluation, as well as all operational procedures. The PMU shall adopt the PIM substantially in the form approved by the Executive Committee and the Fund and may make amendments thereto from time to time with the approval of the Fund.

The Government of Jammu and Kashmir shall cause the Project to be carried out in accordance with the PIM. In case of any discrepancies between the provisions of the PIM and those of this Agreement, the provisions of this Agreement shall prevail.

13. *Anticorruption Measures.* The Borrower shall ensure compliances with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations and shall ensure that the compliance provisions are extended to the entities/organizations/parties and contractors. The Borrower shall cause the LPA to inform the Fund about the complaints of prohibitive practices received and the actions taken to resolve the complaints.

14. *Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower shall ensure compliance with IFAD's Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time, and shall cause the LPA to comply with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time. The Borrower shall also cause the LPA to ensure that the compliance provisions are extended to the entities / organizations / parties and contractors engaged during implementation of the Project.

Schedule 2

Allocation Table

1. *Allocation of Loan Proceeds.* The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in United States Dollars)	Percentage eligible for IFAD financing
(i) Goods, Services and Inputs	46 460 000	100%
(ii) Grants and Subsidies	36 940 000	100%
(iii) Operating and Management Costs	8 030 000	100%
(iv) Equipment and Materials	3 450 000	100%
(v) Consultancies	2 830 000	100%
(vi) Training and Workshops	2 290 000	100%
TOTAL	100 000 000	

2. The terms used in the Table above are defined as follows:

- (a) "Training and Workshops" shall mean eligible expenditures incurred under all components of the Project for training and workshops.
- (b) "Consultancies" shall mean eligible expenditures incurred for consultancy services.
- (c) "Goods, Services and Inputs" shall mean eligible expenditures incurred for Goods, Equipment and tools, non-consulting services, studies and materials and other inputs.
- (d) "Equipment and Materials" shall mean eligible expenditures incurred for equipment, materials and tools.
- (e) "Grants and Subsidies" shall mean eligible expenditures for grants and subsidies.
- (f) "Operating and Management Costs" shall mean eligible expenditures related to operating costs, including salaries and allowances.
- (g) The Percentage is applied to Project expenditures, excluding taxes and shares of other financiers.

3. *Disbursement arrangements*

- (a) *Retroactive financing.* As an exception to section 4.07(a) (ii) of the General Conditions, specific eligible expenditures incurred as of March 1, 2024 until the date of entry into force of this Agreement shall be considered eligible up to an amount equivalent to five million US dollars (USD 5 000 000) for activities relating to: Consultancies, Goods, Services and Inputs, Equipment and Materials, Grants and Subsidies, and Operating and Management costs. Activities to be financed by retroactive financing and their respective category of expenditures and source of financing will require prior no objection from IFAD

to be considered eligible. Pre-financed eligible expenditures shall be reimbursed to the Borrower once additional conditions precedent to the first disbursement of funds specified in Section E.19 are fulfilled.

- (b) *Audit* arrangements. The Office of Comptroller & Auditor General shall audit the Project financial statements annually. The LPA shall submit the audit report to IFAD within 6 months of the end of financial year.

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Base-line	Mid-Term	End Target	Source	Freq-uency	Respon-sibility	
Outreach	1 Persons receiving services promoted or supported by the project							Project implementation happens as per the work plans approved without delay in the release of financial resources and human resource recruitment. Government continues with HADP and other convergence programmes are available to the farmers
	Females - Number (47%)		70,500	141,000	MIS	Monthly	PMU	
	Males - Number (53%)		79,500	159,000				
	Young - Number (30%)		45,000	90,000				
	Not Young - Number (70%)		105,000	210,000				
	Indigenous people - Number (SC and ST) - 10%		15,000	30,000				
	Non-Indigenous people - Number		135,000	270,000				
	Total number of persons receiving services - Number of people		150,000	300,000				
	1.a Corresponding number of households reached							
	Non Women-headed households - Number		136,500	273,000	MIS	Monthly	PMU	
Women-headed households - Number (9%)		13,500	27,000					
Total Households - Number		150,000	300,000					
1.b Estimated corresponding total number of households members								
Household members - Number of people (Hhld size 5.1)		765,000	1,530,000	MIS	Monthly	PMU		
Project Goal Contribute to a sustained increase in incomes of rural households by improving the competitiveness of the farming operations.	Households with more than 70 percent increase in income				Baseline survey, mid-term survey and end-line survey	At baseline, midterm and completion	PMU/ External agency	
	Households - Percentage		30	70				
	Households with an increase in production by more than 30% - CI 1.2.4 (niche field crops and horticultural crops)							
	Households - Percentage		30	70				
Development Objective: Improve the competitiveness of the farmers through a value chain approach covering production, value addition of high-value niche crops and spices	Increase in productivity of crops, spices and horticultural produce				Baseline survey, mid-term survey and end-line survey	At baseline, midterm and completion	PMU/External agency	
	Saffron Kg/ha	3.00	5.00	7.5				
	Kashmiri Chilli Kg/ha	5,000.00	8,000.00	15,000.00				
	Apple (MT/Ha)	12.00	14.00	16.00				
	Walnut (MT/Ha)	6.25	6.50	7.00				
	Mango (MT/Ha)	5.50	6.00	7.00				
Citrus (MT/Ha)	2.50	3.00	4.00					
Stone fruits(MT/Ha)	11.25	12.00	14.00					
							Relatively stable security and economic conditions exist and continued government support for the project	

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Base-line	Mid-Term	End Target	Source	Freq-uency	Respon-sibility	
and horticulture produce	Percentage of select niche and horticulture produce marketed as A grade/premium product							
	Saffron (percentage)	TBD	70	95				
	Vegetables (percentage)	TBD	50	65				
	Kashmiri Chilli (percentage)	TBD	50	65				
	Apple (percentage)	40	45	60				
	Stone fruits (percentage)	30	35	45				
	Mango(percentage)	20	25	30				
	Citrus (percentage)	20	25	30				
Outcome 1 : Expansion and improved performance of Rural Producers' Organizations (FPOs)	Percentage of Rural Producers' Organizations reporting new or improved services provided by their organizations - CI 2.2.4				MIS, Baseline survey, mid-term survey and end-line survey	Monthly and at baseline, midterm and completion	PMU/External agency	Community support to collectivization efforts to reduce costs and increase production
	Percentage	TBD	30	70				
	Percentage of Rural Producers' Organizations reporting an increase in sales CI 2.2.5							
	Percentage	TBD	30	70				
Output 1.1: Scaling up collectivization	No. of FPOs supported - CI 2.1.3				MIS	Monthly	PMU	
	Number		50	101				
	No. of rural producers that are members of a rural producers' organization							
	Number		15,000	30,300				
Outcome 2: Enhanced productivity and production (niche and horticultural crops)	Percentage of persons/households reporting adoption of environmentally sustainable and climate-resilient technologies and practices - CI 3.2.2				MIS, Baseline survey, mid-term survey and end-line survey	Monthly and at baseline, midterm and completion	PMU/External agency	Households respond to opportunities in productivity and production expansion of niche and agricultural crop
	Percentage		30	70				
	Area expansion under niche crops							
	Hectare		1,403	2,805				
	Area expansion under horticultural crops							
Hectare		773	1,545					
Output 2.1: GAP training	No. of farmers trained in GAP (niche and horticultural crops)							
	Number		16,200	32,400				
Output 2.2: Access to inputs/technology packages	No. of rural producers accessing production inputs and/or technological packages - CI 1.1.3				MIS	Monthly	PMU	
	Number		15,150	30,300				
	No. of ha of land brought under climate resilient management - CI 3.1.4							
	Number		773	1,545				
Output 2.3: Water management systems established	No. of water management systems established							
	Number		675	1350				

Results Hierarchy	Indicators	Base-line	Mid-Term	End Target	Means of Verification			Assumptions
	Name				Source	Freq-ueency	Respon-sibility	
Output 2.4: Nurseries established	No. of Nurseries established							
	Number		160	320				
Outcome 3: Improved price realization of Agri and allied farmers	Percentage of farmers reporting increase in farm gate prices				MIS, Baseline survey, mid-term survey and end-line survey	Monthly and at baseline, midterm and completion	PMU/External agency	
	Percentage		30	70				
	Percentage of supported rural enterprises reporting an increase in profit - CI 2.2.2							
	Percentage		30	70				
	Percentage of supported enterprises benefiting from improved market linkages							
	Percentage		30	70				
	Percentage of start-ups supported with youth ownership							
Percentage		30	60					
Output 3.1: Enterprise promotion	Number of rural enterprises accessing business development services- CI 2.1.2				MIS	Monthly	PMU	Stable market conditions for domestic and export trade
	Number		602	1,204				
	Number of enterprises supported							
Number		602	1,204					
Output 3.2: Market promotion	Number of MSP conducted				MIS	Monthly	PMU	
	Number		6	12				
	Number of Buyer-Seller meets conducted							
Number		14	28					
Output 3.3: Incubation and start-up	Number of start-ups supported with seed funds				MIS, Baseline survey, mid-term survey and end-line survey	Monthly and at baseline, midterm and completion	PMU/External agency	Vulnerable households have the ability to diversify their livelihood options
	Number		175	350				
	Number of start-ups accessing scale up funds							
Number		60	120					
Outcome 4: Improved resilience of vulnerable groups	Percentage of pastoralists reporting improvements in wool prices				MIS, Baseline survey, mid-term survey and end-line survey	Monthly and at baseline, midterm and completion	PMU/External agency	Vulnerable households have the ability to diversify their livelihood options
	Percentage		25	50				
	Percentage of vulnerable households reporting diversification of livelihood options							
	Percentage		15	30				
	Percentage of youth clubs participating in community action related environment							

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Base-line	Mid-Term	End Target	Source	Freq-uecy	Respon-sibility	
Output: 4.1: Pastoralists support	Percentage		30	60	MIS	Monthly	PMU	
	Percentage of pastoralists reporting improvements in wool price							
Output 4.2: Support to other vulnerable groups	Percentage		25	50				
	No. of persons from vulnerable community members supported for enterprise development							
	Number		625	1,250				
	Number of youth clubs supported							
	Number		1,300	2700				
Outcome 5: Project Management systems strengthened	Percentage of households satisfied with project supported services - SF 2.1				MIS, Baseline survey, mid-term survey and end-line survey	Monthly and at baseline, midterm and completion	PMU/External agency	Adequate capacity within the implementing agencies to implement the project
	Percentage		35	70				
	Percentage of households reporting that they can influence decision making of the local authorities and project-supported service providers - SF 2.2							
	Percentage		35	70				
Output 5.1: Policy engagement	Policy studies conducted				MIS	Monthly	PMU	
	Studies - Number		2	4				
	Policy workshops conducted							
	Workshops - Number		2	4				
Output 5.2: Staff training of staff of Agri and allied Directorates	100 % recruitment of agreed human resources							
	Positions in place - Percentage		100	100				

Integrated project risk matrix

Country Context	Substantial	Low
Political Commitment	Moderate	Low
Risk: The risk is moderate. A political and governance risk on account of impending National elections in April 2024 and local elections (not yet determined) remains.	Moderate	Low
Mitigations: In order to mitigate this risk, the project design has been completed during 2023 and negotiations will be completed prior to elections.		
Governance	Moderate	Low
Risk: The risk is moderate. The project area is administered by the Government of India under its Ministry of Home Affairs through an Administrator appointed by the President of India. In J&K the Administrator is called the Lieutenant Governor. The Agricultural Production Department has been designated as Lead Project Agency, with robust administrative and governance practices ensuring full alignment of administrative procedures and oversight to the practices and standards of the Government of India.	Moderate	Low
Mitigations: IFAD procurement, safeguards and fiduciary compliances will be applied, and regular supervision will be conducted to ensure full compliance.		
Macroeconomic	Moderate	Low
Risk: India's economy may slow down, coming off a strong recovery in FY21/22 (April 2021–March 2022) on account of the spillovers from the Russia-Ukraine war, In addition, the global monetary policy tightening cycle is expected to weigh on India's economic outlook. The debt servicing track record of Gol remains excellent.	Moderate	Low
Mitigations: No project interventions required.		
Fragility and Security	High	Moderate
Risk: J&K's security situation has been improving continuously since 2019. The Security Risk Assessment determined by UNDSS establishes that there is no significant direct threat to the proposed project in J&K that could adversely affect the project.	High	Moderate
Mitigations: IFAD management will ensure that the recommended security measures are put in place to make the proposed project compliant with SRM for Jammu, Kashmir & Ladakh and the specific Risk Assessment prepared for the project. Additionally, the focus of the project on community empowerment and participatory processes is also expected to have a positive impact at the community level.		
Sector Strategies and Policies	Moderate	Low
Policy alignment	Low	Low

<p>Risk: In Dec 2022, GoJ&K launched a “Holistic Agriculture Development Programme in J&K” (HADP). JKCIP’s goal, objectives and interventions are in sync with the J&K’s strategies including this recently launched initiative.</p>	Low	Low
<p>Mitigations: The detailed design of JKCIP is done as a complimentary project to the Government’s Initiative.</p>		
<p>Policy Development and Implementation</p>	Moderate	Low
<p>Risk: The project is fully aligned with the sectoral policies and proposes to leverage government programmes through convergence. The risk in implementation is the capacity of the Lead Implementing Agency to ensure timely start-up and converge with other line departments in the field.</p>	Moderate	Low
<p>Mitigations: The project has built-in a structured mechanism for co-ordination and convergence of project activities. DAP&FW will be the Lead Implementation Agency. The project implementation will be harmonised with the working of the Directorates and Universities under the DAP&FW. Additionally, IFAD will provide necessary capacity-building support since this is the first IFAD project in J&K. Some of the Project partners (eg. SKUAST) have experience of working on a World Bank project.</p>		
<p>Environment and Climate Context</p>	Moderate	Moderate
<p>Project vulnerability to environmental conditions</p>	Moderate	Moderate
<p>Risk: The project is expected to have a moderate impact on the environment, as it is expected to engage in nursery management and seedling rearing or purchase. More than a risk, changing farmers’ perception and behaviour on use of chemical inputs and shift to Good Agriculture Practices (GAP), is a challenge.</p>	Moderate	Moderate
<p>Mitigations: The project has well incorporated environmental and climate adaptation interventions. Good Agricultural Practices (GAP) and Climate resilient Agriculture/Horticulture will be promoted. FPO will be capacitated and supported on GAP and Climate Smart Practices. Nursery and seedling management will follow environmentally sustainable practices. JKCIP will not be involved in any procurement of natural resources that are not environmentally sustainable. The project will adopt zero deforestation and forest encroachment strategy. All the interventions will be conducted outside the forest area. The geographic targeting strategy has excluded blocks with conservation and protected areas to avoid any potential impacts on biodiversity.</p>		
<p>Project vulnerability to climate change impacts</p>	Moderate	Moderate
<p>Risk: The project area is likely to experience river flood, landslides, and hailstorm. Heat waves are expected to become more common, putting a burden on the society and the environment. Rising temperatures and changing precipitation patterns could have an effect on available water resources. Precipitation is expected to rise slightly to moderately in the future, with much of the increase attributed to heavy downpours. The adverse impact of these climate and environmental conditions on agriculture production, biodiversity, and ecosystem sustainability. Project outcomes may be adversely impacted by climate change, and without the provision of effective adaptation measures, beneficiaries may face financial challenges, while the ecosystem and biodiversity may face degradation. Smallholder farmers and target groups display a moderate awareness of climate risks and related adaptive and mitigation measures.</p>	Moderate	Moderate
<p>Mitigations: The project components are designed to encourage livelihood diversification, enterprise development in response to market signals, and climate adaptation considerations in order to face the problems in the context of climate change. Building the capacity of vulnerable target groups to diversify activities through investments in new varieties, small-scale livestock, and off-farm enterprise growth is a subcomponent of the project. The vulnerable groups (women, the poor, and young people) will become more resilient to hazards associated with climate change as a result of capacity development and training components included in various programs.</p>		

Support has been ensured on water management to tackle precipitation fluctuation and water stress. Suitable variety of crops, together with appropriate management practices, will be promoted to adapt with heat stress. The project will facilitate protected agriculture to tackle hailstorms. Project efforts to build the adaptive capacities of its beneficiaries must emphasize the need for disaster risk planning, climate resilient cropping, and reduced post-harvest losses, among other interventions that build the beneficiary's capacity to cope with, or recover from, the effects of climatic shock events.		
Project Scope	Moderate	Low
Project Relevance	Low	Low
Risk: The project holds little risk as it is well aligned with the development reality of the local area and target communities. The project is complementary to GoJ&K's innovative and transformative HADP launched in Dec 2022, with a budget outlay of INR 50,130 million (USD 650 million) that aims to transform Agriculture in J&K from subsistence to sustainable and commercial agriculture.	Low	Low
Mitigations: No additional interventions are required.		
Technical Soundness	Moderate	Low
Risk: The project aims to address the gaps in the existing programs of the J&K by supporting the identification and promotion of climate-resilient high-value niche crops to harness agroclimatic advantages as an alternative to regular field crops. With a focus on niche agriculture and horticulture crops and support to vulnerable communities, the project will be able to keep a strong focus on the poor and remote farming communities. The project will also help create an ecosystem of start-ups and innovations that include business incubation, agribusinesses promotion, potential export facilitation etc. These will result in increased production, productivity and value realization and consequently, an increase in household income.	Moderate	Low
Mitigations: During project design, value chain profiles and agro-climatic suitability assessments have been carried out and based on this value chains have been selected.		
Institutional Capacity for Implementation and Sustainability	Moderate	Low
Implementation Arrangements	Moderate	Low
Risk: This is the first time DAP&FW is implementing an Externally Aided Project in recent times although the Dept has implemented the Jammu & Kashmir Horticulture Project (1978-86). The human resource capacity of project implementing partners has been assessed. DAP&FW is in the process of engaging additional staff and set up a PMU to implement HADP. The capacity for staff related to procurement and M&E needs further strengthening.	Moderate	Low
Mitigations: Mitigation: The project has incorporated substantial capacity-building efforts into the project. These efforts will be front-loaded to ensure adequately trained human resources. The project will also allocate funds for the engagement of technical expertise to guide project implementation with a specific emphasis on commercial orientation. The project implementation will be mainstreamed into the working of Directorates and Universities. JKCIP has made allocations for engaging staff required for mainstreaming priorities, finance, procurement and M&E. Additionally the cabinet constituted the J&K ERA (J&K Economic Reconstruction Agency) a society registered under the JK Societies Act in 2004 to implement externally aided projects. JKERA is currently implementing two World Bank funded projects which are expected to end in Dec 2024 and some of the staff for procurement and financial management are likely to become available. The GoJ&K is likely to onboard them for JKCIP to ensure quick transition.		
Monitoring and Evaluation Arrangements	Moderate	Low
Risk: The current arrangements within the DAP&FW are not fully adequate to meet IFAD's requirements. The government has a data collection and reporting system but not a structured M&E system. There is also a shortage of staff overall for such normative functions as M&E.	Moderate	Low
Mitigations:		

The project design has made provisions for M&E and MIS staff. BMGF has put in place a team of 6 technical experts to support the DAP&FW. Allocations are also made for baseline, midline and end-line surveys.		
Project Financial Management	Substantial	Substantial
Project Organization and Staffing	Substantial	Substantial
Risk: Although India has a well-developed accounting profession, IFAD-funded projects can't attract good quality FM staff due to low salaries and not attractive career perspectives	Substantial	Substantial
Mitigations: Complete competitive selection of adequately qualified and experienced FM staff for PMU		
Project Budgeting	Moderate	Moderate
Risk: Budgeting will follow government regulations. Collecting budgets for all implementing partners will be challenging task.	Moderate	Moderate
Mitigations: - PIM/FMM will have clear roles and responsibilities for budgeting and timelines. - Create a budget team from PMU staff responsible for the timely collection of budget inputs.		
Project Funds Flow/Disbursement Arrangements	Substantial	Substantial
Risk: The state government will pre-finance project expenditures, and IFAD reimburses quarterly. Timely allocation of funds to all implementing partners will be key.	Substantial	Substantial
Mitigations: Local commercial bank online banking module will be implemented to timely allocation of funds and payments		
Project Internal Controls	Substantial	Substantial
Risk: There are potential internal control weaknesses at implementing partners' level. Implementing partners will be responsible for collecting supporting documents and filing them. Low staff capacity at implementing partners level may result in not timely and inadequate filing of supporting documents.	Substantial	Substantial
Mitigations: - introduction of the online banking system for all implementing partners - the development of PIM and FMM with clear roles for supporting documents filing and accounting record keeping for all implementing partners - Private sector internal auditors will prepare semi-annual internal audit reports to the Steering Committee. -The project will provide Grants and Subsidies, which are prone to higher risks, to agribusinesses in line with pre-agreed eligibility criteria with IFAD eligibility criteria and funds flow arrangements.		
Project Accounting and Financial Reporting	Substantial	Substantial
Risk: Accounting records must be maintained for all implementing partners in one accounting software.	Substantial	Substantial
Mitigations: Implementation of Tally accounting software for accounting record keeping, financial reporting and accounts reconciliations.		
Project External Audit	Moderate	Moderate
Risk: J&K-level CAG will audit project financial statements. The audit may be delayed due to a shortage of staffing resources and other priorities of CAG.	Moderate	Moderate
Mitigations: PMU will actively follow-up with J&K level CAG to complete the audit on time.		
Project Procurement	Substantial	Substantial
Legal and Regulatory Framework	Substantial	Substantial

<p>Risk: There is no central or state legislation on public procurement. The Ministry of Finance at the central level and Finance Departments at the State level have issued executive orders relating to procurement. The regulatory functions of public procurement are fragmented.</p>	Substantial	Substantial
<p>Mitigations: Through the Financing Agreement, the adoption of IFAD Procurement Guidelines, Procurement Handbook and IFAD SBD and templates will be made applicable for project procurement.</p>		
<p>Accountability and Transparency</p>	Substantial	Substantial
<p>Risk: Insufficient attention to the best practices and publication of data related to public procurement.</p>	Substantial	Substantial
<p>Mitigations: GoJ&K has an e-tendering system which will be used for receiving bids/proposals in a transparent manner. 100% procurement performance audit for community procurement will be carried out. Supreme Audit Institution (SAI) Comptroller and Auditor General (CAG) will carry out procurement performance audit. Necessary details of awards of the contract will be uploaded to the project website. Grievance redressal mechanisms and designation of independent investigative authority exist. Measures preventing prohibitive practices and an appeal mechanism will be set up at the project level.</p>		
<p>Capability in Public Procurement</p>	Substantial	Substantial
<p>Risk: Insufficient capacity of the Government Directorates and Departments for the full gamut of the procurement cycle, particularly in a project mode. Availability and willingness of professionals to be deployed in remote locations from other parts of the country may be a challenge. The nodal department does not have experience in implementing an externally aided project, hence not conversant with the procedures and processes and compliance requirements.</p>	Substantial	Substantial
<p>Mitigations: Project procurement units at PMU and Directorate levels to be set up by engaging skilled procurement professionals. After the need assessment, procurement training will be arranged through National Institutes or other public procurement training service providers for government staff responsible for project procurement. Technical Assistance support is also included in the cost estimates. Additionally please refer to section on Implementation arrangements and proposed mitigation above)</p>		
<p>Public Procurement Processes</p>	Substantial	Substantial
<p>Risk: The executive orders or General Financial Rules do not address all aspects of public procurement and the State Government does not fully follow the National Task Force and Ministry of Finance guidelines and processes.</p>	Substantial	Substantial
<p>Mitigations: Project Procurement under JKCIP shall follow IFAD Procurement Guidelines, Procurement Handbook, SBD and document templates. IT systems will be used to link the AWPB with the procurement plan and contract administration. For low-value procurement, GeM portal will be recommended for use. A detailed procurement manual will be developed for the project in line with the Financing Agreement and Procurement Arrangements Letter. The procurement thresholds will be set up in line with the detailed risk assessment and mitigation measures proposed during design.</p>		
<p>Environment, Social and Climate Impact</p>	Low	Low
<p>Biodiversity Conservation</p>	Moderate	Moderate
<p>Risk: The project's adverse impacts on biodiversity are expected to be minimal. The risk rating is moderate as JKCIP will engage in nursery management and seedling handling or purchase.</p>	Moderate	Moderate
<p>Mitigations: The project will promote Good Agricultural Practices. Inter or multi cropping will be promoted to increase agro biodiversity. The use of chemical inputs will be regulated and the project will promote bio input use. As mentioned above, JKCIP will have 'zero' deforestation and forest encroachment approaches. Blocks are selected to avoid conservation or protection areas.</p>		
<p>Resource Efficiency and Pollution Prevention</p>	Moderate	Moderate

<p>Risk: The risk is rated as moderate, as JKCIP will involve inputs of fertiliser. However, the project will not engage or lead to release pollutants to the environment.</p>	Moderate	Moderate
<p>Mitigations: The project will promote the use of bio inputs and regulate chemical inputs. GAP will be promoted and organic farming will be among the focus areas. Integrated pest management will be promoted, it will be included in FPO capacity building events. FPO and entrepreneurs will be trained in waste management systems. Training, awareness programs will be organised to create awareness and sensitization on pollution prevention. Local wastewater treatment and reuse will be promoted.</p>		
Cultural Heritage	Low	Low
<p>Risk: The project has no adverse impacts on the cultural heritage. The blocks have been identified during design, taking into account the cultural heritage sites and also other environmentally sensitive areas and biodiversity hotspots.</p>	Low	Low
<p>Mitigations: No project interventions will impact any existing physical heritage sites. The project will apply a national chance find procedure if any heritage found during project implementation.</p>		
Indigenous People	Moderate	Moderate
<p>Risk: The project will support the nomadic tribes to improve their quality of life and incomes. Hence the impact of the project on the IPs is expected to be positive.</p>	Moderate	Moderate
<p>Mitigations: The project will strictly follow IFAD's guidelines on targeting. Geographical targeting, self and direct targeting will be applied in the project intervention areas. FPIC implementation plan has been prepared and will be applied. Inclusive and meaningful participation of tribal communities, where applied, will be ensured to increase their participation and ownership on the project activities.</p>		
Labour and Working Conditions	Low	Low
<p>Risk: The project will have minimal impact on labour and working conditions. As confirmed during the field visit and stakeholder consultation, the project will not engage or lead to increase in child or forced labour, and sexual and gender based violence.</p>	Low	Low
<p>Mitigations: Awareness raising at the community level and among project stakeholders to ensure project activities allow decent working conditions and refrain from GBV practices. Contractor contracts and stakeholders will abide by contract/partnership clauses to ensure adequate working conditions. Furthermore, the GRM system will be established/strengthened so that affected people have access to address and resolve their complaints. Sensitisation will also be done in collaboration with relevant authorities to prevent GBV and child labour. Local facilitators engagement will be increased to work with local leaders and male households' members and promote campaigns for sensitization on gender equality and against gender biases. Gender sensitive and participatory consultations will be ensured while finalising and implementing project activities.</p>		
Community health, safety and security	Low	Low
<p>Risk: The risk is rated low. JKCIP will not have construction activities. Project will not engage in gender based violence, neither increase it.</p>	Low	Low
<p>Mitigations: The Safeguards specialist, together with PMU team, will assess the ground situation and implement solution measures if any new issues emerged during the activities implementation.</p>		
Physical and Economic Resettlement	Low	Low
<p>Risk: The project interventions will not have any direct or indirect impact or cause any physical or economic resettlement of the project targeted population or stakeholders.</p>	Low	Low
<p>Mitigations: The project will ensure proactive targeting to benefit vulnerable and marginal communities so that there will be no issues on economic benefit sharing.</p>		

Greenhouse Gas Emissions	Low	Low
Risk: Not applicable	Low	Low
Mitigations: Not applicable		
Vulnerability of target populations and ecosystems to climate variability and hazards	Moderate	Moderate
Risk: The project area is likely to experience river flood, landslides, and hailstorm. Heat waves are expected to become more common, putting a burden on the society and the environment. Rising temperatures and changing precipitation patterns could have an effect on available water resources. Precipitation is expected to rise slightly to moderately in the future, with much of the increase attributed to heavy downpours.	Moderate	Moderate
Mitigations: The following measures are proposed in ESCMP; Flood and Landslide: i) Adequate, disaster complaint housing for livestock, storage of fodder, veterinary care support, CSA training; ii) Weather forecasts and use Hailstorm: Encourage government department to support nets, promote protective farming Drought: i) Crop diversification, drought tolerant crop; ii) Alternate crops, recycle water; iii) Household water harvesting, iv) Micro irrigation, v) Weather forecasts, and vi) Multi and inter cropping		
Stakeholders	Moderate	Moderate
Stakeholder Engagement/Coordination	Moderate	Moderate
Risk: GoJ&K has established channels to voice grievances by the stakeholders. The efficacy of this system needs further strengthening.	Moderate	Moderate
Mitigations: JKCIP will follow the government's well established and operational grievances redress mechanism, details in the FPIC implementation plan. The community platforms through Gram Sabhas and other village-level institutions will offer a platform for beneficiaries to voice their grievances. The project-promoted FPOs will become platforms for grievance redressal.		
Stakeholder Grievances	Moderate	Low
Risk: GoJ&K has established channels to voice grievances by the stakeholders. The efficacy of this system needs further strengthening.	Moderate	Low
Mitigations: JKCIP will follow the government's well established and operational grievances redress mechanism, details in the FPIC implementation plan. The community platforms through Gram Sabhas and other village-level institutions will offer a platform for beneficiaries to voice their grievances. The project-promoted FPOs will become platforms for grievance redressal.		