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President's report

Proposed loan and grant

Republic of India

Chhattisgarh Inclusive Rural and Accelerated Agriculture Growth Project

Project ID: 2000003444

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Abbreviations and acronyms

AWP/B	annual workplan and budget
CHIRAAG	Chhattisgarh Inclusive Rural and Accelerated Agriculture Growth Project
DoAB	Department of Agriculture Development and Farmers Welfare and Biotechnology
M&E	monitoring and evaluation
SPMU	state project management unit

Map of the project area



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
Map compiled by IFAD | 08-01-2021

Financing summary

Initiating institution:	World Bank Group: International Bank for Reconstruction and Development (IBRD)
Borrower:	Republic of India
Executing agency:	Department of Agriculture Development and Farmers Welfare and Biotechnology (DoAB) of the State Government of Chhattisgarh
Total project cost:	US\$238.69 million
Amount of IFAD loan:	US\$67.00 million
Terms of IFAD loan:	Ordinary
Amount of IFAD grant:	N/A
Cofinancier:	IBRD
Amount of cofinancing:	US\$100.00 million
Terms of cofinancing:	IBRD loan
Contribution of borrower/recipient:	US\$71.69 million
Contribution of beneficiaries:	N/A
Financing gap:	N/A
Amount of IFAD climate finance:	US\$45.93 million (68 per cent of total IFAD financing)
Cooperating institution:	World Bank

Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 61.

I. Context

A. National context and rationale for IFAD involvement

National context

1. **Political and economic context.** The Republic of India is the world's largest democracy, second most populous country (1.35 billion persons) and third largest economy in purchasing power parity terms. Agriculture continues to be the primary source of livelihood for nearly 50 per cent of the Indian population. In the past three years, growth has moderated from an average of 7.4 per cent during the fiscal 2015/16 to 2018/19 period to an estimated 4.2 per cent in fiscal 2019/20. Given the consequences of the outbreak of COVID-19, the economy is expected to contract in 2020/21.
2. Formed in 2000, Chhattisgarh is one of the richest Indian states in terms of natural and mineral resources with 41 per cent of its area under forest cover. Left-wing extremism affects 14 of the 27 districts in the state and eight of them are among the 30 most affected districts in the country.
3. **Poverty, food security and nutrition, smallholder agricultural and rural development context.** India has made significant progress in reducing absolute poverty since 2000. Between fiscal 2011/12 and 2015/16, poverty declined from 21.6 per cent to an estimated 13.4 per cent nationally. Chhattisgarh has one of the lowest per capita incomes in the country. It has a population of 26 million people, of whom approximately 40 per cent are poor. Poverty and malnutrition are concentrated in northern and southern tribal-majority regions. Roughly 61 per cent of the population in these districts is tribal. Seven of the 14 districts targeted by the project are among the most undeveloped districts in the country. In nine of the 14 districts, the number of undernourished and anaemic women is higher than the state average.
4. **Relevant national strategies, policies and/or programmes on smallholder agriculture, rural poverty reduction and enhanced food security and nutrition.** The state's vision to address poverty, underdevelopment and left-wing extremism charts an alternative model of development reflected in three flagship schemes (i) *Narwa, Garuwa, Ghuruwa, Badi* (NGGB) – rural transformation leveraging traditional knowledge on water conservation, livestock management, organic inputs and home gardens; (ii) *Godhan Nyay Yojana* – enhancing livestock farmers' income, promoting the use of organic manure and improving soil fertility and the availability of safe and nutritive food; and (iii) *Mukhyamantri Suposhan Abhiyaan* - providing fresh, nutritious food to malnourished children and anaemic women through self-help groups.
5. **Key actors and institutional arrangements.** See paragraph 48 below.
6. In line with Eleventh Replenishment of IFAD's Resources mainstreaming commitments, the project has been validated as:
 - Including climate finance
7. The Chhattisgarh Inclusive Rural and Accelerated Agriculture Growth Project (CHIRAAG) will directly contribute to one of IFAD's mainstreaming commitments: climate focus. Rainfed agriculture in eastern India is particularly vulnerable to the impact of climate change. The project will address this through diversification of

farm enterprises and promotion of climate-resilient production systems consistent with the Chhattisgarh State Action Plan for Climate Change. The project will ensure that women are direct recipients of agricultural support, and includes specific subsectors that are of interest to youth.

Rationale for IFAD involvement

8. CHIRAAG presents an opportunity for IFAD to bring its tribal development experience to bear on the implementation of the project. IFAD has successfully financed integrated tribal development projects in the eastern and north-eastern regions of India that were subsequently scaled up by the Government. Examples are provided by the Odisha Tribal Empowerment and Livelihoods Programme (OTELP) implemented by the Government of Odisha and the North Eastern Region Community Resource Management Project for Upland Areas III by the Government of India. The World Bank drew on these lessons in the design of CHIRAAG, as evidenced by its participatory and decentralized implementation approach, focus on nutrition-sensitive agriculture and promotion of integrated farming. In terms of IFAD additionality, the Government of Chhattisgarh requested inclusion of a technical assistance unit on food systems and nutrition. Finally, this project will enable IFAD to report international cofinancing with the World Bank in India after over four decades.

B. Lessons learned

9. Key lessons that guided the project design include:
 10. Participatory processes, community-based organizations and mobilization led by non-profit organizations are key to tribal empowerment and the sustainability of project interventions – as in OTELP, supported by the United Kingdom’s Department for International Development and IFAD.
 11. Diversification of the productive base of the rural poor, taking into account the heterogeneous nature and specific needs of different groups, along with sharper targeting, can contribute to better results – as demonstrated by the IFAD-assisted Jharkhand-Chhattisgarh Tribal Development Project.
 12. Nutrition-sensitive agriculture programmes combined with nutrition education have the potential to improve nutrition outcomes. Accordingly, social and behaviour change communication activities have been included in the project.
 13. Livelihood programmes, while featuring strong social inclusion, have often had little impact on agricultural competitiveness because of low amounts of investment per household and a failure to address constraints on rural competitiveness such as poor infrastructure. Learning from this, CHIRAAG supports the development of integrated farming and value chains.
 14. Social inclusion, community participation and transparency are key strategies, especially in areas with left-wing extremism – as demonstrated by lessons from a range of rural livelihood initiatives in Chhattisgarh and Odisha.
 15. In cofinanced projects, continuous communication and coordination are key to a cohesive approach among donors. With the World Bank as the cooperating institution, IFAD will lend its expertise during supervision and implementation support.

II. Project description

A. Objectives, geographical area of intervention and target groups

16. The project development objective is to improve income opportunities and the availability of nutritious foods in the targeted households of the tribal-dominated areas of Chhattisgarh.

17. **Geographical coverage.** The project will be implemented across 25 blocks in 14 districts: Bastar, Narayanpur, Kanker, Bijapur, Sukma, Kondagaon and Dantewada in the southern region; Mungeli and Baloda Bazar in the central region; and Surguja, Koriya, Surajpur, Balrampur and Jashpur in the northern region.
18. **Target groups and targeting strategy.** The project will target 400,000 households from about 1,500 villages. In each of the 14 districts, one or two blocks will be targeted. Within the selected 25 blocks, villages will be selected based on proximity to the *gauthans*¹ identified.² Within the selected villages, all households will benefit from the project.
19. The primary target group will include households from Scheduled Tribes (ST), Particularly Vulnerable Tribal Groups (PVTG) and Scheduled Castes (SC) comprising smallholder farmers relying on subsistence rainfed agriculture or forest products for their livelihoods. Within these groups, special attention will be paid to women and youth. In addition, CHIRAAG will have specific activities targeted at poor landless households. The project aims to support youth through the development of integrated farming and value chains.

B. Components, outcomes and activities

20. CHIRAAG is organized into five interlinked components and a sixth zero budget emergency response component:
21. **Component 1: Community empowerment and institutional strengthening.** This component will build household and community capacity to: (i) plan, implement and monitor development investments; (ii) support and strengthen community institutions towards effective management of natural resources, and community and private assets; and (iii) create diet diversity and promote positive nutrition practices at the household level.
22. **Component 2: Diversified, resilient and nutrition-supportive food and agriculture systems.** This component aims to sustainably develop natural resources (soil and water conservation) as a foundation for strengthening and developing integrated farming systems that are more diversified, nutritious, productive and resilient to climate change.
23. **Component 3: Value addition and market access.** This component aims to increase household income through value addition, processing, equitable market access and reduced post-harvest losses. A focus on crops of high nutritional value will also improve health indicators through home consumption and increase incomes through access to profitable wellness markets for surplus produce. A technical unit on value chain development and food systems and nutrition will be set up within the project management unit to support the project with normative and technical material and knowledge.
24. **Component 4: COVID-19 economic recovery response.** This component will finance investments that restore livelihoods and support employment generation, support off-farm and non-farm entrepreneurial activities, facilitate community-based natural resource management and increase awareness of COVID-19 safety precautions and hygiene practices.
25. **Component 5: Project management, monitoring and evaluation (M&E) and knowledge management.** This component will support project coordination, implementation, financial management, procurement, knowledge management and environmental and social safeguards management at the state, district and community levels. On policy issues, the project will support the implementation of the three key policies of the Government of Chhattisgarh (see para. 4), and also

¹ *Gauthans* are part of the Government of Chhattisgarh's NGGB policy and are meant to be cattle daycare centres. Under CHIRAAG, these *gauthans* will be developed into community service centres.

² The State Government has so far identified 500 *gauthans*. The remaining *gauthans* and the targeted 1,500 villages are yet to be identified.

help develop a state policy on promoting and financing farmer producer organizations (FPOs).

26. **Component 6: Contingency emergency response.** This zero budget component can be invoked in the event of a critical emergency. It provides flexibility to cover a broad range of activities to support the social and economic well-being of targeted households in line with the project objective following an emergency or disaster situation. Activities will be proposed by the State Government and agreed with the World Bank and IFAD.

C. Theory of change

27. **Contextual challenges.** Households in the target districts are largely dependent on a single season of one rainfed crop. Erratic rainfall patterns and the absence of irrigation infrastructure severely curtail the possibility of increasing agricultural productivity and production. As a result, many families produce only about 60 per cent of their food needs.
28. **Pathways.** Five main pathways are proposed: (i) greater mobilization of surface water for small-scale irrigation purposes; (ii) intensified, diversified and integrated climate resilient farming systems; (iii) improved capacity and knowledge of smallholder farmers on integrated farming systems and on nutrition education; (iv) diversified farm production including annual and perennial crops and trees, livestock, poultry and aquaculture, combined with nutrition education, to improve household nutrition security; and (v) a strengthened enabling environment of policies, appropriate infrastructure, multi-stakeholder partnerships and convergence with government programmes. Women's participation will be secured through the existing platform of self-help groups.
29. **Outcomes.** The intensification and diversification of farm production will lead to higher productivity per household. Coupled with better access to markets and more remunerative prices, this will lead to an increase in incomes. The diversity of farm produce combined with nutrition education is also expected to improve nutrition security at the household level. A large area will be transitioned to integrated farming systems over time and landscape level improvements in ecological services could include improved drought management and biodiversity. All these anticipated changes will help build the resilience of the tribal and scheduled caste communities to climate shocks and sustain their livelihood systems over the long term.

D. Alignment, ownership, and partnerships

30. **Alignment.** CHIRAAG will directly contribute to five of the 17 Sustainable Development Goals (SDGs): SDG 1: no poverty; SDG 2: zero hunger; SDG 5: gender equality; SDG 10: reduced inequality; and SDG 13: climate action.
31. CHIRRAAG is well aligned with the goal of IFAD's country strategic opportunities programme for India: enabling smallholder food and agricultural production systems to become remunerative, sustainable and resilient. The project is also fully aligned with IFAD policies for indigenous peoples, gender equality and women's empowerment, and environment and natural resource management. The project will contribute to achieving the food and nutrition security objective of the United Nations Sustainable Development Cooperation Framework.
32. CHIRAAG is aligned with the state's vision of promoting inclusive, resource-efficient rural growth as referred to in paragraph 4.
33. **Partnerships.** The project will forge partnerships with relevant national and international organizations such as the Central Food Technological Research Institute and the State Agricultural University for knowledge inputs and capacity support. Partnerships will also be forged between producer collectives and local processors, export firms and major national agribusiness players. The project

offers the opportunity to develop a knowledge partnership between IFAD and the World Bank.

E. Costs, benefits and financing

34. The CHIRAAG project will be cofinanced by IFAD and the IBRD, with a substantial contribution from the State Government. The overall cost of the project, covering 25 blocks in 14 districts, is an estimated US\$238.69 million. Of this, US\$100.0 million will be funded by the IBRD, US\$67.0 million by IFAD and US\$71.69 million by the State Government. As per the multilateral development banks' methodologies for tracking climate adaptation and mitigation finance, the total amount of IFAD climate finance for this project is calculated as US\$45.93 million. Components 1, 2, 3 and 4 are partially counted as climate finance.

Table 1

Project costs by component, subcomponent and financier

(Millions of United States dollars)

Component/subcomponent	IBRD		IFAD		Government		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
1. Community empowerment and institutional strengthening								
A. Participatory village planning and community institution building	10.86	42.0	7.24	28.0	7.76	30.0	25.86	10.8
B. Household food availability and nutrition practices	2.00	42.0	1.33	28.0	1.43	30.0	4.77	2.0
Subtotal	12.86	42.0	8.57	28.0	9.19	30.0	30.62	12.8
2. Diversified, resilient and nutrition-supportive food and agricultural systems								
A. Community-based natural resource management	27.38	36.0	18.26	24.0	30.43	40.0	76.06	31.9
B. Integrated food and nutrition-supportive agriculture	25.22	42.0	16.82	28.0	18.02	30.0	60.06	25.2
Subtotal	52.61	38.6	35.07	25.8	48.44	35.6	136.12	57.0
3. Value addition and market access								
A. Value addition and accessing profitable markets	7.49	40.9	5.32	29.1	5.49	30.0	18.30	7.7
B. Value addition for nutrition	0.89	42.0	0.59	28.0	0.63	30.0	2.11	0.9
Subtotal	8.37	41.0	5.91	29.0	6.12	30.0	20.41	8.6
4. COVID-19 economic recovery response								
A. COVID-19 response	15.05	60.0	10.03	40.0	-0.00	-	25.08	10.5
5. Project management, M&E and knowledge management								
A. Project management, M&E and learning	10.66	42.0	7.11	28.0	7.61	30.0	25.38	10.6
B. Knowledge management and strengthening state capacity	0.45	42.0	0.30	28.0	0.32	30.0	1.08	0.5
Subtotal	11.11	42.0	7.41	28.0	7.94	30.0	26.46	11.1
6. Contingent emergency response								
	-	-	-	-	-	-	-	-
Total project costs	100.00	41.9	67.00	28.1	71.69	30.0	238.69	100.0

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

<i>Expenditure category</i>	<i>IBRD</i>		<i>IFAD</i>		<i>Government</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Investment costs								
A. Civil works	10.86	36.0	7.24	24.0	12.06	40.0	30.16	12.6
B. Equipment	12.85	36.7	8.57	24.4	13.65	38.9	35.07	14.7
C. Services	7.87	40.6	5.58	28.8	5.94	30.6	19.39	8.1
D. Agriculture inputs	5.38	42.0	3.59	28.0	3.85	30.0	12.82	5.4
E. Grant	18.05	41.5	12.03	27.7	13.43	30.9	43.51	18.2
F. COVID-19 response	15.05	60.0	10.03	40.0	-0.00	-	25.08	10.5
G. Training								
1. Local training	4.79	42.0	3.19	28.0	3.42	30.0	11.40	4.8
2. International training	-	-	-	-	-	-	-	-
Subtotal	4.79	42.0	3.19	28.0	3.42	30.0	11.40	4.8
H. Technical assistance								
1. Local technical assistance	1.52	42.0	1.01	28.0	1.08	30.0	3.62	1.5
2. International technical assistance	-	-	-	-	-	-	-	-
Subtotal	1.52	42.0	1.01	28.0	1.08	30.0	3.62	1.5
I. Operation and maintenance								
1. Operating expenses	23.63	41.0	15.75	27.3	18.25	31.7	57.64	24.1
Total project costs	100.00	41.9	67.00	28.1	71.69	30.0	238.69	100.0

Table 3

Project costs by component and subcomponent and project year (PY)

(Millions of United States dollars)

	PY1 2021	PY2 2022	PY3 2023	PY4 2024	PY5 2025	PY6 2026	Total
1. Community empowerment and institutional strengthening							
A. Participatory village planning and community institution building	3.78	4.11	4.69	4.51	4.44	4.32	25.86
B. Household food availability and nutrition practices	0.37	0.70	1.05	1.24	0.89	0.52	4.77
Subtotal	4.15	4.81	5.74	5.75	5.33	4.84	30.62
2. Diversified, resilient and nutrition-supportive food and agricultural systems							
A. Community-based natural resource management	0.84	15.32	31.05	25.91	2.95	-	76.06
B. Integrated food and nutrition-supportive agriculture	2.11	13.59	19.96	16.11	7.15	1.13	60.06
Subtotal	2.95	28.90	51.01	42.02	10.10	1.13	136.12
3. Value addition and market access							
A. Value addition and accessing profitable markets	1.05	3.41	4.39	4.74	3.81	0.91	18.30
B. Value addition for nutrition	0.07	0.42	1.41	0.21	-	-	2.11
Subtotal	1.12	3.83	5.80	4.95	3.81	0.91	20.41
4. COVID-19 economic recovery response							
A. COVID-19 response	15.40	9.68	-	-	-	-	25.08
Subtotal	15.40	9.68	-	-	-	-	25.08
5. Project management, M&E and knowledge management							
A. Project management, M&E and learning	4.81	4.56	4.46	3.78	3.72	4.05	25.38
B. Knowledge management and strengthening state capacity	0.03	0.38	0.09	0.39	0.09	0.09	1.08
Subtotal	4.85	4.94	4.55	4.17	3.81	4.13	26.46
6. Contingency emergency response							
A. Contingent emergency response component	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
Total project costs	28.47	52.16	67.10	56.89	23.04	11.02	238.69

Financing and cofinancing strategy and plan

35. The project will be managed under a joint cofinancing arrangement with the World Bank as the cooperating institution, whereby all project activities will be jointly financed by the World Bank and IFAD, and the funds will be disbursed in agreed proportions (60:40). Given that the cofinancing is to be provided on a pari passu basis, the World Bank procedures for taxes will apply.
36. Funds will flow separately from World Bank and IFAD financing respectively through the Government of India into the state's consolidated fund for reimbursement of prefinanced expenditures.
37. **Retroactive financing.** As an exception to section 4.07(a)(ii) of the IFAD General Conditions for Agricultural Development Financing, Executive Board approval is being sought for retroactive financing of up to 5 per cent of the IFAD loan (US\$3.35 million) for eligible expenditures to finance start-up activities (including baseline and recruitment of technical agencies) incurred between 1 February 2021 and the entry into force of the IFAD loan, to minimize the lag with the World Bank approval. Retroactive financing needs to be prefinanced by the Government and reimbursed from the financing once the financing agreement has entered into force and the conditions precedent to withdrawal have been met.

38. **Audit submission.** As an exception to section 9.03(b) of the IFAD General Conditions for Agricultural Development Financing and to align with the World Bank's time frame for audit report submission, Executive Board approval is being sought to allow for the submission of annual audited financial statements nine months after each fiscal year-end.
39. **Financing of taxes.** To adopt an identical policy on taxes to the World Bank, boost the efficiency of funds flow and better support project implementation, IFAD financing will be used to finance taxes for an estimated amount of US\$6.64 million out of total taxes for the project (US\$23.7 million). The Government's financial contribution to the project is US\$71.69 million, which is about 11 times the amount of taxes financed by IFAD.

Disbursement

40. Disbursement will be based on quarterly interim unaudited financial reports submitted to the office of the Controller of Aid Accounts and Audit and the World Bank. Disbursements will be as follows: (i) the Government of Chhattisgarh will prefinance all project expenditures using the state budget; (ii) on a quarterly basis, the Department of Agriculture Development and Farmers Welfare and Biotechnology of the State Government of Chhattisgarh will prepare interim unaudited financial reports in local currency and upload them to the office of the Controller of Aid Accounts and Audit portal; (iii) the Office of the Controller will process and submit the reports to the World Bank for disbursement in United States dollars; (iv) the World Bank will trigger the payment in United States dollars into the Government of India consolidated fund maintained at the Reserve Bank of India in New York; and (v) on a back-to-back basis, the Government of India will transfer funds in local currency to the consolidated fund of Chhattisgarh maintained in the Reserve Bank of India at Nagpur.

Summary of benefits and economic analysis

41. **Economic and financial analysis.** The project's economic internal rate of return over a 20-year period for the base case, excluding benefits from greenhouse gas emission reduction, is 24.9 per cent with a net present value of US\$129.4 million at a discount rate of 12.0 per cent. The sensitivity analysis results show that the project remains economically viable even with adverse changes in project costs and benefits.

Exit strategy and sustainability

42. The exit strategy of the project is built on a strong sustainability plan that envisages: (i) human capital development; (ii) institutional sustainability, which involves strengthening the capacities of the various line departments as well as strong local institutions; (iii) financial sustainability by empowering the targeted community and building human capital; and (iv) social and environmental sustainability through sustainable and efficient utilization of natural resources and building community resilience against climate shocks. Establishing robust FPOs is also a key pillar of the project exit strategy.

III. Risks

A. Risks and mitigation measures

43. The overall project risk is assessed as substantial given the concern around institutional capacities and processes. Detailed plans for mitigation have been drawn up by the World Bank and reduce the residual risk to moderate.

Table 4
Risks and mitigation measures

<i>Risks</i>	<i>Residual risk</i>	<i>Mitigation measures</i>
Country context	Moderate	Residual macroeconomic risks, in particular the risk of insufficient counterpart funding by the state, are low and unlikely to compromise the achievement of the project's development outcomes.
Sector strategies and policies	Moderate	The main project risk from ongoing policy initiatives relates to potential changes to data privacy and protection. Activities directly or indirectly supported by this project collect personal data such as name, age, ID number, gender and cell phone number, which could be used to identify an individual. A Personal Data Protection Bill is currently under preparation. Should it be approved, the World Bank and DoAB will conduct a technical analysis of its potential impact on project design and discuss any modifications that may be needed.
Institutional capacity	Substantial	DoAB lacks prior experience in the implementation of a multilateral institution-funded project. To mitigate this, capacity will be built at the state, district and block levels, and these teams will work with a range of experienced partners on the delivery of time-bound outputs.
Fiduciary financial management	Moderate for financial management	As this is the state's first World Bank-financed project in nearly a decade, many government departments and agencies are not familiar with World Bank financial management and procurement guidelines. Detailed financial and procurement assessments, design of sustainable fiduciary arrangements and training and support during the early stages of project implementation will mitigate the risk.
Procurement	Substantial for procurement	
Environment and climate	Moderate for environment and social aspects Substantial for climate	Project activities are expected to have minimal or no adverse or irreversible environmental impact. (see paras. 44 and 46 below for mitigation plans).
Social	Moderate	Planned project interventions are not likely to have any negative impact (see para. 45 for mitigation plan).
Other specific risks	Substantial	The project will leverage the longstanding presence, outreach and local credibility of NGOs among communities as an important risk mitigation strategy. A left-wing extremism sensitization programme will be delivered to all staff, partners and communities.
Stakeholder risk		
Overall	Moderate	

B. Environment and social category

44. **Environment risk is assessed as moderate (category B).** Project activities are expected to have minimal adverse or irreversible environmental impact. The risks can be mitigated and managed through the measures outlined in the Environmental and Social Management Framework and Environment and Social Framework developed by the Government of Chhattisgarh. These measures mitigate environmental risks and impact, support institutional strengthening and capacity-building, and provide monitoring and reporting mechanisms for the successful environmental management of project interventions.
45. **Sociocultural risk is rated moderate (category B).** Project interventions are largely focused around tribal-dominated areas in the south that include areas affected by left-wing extremism. Planned project interventions are expected to benefit the local indigenous population and are not likely to have any negative impact. However, to prevent exclusion, a tribal development plan has been prepared. Participatory tools will be used to implement various interventions, and input will be sought through consultations with different tribal groups and their leaders during the implementation process. The stakeholder engagement plan details the consultation plan with different stakeholders throughout the life of the project. This plan also includes setting up an accessible and inclusive grievance redress mechanism to be rolled out in all project villages.

C. Climate risk classification

46. The climate risk classification is high. Future projections forecast increased mean temperature, total annual precipitation and seasonal variation resulting in more frequent and intensified extreme weather events. The project will reduce the risks and impact by implementing climate adaptation and mitigation interventions in the form of natural resources management and integrated farming systems, to increase the climate resilience of the beneficiaries. These mitigation measures lower the residual risk to substantial.

D. Debt sustainability

47. The International Monetary Fund Article IV consultation dated December 2019 noted that general government debt remained high at 69 per cent of GDP but with favourable debt dynamics as it is denominated in domestic currency and largely held by residents with relatively long maturities. The country's external debt to GDP remained low at 19 per cent, of which approximately half was denominated in United States dollars and 36 per cent in local currency.

IV. Implementation

A. Organizational framework

Project management and coordination

48. The project implementation agency will be DoAB. A state project management unit (SPMU) will be set up with officers from the Directorates of Agriculture, Horticulture, Veterinary Services and Fisheries, in addition to professionals hired from the market and short-term consultants.
49. **Implementation.** The project will also establish district programme management units and block programme implementation units. The district programme management units will report to the District Director of Agriculture and be included in the overall development coordination of the District Collector. Governance of the project involves two committees: (i) a high-level project advisory committee chaired by the Chief Secretary will provide overall project oversight and policy guidance; and (ii) a project steering committee (PSC) chaired by the Agriculture Production Commissioner will be responsible for approving and reviewing project annual workplans and budgets (AWP/Bs) and physical and financial progress, and for interdepartmental coordination.

Financial management, procurement and governance

50. **Financial management.** Financial management arrangements reflect lessons learned from the ongoing World Bank-supported Chhattisgarh Public Financial Management and Accountability Program. Project financial management arrangements will be mainstreamed into the state's planning and budgeting processes. The state's online treasury management system (e-Kosh) and the Government of India's Public Financial Management System will be used for allocation of project funds, application of internal checks and controls, accounting and financial reporting and tracking of unspent bank balances. Several supplemental measures have been agreed to mitigate the identified risk of disbursement lag arising from delays in accounting for expenses incurred at the field level. A World Bank assessment determined that the proposed financial management arrangements are acceptable and provide reasonable assurance that loan proceeds will be used for the intended purposes and properly accounted for. With the agreed supplemental measures in place, the residual financial management risk is rated moderate.
51. **Procurement.** As an exception to sections 7.05 and 7.06 of the IFAD General Conditions for Agricultural Development Financing, all goods, works, consulting and non-consulting services financed under the project will be procured in accordance with the World Bank's Procurement Regulations for Investment Project Financing

Borrowers (dated July 2016; revised November 2017 and August 2018), and the provisions of the financing agreement. In the event of a conflict between government decrees, rules and regulations and the World Bank Procurement Regulations, the latter will prevail. The project will be subject to the World Bank guidelines on preventing and combating fraud and corruption in projects financed by IBRD loans and international development association credits and grants dated October 15, 2006 as revised in January 2011 and July 2016.

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

52. The project's results framework will guide planning and budgeting. The AWP/B will be integrated into DoAB processes and budgets. The planning process will start at the community level. District offices will consolidate their respective plans and the SPMU will then prepare a consolidated comprehensive state level AWP/B. Each year the AWP/B will be submitted to the PSC for review and approval and then to the World Bank for review and concurrence. The World Bank will consult with IFAD and provide consolidated feedback on AWP/B.
53. The project will set up an M&E and learning unit with technical support for process and results monitoring, information and communications technologies and geographic information systems. The M&E and learning unit in the SPMU will also commission impact studies (sample surveys at baseline, midterm and completion).

Innovation and scaling up

54. The project will drive the introduction of modern technology and innovation for post-harvest management, processing, product development, by-product utilization, packaging and storage across all components. Technologies related to solar drying, dehydration and preservation and food fortification, as per market demand, will be introduced in partnership with local and national knowledge organizations.
55. The project will develop and scale up the integrated farming system and will support the creation of an ecosystem to capture, preserve and scale up traditional knowledge and practices of tribal communities relevant to the project scope.

C. Implementation plans

Implementation readiness and start-up plans

56. The project will be implemented over a period of six years starting in 2021. The World Bank financing of CHIRAAG became effective on 12 February 2021. The SPMU is in place and has drafted a project implementation plan which has been reviewed by both IFAD and the World Bank. Five key consultancy contracts have been awarded. This implementation readiness will accelerate the entry into force of the IFAD financing and timely implementation of project activities.

Supervision, midterm review and completion plans

57. The World Bank will act as the cooperating institution for the IFAD loan and will be responsible for the supervision and loan administration of the IFAD financing. IFAD will participate in World Bank supervision and implementation support based on its areas of core expertise.

V. Legal instruments and authority

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

VI. Recommendation

61. 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 sixty-seven million United States dollars (US\$67,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo
President

Negotiated financing agreement: "Chhattisgarh Inclusive Rural & Accelerated Agriculture Growth Project (CHIRAAG)"

(Negotiations concluded on 31 March 2021)

Loan No: _____

Project name: Chhattisgarh Inclusive Rural & Accelerated Agriculture Growth Project (CHIRAAG) ("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 described in Schedule 1 to this Agreement;

WHEREAS this Agreement is to finance the implementation of the Project in the State of Chhattisgarh (the "State");

WHEREAS for this purpose, the Borrower shall make available to the State of Chhattisgarh the respective part of the proceeds of the Financing upon terms and conditions set forth in this Financing Agreement. The Fund and the State of Chhattisgarh shall enter into a separate agreement of even date herewith (the "Project Agreement").

WHEREAS, the International Bank for Reconstruction and Development (herein referred to as "IBRD") has agreed to extend financing (the "IBRD Financing") to the Borrower in the amount of one hundred million United States dollars (USD 100 million) to assist in co-financing the Project on terms and conditions to be set forth in the IBRD Loan Agreement 9190-IN and Project Agreement between the Borrower and IBRD (the "IBRD Agreements").

WHEREAS, the Fund has agreed to provide financing for the Project;

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), the Allocation Table (Schedule 2)

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2018, 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, except for the provisions identified in Section E paragraph 4 below. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a Loan (the "Financing") to the Borrower which the Borrower shall cause the State to use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Loan is sixty seven million United States dollars (USD 67 million)
2. The Loan is provided on ordinary 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 17.5 years, including a grace period of 5.5 years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled
3. The Loan Service Payment Currency shall be the United States dollars (USD).
4. The first day of the applicable Fiscal Year shall be the 1st of April.
5. Payments of principal and interest shall be payable on each 1st June and 1st December.
6. The IFAD Loan funds will be channelled through the Government of India into the State's Consolidated Fund for reimbursement of pre-financed expenditures. IFAD will receive the Payment Instructions for disbursements from the World Bank.
7. The Borrower shall cause the State to provide counterpart financing for the Project.

Section C

1. The Lead Project Agency shall be the Department of Agriculture Development and Farmers Welfare and Biotechnology of the Government of Chhattisgarh.
2. 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.
3. The Project Completion Date shall be the 6th 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

1. The Financing shall be administered, and the Project supervised by the IBRD as the Cooperating Institution. IFAD will participate in the implementation support based on its areas of core expertise.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) 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;

- (b) the IBRD Loan Agreement has failed to enter into full force and effect within 180 days of the date of this restated Agreement, and substitute funds are not available to the Borrower.
 - (c) The right of the Borrower to withdraw the proceeds of the IBRD Loan or Grant has been suspended, cancelled or terminated, in whole or in part, or the IBRD Loan has become due and payable prior to the agreed maturity thereof; or any event has occurred which, with notice or the passage of time, could result in any of the foregoing.
2. The following are designated as additional grounds for cancellation of this Agreement: the IBRD Loan Agreement shall have been cancelled.
3. The following are designated as additional conditions precedent to withdrawal:
 - (a) The Project Implementation Manual/Project Implementation Plan (PIM/PIP) has been prepared to the satisfaction of the Fund;
 - (b) The withdrawal conditions for IBRD Loan 9190-IN enunciated in Schedule 2, Section III B, para 1 (b) through (d) have been fully complied with;
 - (c) The Project accounting software has been identified;
 - (d) The key Project staff have been duly appointed;
 - (e) The Letter of Appointment between the IBRD/IDA (collectively referred to as "the World Bank"), and IFAD has entered into force;
 - (f) The Project Agreement in form and substance acceptable to the Fund shall have been duly concluded between the Fund and the State of Chhattisgarh.
4. The following provisions of the General Conditions shall not apply to this Agreement and these will be aligned with IBRD Loan Agreement and Project Agreement of the Project:
 - (a) Sections 7.05 (Procurement). All goods, works and consultants services required for the Project and to be financed out of the proceeds of the financing shall be procured in accordance with the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.
 - (b) Section 7.01 (b) (ii) and Article 8 ("Implementation Reporting and Information"). The Borrower, shall monitor and evaluate the progress of the Project and prepare reports, as well as Annual Workplans and Budgets (AWPBs), in accordance with Section II, Schedule 2 of the IBRD Loan Agreement.
 - (c) Section 9.03(b). The audited financial statements shall be submitted by the Borrower nine months after each fiscal year-end, to align with the World Bank timeframe for audit report submission.
5. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

[Title of the representative]
[Name and address of the Ministry]

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

[Copy to:]

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

REPUBLIC OF INDIA

"[Authorised Representative Name]"
"[Authorised Representative title]"

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Northern and Southern regions of the State are tribal dominated, whereas the two blocks from the two central districts have a high scheduled caste population. The Project will target 400,000 households from about 1,500 villages. In each of the 14 districts, approximately 2 blocks will be targeted. Within the selected 25 blocks, villages will be selected based on proximity to the Gauthans³ identified⁴, with 2 villages selected near each village housing a Gauthan taking into consideration dominance of tribal population and remoteness. Within selected villages, all households will avail themselves of project benefits.

2. *Project area.* The Project will be implemented across 25 blocks in 14 districts: Bastar, Narayanpur, Kanker, Bijapur, Sukma, Kondagaon, Dantewada in the southern region; Mungeli and Balodabazar in central region; Surguja, Koriya, Surajpur, Balrampur, Jashpur in the northern region (the "Project Area").

3. *Goal.* The goal of the Project is to reduce poverty and enhance resilience of vulnerable households.

4. *Objectives.* The objective of the Project is to improve income opportunities and the availability of nutritious foods in the targeted households of the tribal dominated areas in Chhattisgarh.

5. *Components.* The Project shall consist of the following Components:

5.1 Component 1: Community Empowerment and Institutional Strengthening will build household and community capacity to: (a) plan, implement, and monitor development investments; (b) support and strengthen community institutions toward effective management of natural resources, and community and private assets; and (c) create diet diversity and promote positive nutrition practices at household level.

5.2 Component 2: Diversified, Resilient and Nutrition-Supportive Food and Agriculture Systems aims to sustainably develop natural resources (soil and water conservation) as a foundation for strengthening and developing integrated farming systems (IFS) which are more diversified, nutritious, productive and resilient to climate change. Optimal use of natural resources for food, feed and energy requirements will help build household resilience to climate shocks, improve family nutrition, and increase income.

5.3 Component 3: Value Addition and Market Access aims to increase household income through value addition, processing, equitable market access and reduced post-harvest losses. A focus on crops of high nutritional value will also improve health indicators through home consumption and increase income through access to profitable wellness markets for surplus produce.

5.4 Component 4: COVID -19 Economic Recovery Response will finance investments that restore livelihoods and support employment generation, support off-farm and non-farm entrepreneurial activities, facilitate community-based natural resource management, and increase awareness of COVID-19 safety precautions and hygiene practices.

5.5 Component 5: Project Management, Monitoring and Knowledge. This component will support Project coordination, implementation, financial management (FM), procurement,

³ *Gauthans* are part of GoCG's NGGB policy and are meant to be cattle daycare centers. Under CHIRAAG, these *gauthans* will be developed into community service centers.

⁴State Government has so far identified 500 *Gauthans*. The remaining *Gauthans* and the targeted 1,500 villages are yet to be identified.

knowledge management and environmental and social safeguards management at the state, district and community levels. A technical cell on value chain development and food systems and nutrition will be set up at the PMU level to support the project with normative and technical material and knowledge.

5.6 Component 6: Contingency emergency response. This zero budget component can be invoked at the time of critical emergency. It provides flexibility in the Project to cover a broad set of activities which support the social and economic wellbeing of targeted households following an emergency/ disaster situation in line with the project objective. Activities will be proposed by the State Government and agreed with WB and IFAD.

II. Implementation Arrangements

6. *Lead Project Agency.* The Project Implementation Agency will be the Department of Agriculture Development and Farmers Welfare and Biotechnology (DoAB) of the GoCG.

7. *Project Oversight Committee.* Governance of the Project includes two committees: 1) a high-level *Project Advisory Committee (PAC)*, chaired by Chief Secretary will provide the overall project oversight and policy guidance; 2) a *Project Steering Committee (PSC)* chaired by the Agriculture Production Commissioner will be responsible for approving and reviewing project annual budgets, work plans, physical and financial progress, and driving the interdepartmental coordination and convergence.

8. *Project Management Unit.* A State Project Management Unit (SPMU) will be established drawing officers from the Directorates of Agriculture, Horticulture, Veterinary Services and Fisheries; hiring professionals from the market and engaging short-term consultants. The SPMU will be responsible for project implementation. The Project will also establish DPMUs at district and BPIU at block levels. DPMUs will report to the District Director of Agriculture and be included in the overall development coordination of the District Collector.

9. *Partnerships.* The Project will forge partnerships with relevant national/international organizations such as the Central Food Technology Research Institute, the State Agricultural University, *Indira Gandhi Krishi Vishwavidyalay* for knowledge inputs and capacity support. Partnerships will also be forged between producer collectives and local processors, export firms and major national agribusiness players. In the area of technological innovations, partners include Central Food Technology Research Institute (CFTRI) and National Institute of Food Technology and Entrepreneurship Management.

Within six (6) months of entry into force of the Financing Agreement, the Project will enter into Memorandum of Understandings (MoU) with implementing partners as defined under Section 1 A of the Schedule to the IBRD Project Agreement.

10. *Monitoring and Evaluation.* The Project will set-up, within twelve (12) months from the date of entry into force of this Agreement, a monitoring and evaluation learning cell with technical support for process and result monitoring, ICT and geographic information systems. This will include an integrated dashboard at state level for planning and implementation monitoring at district, block and village levels. The M&E and Learning unit in the SPMU will also commission impact studies (sample surveys at baseline, mid-term and completion).

11. *Knowledge Management.* Knowledge management will be driven by the introduction of modern technology and innovation for postharvest management, processing, product development, by-product utilization, packaging, storage etc. through all components. Technologies related to solar drying, dehydration/preservation, food fortification, as per market demand, will be introduced in partnership with local/national knowledge organizations. The Project will additionally support the creation of a system to capture, preserve and scale up traditional knowledge and practices of tribal communities relevant to the project scope.

12. *Project Implementation Manual/Project Implementation Plan.* The Borrower shall cause the State to prepare a Project Implementation Manual/Project Implementation Plan containing detailed guidelines and procedures for the implementation of the Project, including: administration and coordination; monitoring and evaluation; financial, procurement and accounting procedures; social and environmental safeguards; corruption and fraud mitigation measures; roles and responsibilities of various agencies in the implementation of Project, terms, conditions and eligibility criteria for selection of project beneficiaries and investments to be financed, and such other arrangements and procedures as shall be required for the effective implementation of the Project.

13. *Gender.* The Borrower shall (a) identify and address access gaps in equitable agriculture assets and services; (b) integrate findings of the review in planning and delivery of services for improving outreach to tribal women; (c) strengthen the capacity of state offices to incorporate gender in the planning and delivery of services; and (d) positively target tribal women's participation in the decision-making processes of existing community-based institutions. The Technical Support Agency (TSA) will also provide handholding support to build tribal women representatives' decision-making and resource management capacities in community-based institutions.

14. *Land tenure security.* The Borrower shall cause the State to ensure that the land acquisition process has already been completed and that compensation processes were consistent with international best practice and free prior and informed consent principles.

15. *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).* The Borrower shall ensure that the Project will be implemented in compliance with the IBRD's Environmental and Social Commitment Plan for the Project as well as IBRD's Environmental and Social Standards as provided in the IBRD Agreements which is in line with IFAD's SECAP.

Environment and Social Safeguards. The Borrower shall cause the Project Implementing Entity to ensure that the Project is implemented in compliance with the environmental and social requirements under or referred to in Section I E of the Schedule to the IBRD Project Agreement as well as to IFAD's Policy, where applicable.

16. *Anticorruption Measures.* The Borrower shall comply with WB Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants ("Anti-Corruption Guidelines"), dated October 15, 2006 and revised in January 2011 and as of July 1, 2016. IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

17. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower and the Project Parties shall ensure that the Project is carried out in accordance 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.

Schedule 2

Allocation Table

1. *Allocation of Loan Proceeds.* (a) 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- IFAD	Category -IBRD	Loan Amount Allocated (expressed in USD)	% of total Eligible Expenditures (inclusive of taxes)
I Goods, services and inputs (a)	(1) Goods, works, non-consulting services, consulting services, Training and Incremental Operating Costs under Part 1, 2.1(i), 2.1(ii), 2.1 (iv), 2.2(ii), 2.2(iii), 2.2(iv), 2.2(v), 3.1, 3.2(i), 3.2(ii), 3.2(iv) and 5 of the Project	44,600,000	26%
II Grants & Subsidies	(2) Grants under Parts 2.1(iii), 2.2(i) and 3.2(iii) of the Project	12,200,000	28%
III Goods, services and inputs (b)	(3) Goods, works, non-consulting services, consulting services, Training and Incremental Operating Costs under Part 4 the Project	10,200,000	40%
Total		67,000,000	

(b) The terms used in the Table above are defined as follows:

(i) "Category II: Grants & Subsidies (a)" shall mean eligible expenditures in the form of grants for investing in design and delivery of soil health cards and soil nutrition management technology demonstrations, to community institutions as revolving funds to finance household level investments in productive assets and adoption of climate smart technologies under component 2; for basic food processing infrastructure at village level and Financing to Farmer Producer Organizations (FPOs) under the Component III.

(ii) "Category III: Goods, Services and Inputs (b)" shall mean eligible expenditures for activities related to COVID -19 Economic Recovery Response under Component 4.

2. *Disbursement arrangements*

(a) *Co-financing arrangement.* The Project will be managed under a co-financing arrangement with the World Bank (WB) as the Cooperating Institution (CI) whereby all project activities will be jointly financed, and funds will be disbursed in agreed proportions which can be revised from time to time with IBRD on a *pari-passu* basis through an agreement between IBRD/IDA (collectively referred to as "the World Bank") and IFAD.

(b) *Retroactive financing.* As an exception to section 4.08(a) (ii) of the General Conditions, specific eligible expenditures incurred from 1st February 2021 up until the date of entry into force of this Agreement shall be considered eligible up to an amount equivalent to three million three hundred fifty thousand United States dollars (USD 3.35 million), corresponding to 5% of the IFAD Loan, for eligible expenditures to finance start-

up activities (including baseline and recruitment of Technical Agencies). 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 of this Agreement are fulfilled.

3. *Audit arrangements.* As an exception to section 9.03(b) of the IFAD General Conditions, to align with the World Bank's timeframe for audit report submission, the deadline for submission of the annual audited financial statements will be nine months after each fiscal year-end.

4. *Financing of taxes.* To adopt an identical policy on taxes to the Bank and boost the efficiency of funds flow and better support project implementation, IFAD's financing will be used to finance taxes in line with Schedule 2 of this Agreement.

Negotiated project agreement: "Chhattisgarh Inclusive Rural & Accelerated Agriculture Growth Project (CHIRAAG)"

(Negotiations concluded on 31 March 2021)

Loan Number:

Project Title: Chhattisgarh Inclusive Rural & Accelerated Agriculture Growth Project ("the Project")

The State of Chhattisgarh of the Republic of India (the "State") acting by its Governor
and

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

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

hereby agree as follows:

WHEREAS:

(A) by the Financing Agreement of even date (herewith the "Financing Agreement") between the Republic of India acting by its President (the "Borrower") and the Fund, the Fund has agreed to make available to the Borrower an amount of 67 million United States dollars (USD 67 000 000) for the purpose of financing the Chhattisgarh Inclusive Rural & Accelerated Agriculture Growth Project (the "Project"), on the condition that the State undertakes its obligations toward the Fund as are set forth in this Agreement;

(B) the proceeds of the Loan, as provided for under the Financing Agreement and in the amount of sixty seven million United States dollars (USD 67 000 000), shall be made available by the State to the Department of Agriculture Development and Farmers Welfare and Biotechnology of the Government of Chhattisgarh for the purpose of implementing the Project on terms and conditions set forth therein; and

(C) the State, in consideration of the Fund entering into the Financing Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE, the parties hereto hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document and the Financing Agreement.
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2018, as may be amended from time to time (the "General Conditions") are annexed to this Agreement and all provisions thereof, with the exceptions indicated in the Financing Agreement, shall apply to this Agreement.
3. The State declares its commitment to the goal and objective of the Project as set forth in Schedule 1 of the Financing Agreement and accepts the obligations ascribed to it in the Financing Agreement, as valid, binding obligations of the State to the Fund.

4. For the purposes of this Agreement, any obligation of the Borrower, either independently or jointly with the Lead Project Agency/Project Parties to cause or ensure the taking of or forbearance from taking certain actions, shall be deemed a direct obligation of the State to the Fund to take or forbear from taking such actions or to cause or ensure the taking of or forbearance from taking such actions.

5. Any obligation of any Project Party or other implementing agency to take or forebear from taking any actions, shall be deemed a direct obligation of the State to the Fund to take or forebear from taking such actions.

Section B

1. The State shall duly perform all its obligations under the Financing Agreement and this Agreement. The State shall cause the Lead Implementing Agency to perform its obligations under the Project and under the MOU entered into to implement the Project.

2. The State, shall strive to undertake proactive measures for convergence of agriculture and allied central sector schemes and other Government schemes, and strive to ensure contributions from beneficiaries mainly in kind, to achieve the project development objective.

3. The State shall cause the Project Management Unit (PMU) to enter into contracts, through the Department, with service providers including for international technical assistance and administer the contracts as per the provisions contained therein.

4. The State shall take appropriate and necessary actions to implement the agreed actions resulting out of the Mid Term Review and the Supervision Missions.

5. The State shall ensure that the Department, for the annual audit of the accounts, shall appoint a private audit firm empanelled by the Controller and Auditor General of India and for which the terms of reference for the audit will be agreed with the Fund.

6. This Agreement shall come into force and effect on the date upon which the Financing Agreement enters into force. It shall terminate on the date on which the Financing Agreement terminates.

Section C

1. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the State:

Chief Secretary
Government of Chhattisgarh

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 three (3) original copies, one (1) for the Fund, one (1) for the State and one (1) for the Borrower/Recipient.

STATE OF CHHATTISGARH

"[Authorised Representative Name]"
"[Authorised Representative title]"

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

President

Date: _____

Logical framework

The result framework of the project is presented here as formulated by World Bank. Indicators equivalent to IFAD's core indicators are indicated in bold.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
To intensify and diversify sources of income, and improve the availability of nutritious foods								
Beneficiary households with intensified and diversified sources of income (Number)		0.00	0.00	6,000.00	37,500.00	80,000.00	125,000.00	180,000.00
Of which, SCs and STs (percentage)		0.00	40.00	50.00	60.00	60.00	60.00	60.00
Beneficiary households with increased number of food groups available (Number)		0.00	0.00	6,000.00	37,500.00	80,000.00	125,000.00	180,000.00
Of which, SCs and STs (percentage)		0.00						60.00
Farmers reached with agricultural assets or services (CRI, Number)		0.00	6,700.00	53,200.00	166,000.00	266,000.00	332,000.00	400,000.00
Farmers reached with agricultural assets or services - Female (CRI, Number)		0.00	335.00	7,988.00	58,100.00	106,400.00	166,000.00	200,000.00
Of which, SCs and STs (Number)		0.00	2,800.00	24,600.00	84,000.00	146,500.00	198,000.00	238,000.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Community Empowerment and Institutional Strengthening								
Village development plans (Number)		0.00	250.00	850.00	1,500.00	1,500.00	1,500.00	1,500.00
Beneficiary LGs with at least 50% membership from SC/ST households (Number)		0.00	100.00	255.00	750.00	1,500.00	1,500.00	1,500.00
Beneficiary LGs with at least 25% women members (Number)		0.00	53.00	155.00	525.00	1,200.00	1,350.00	1,500.00
IFS operationalized and including nutrition-related SBCC sessions (percentage)		0.00	0.00	20.00	30.00	50.00	75.00	85.00
Diversified, Resilient and Nutrition-Supportive Food and Agriculture Systems								
Beneficiary households supported with sustainable water management and soil improvement practices (Number)		0.00	500.00	17,125.00	35,625.00	36,750.00	36,750.00	36,750.00
Increase in beneficiary household land area of more nutritious crops under production (percentage)		0.00	10.00	10.00	20.00	20.00	30.00	30.00
Beneficiary individuals which have adopted resilient and improved technologies and practices (Number) ⁵		0.00	0.00	11,250.00	61,500.00	96,000.00	135,000.00	150,000.00

⁵ This indicator is equivalent to IFAD's CI 3.2.2 Number of persons reporting adoption of environmentally sustainable and climate resilient technologies and practices.

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Of which, women beneficiaries (Number)		0.00	0.00	1,688.00	12,300.00	24,000.00	40,500.00	45,000.00
Beneficiary households adopting at least two IFS activities (percentage)		0.00	0.00	10.00	15.00	20.00	25.00	30.00
Beneficiary individuals with improved baadis or backyard garden production (Number)⁶		0.00	4,500.00	37,500.00	123,000.00	240,000.00	240,000.00	240,000.00
Of which, women beneficiaries (Number)		0.00	1,350.00	15,000.00	61,500.00	144,000.00	144,000.00	144,000.00
Value Addition and Market Access								
Common service centers supported with value addition and processing infrastructure (Number)		0.00	90.00	300.00	585.00	585.00	585.00	585.00
FPOs established under the project considered functional. (Number)⁷		0.00	2.00	10.00	30.00	42.00	50.00	50.00
FPOs engaged in aggregation, grading, and/or primary processing (Number)⁸		0.00	0.00	0.00	10.00	20.00	25.00	25.00
Market linkage partnerships established (Number)		0.00	2.00	8.00	8.00	10.00	20.00	20.00

⁶ This indicator is equivalent to IFAD CI. 1.1.8 Number of persons provided targeted support to improve nutrition.

⁷ This indicator is equivalent to IFAD CI 2.1.3 Number of rural producers' organizations supported.

⁸ This indicator is equivalent to IFAD CI 2.2.5 Number of rural producers' organizations reporting an increase in sales.

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Project Management, Monitoring and Knowledge								
Partnerships with knowledge organizations (Number)		0.00	1.00	2.00	3.00	3.00	3.00	3.00
Project-related grievances registered and resolved (percentage)		0.00	100.00	100.00	100.00	100.00	100.00	100.00
Decision Support System for Agriculture Department established (Yes/No)		No	No	Yes	Yes	Yes	Yes	Yes
Policy note developed on promoting and financing FPOs (Yes/No)⁹		No	No	No	Yes	Yes	Yes	Yes

⁹ This indicator is equivalent to IFAD CI Policy – Number of new policy proposed to policy makers for approval.

Integrated project risk matrix

Overall summary

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	Substantial	Moderate
Political Commitment	Substantial	Moderate
Governance	Moderate	Low
Macroeconomic	Substantial	Moderate
Fragility and Security	Substantial	Moderate
Sector Strategies and Policies	Substantial	Moderate
Policy alignment	Substantial	Moderate
Policy Development and Implementation	Moderate	Low
Environment and Climate Context	High	Substantial
Project vulnerability to environmental conditions	Substantial	Moderate
Project vulnerability to climate change impacts	High	Substantial
Project Scope	Low	Low
Project Relevance	Low	Low
Technical Soundness	Low	Low
Institutional Capacity for Implementation and Sustainability	High	Substantial
Implementation Arrangements	High	Substantial
Monitoring and Evaluation Arrangements	Substantial	Moderate
Project financial Management	Substantial	Moderate
Project Organization and Staffing	Moderate	Low
Project Budgeting	Substantial	Moderate
Project Funds Flow/Disbursement Arrangements	High	Substantial
Project Internal Controls	Moderate	Low
Project Accounting and Financial Reporting	Substantial	Moderate
Project External Audit	Moderate	Low
Project Procurement	High	Substantial
Legal and Regulatory Framework	Substantial	Moderate
Accountability and Transparency	Substantial	Moderate
Capability in Public Procurement	High	Substantial
Public Procurement Processes	High	Substantial
Environment, Social and Climate Impact	Substantial	Moderate
Biodiversity Conservation	Substantial	Moderate
Resource Efficiency and Pollution Prevention	Moderate	Low
Cultural Heritage	Moderate	Low
Indigenous People	Moderate	Low
Labour and Working Conditions	Substantial	Moderate
Community Health and Safety	Substantial	Moderate
Physical and Economic Resettlement		No risk envisaged
Greenhouse Gas Emissions	Moderate	Low
Vulnerability of target populations and ecosystems to climate variability and hazards	High	Substantial
Stakeholders	High	Substantial
Stakeholder Engagement/Coordination	High	Substantial
Stakeholder Grievances	High	Substantial
Overall	Substantial	Moderate
Country Context	Substantial	Moderate
Political Commitment	Substantial	Moderate
Risk:	Substantial	Moderate

The risk is substantial. The State Government adopts a centralized decision-making approach.		
Mitigations: The project governance includes two levels: 1) a high-level Project Advisory Committee (PAC), chaired by Chief Secretary will provide the overall project oversight and policy guidance; 2) a Project Steering Committee (PSC) chaired by the Agriculture Production Commissioner (APC) will be responsible for approving and reviewing project annual budgets, work plans, physical and financial progress, and driving the inter-departmental coordination and convergence. These two levels of project governance would ensure that the project is fully aligned with State policies and contributing to their implementation.		
Governance	Moderate	Low
Risk: The risk is moderate. Chhattisgarh ranks 4th out of 18 big states in India on the Good Governance Index 2019. Chhattisgarh ranks among the top 3 big states in agriculture and allied sectors; social welfare and development; judicial and public security. Good Governance Index through 10 sectors and 50 indicators, measures delivery of "good governance" to citizens by way of delivery of essential services to citizens. These services include education, healthcare, economic growth, environmental protection, access to legal protection and judicial services.	Moderate	Low
Mitigations: Project is building robust set up for fiduciary management and M&E; oversight by concerned departments; and grievance redress mechanism.		
Macroeconomic	Substantial	Moderate
Risk: Risk is Substantial. State finances are partially affected by the burden of the pandemic and economic slowdown, where lockdowns are still implemented to contain the spread of the Covid19. This is likely to impact the State Government's timely and full release of funds to the project.	Substantial	Moderate
Mitigations: In addition to CHIRAAG, the WB is financing Chhattisgarh Public Financial Management and Accountability Program. This should ensure that the release of funds to the project is conducted as per procedures for externally aided projects which the State Govt will comply with as part of the financial management and accountability programme.		
Fragility and Security	Substantial	Moderate
Risk:	Substantial	Moderate

The risk is moderate. The districts most severely hit by LWE are located in the Southern part of the State and these are the districts that will be covered by WB financing. None of the districts to be covered by IFAD financing are LWE affected.		
Mitigations:		
The project follows a community driven and inclusive approach to development which has proved successful in areas affected by high inequality and conflict. The critical element of the approach is the decentralized implementation and empowerment of local village organizations to implement priority activities identified in a fully consultative manner.		
Sector Strategies and Policies	Substantial	Moderate
Policy alignment	Substantial	Moderate
Risk:	Substantial	Moderate
The main project risk from ongoing policy initiatives relates to potential changes to data privacy and protection. Activities directly or indirectly supported by this project collect personal data, i.e. name, age, ID number, gender, cell phone number, which could be used to identify an individual. Statistical data collection is governed by the Data Collection Act of 2008, GoI which contains provisions to guarantee respondents confidentiality. A Personal Data Protection Bill is currently under preparation. The implications of the Bill are not clear yet		
Mitigations:		
Should the Bill be approved, the Bank and DoAB will conduct a technical analysis of the potential impact of the effectiveness of the Bill on project design and discuss any modifications that may be needed.		
Policy Development and Implementation	Moderate	Low
Risk:	Moderate	Low
The risk is moderate. The project fully operationalizes policies developed by 1) State Govt such as NGGB, Chief Minister Nutrition Scheme, and State Action Plan on Climate Change (SAPCC); 2) national Government such as National Forest Rights Act (FRA 2006), National Agroforestry Policy (NAF 2014). The State currently does not have a policy for Farmer Producer Organizations.		
Mitigations:		
One policy deliverable of the project is the formulation of a state policy for Farmer Producers Organizations building on good practices and lessons learned from CHIRAAG.		
Environment and Climate Context	High	Substantial
Project vulnerability to environmental conditions	Substantial	Moderate
Risk:	Substantial	Moderate

The risk is substantial. The project area is prone to deforestation as a result of coal mining and illicit felling of trees.		
Mitigations:		
The project will support Households who obtained land under FRA with the productive and sustainable development of the land. The project will not intervene in environmentally sensitive areas and has a negative list of activities that it will not finance as described in the ESMF.		
Project vulnerability to climate change impacts	High	Substantial
Risk:	High	Substantial
The risk is High. The project area is prone to drought.		
Mitigations:		
The design of the project emphasizes two key aspects of climate smart agriculture: soil and water conservation, expansion of irrigation potential and integrated farming systems.		
Project Scope	Low	Low
Project Relevance	Low	Low
Risk:	Low	Low
The risk is low. The project scope is within the Government policies and the mandate of the Lead Implementing Agency, Department of Agriculture Development and Farmers Welfare and Biotechnology (DoAB).		
Mitigations:		
The project has a robust governance system to ensure the project alignment with state policies and continued relevance.		
Technical Soundness	Low	Low
Risk:	Low	Low
The risk is low. All proposed activities are technically sound and already implemented in some form in the State or in similar agro-ecologies.		
Mitigations:		
The project has a well developed Monitoring, Evaluation and Learning (ME&L) which will measure physical and financial progress as well as outcomes and flag implementation issues related to technical soundness, technical capacity or other.		
Institutional Capacity for Implementation and Sustainability	High	Substantial
Implementation Arrangements	High	Substantial
Risk:	High	Substantial
The risk is high. This is the first externally aided programme in the Department of Agriculture Development		

and Farmers Welfare and Biotechnology (DoAB), with two financiers		
Mitigations: The project management takes into account additional human resources to manage the WB and IFAD financing. IFAD financing will support additional staff for project management, M&E, knowledge management and for the technical cell on food systems and nutrition. The design team proposes to reduce the burden of adhering to 2 external financiers by aligning the IFAD FM and procurement on WB procedures.		
Monitoring and Evaluation Arrangements	Substantial	Moderate
Risk: The risk is substantial. The DOAB will need to comply with monitoring procedures of WB and IFAD which for output, outcome and impact indicators.	Substantial	Moderate
Mitigations: IFAD financing will align with the Monitoring, Evaluation and Learning System designed by WB. Additional staffing was added to Monitoring, Evaluation and Learning team, as well as addition of annual outcome survey. Additional indicators specific to IFAD were agreed upon with State Govt and WB and will be incorporated in the monitoring plan of the project.		
Project financial Management	Substantial	Moderate
Project Organization and Staffing	Moderate	Low
Risk: Project funds will be managed by the Government of Chhattisgarh FM staff at the Directorate of Agriculture and other district/sub-divisional levels. The following are the proposed CHIRAAG staffing structure for implementation of FM practices: one State Project manager- Program Support (SPMU), one Assistant Project Manager- Finance (SPMU), two Project Executives (SPMU) and one District Coordinator- Finance and Administration at each project district (DPMU). The proposed organizational structure is found suitable for the project but given that this would be the first externally financed project managed by DoAB that is financed by two separate financiers, there may be a need for further training/capacity building activities for project staff members.	Moderate	Low
Mitigations: The project should ensure the recruitment of an adequate number of FM staff with the required qualifications and project finance staff should receive training on IFAD procedures and other relevant FM-related topics. Additional accounting staff will be engaged at District and SPMU level to support existing departmental staff.		
Project Budgeting	Substantial	Moderate
Risk:	Substantial	Moderate

<p>The Annual Work Plan and Budget (AWPB) will be prepared by the SPMU based on targets outlined in the PDR and subject to approval by the CHIRAAG steering committee and the project will be budgeted as a separate line item in the annual state budget that is presented and approved by the State Legislature.</p> <p>The Director of the Department of Agriculture will be the authorized Drawing and Disbursing officer for withdrawing funds from the project budget. In general, budgeting processes for projects under the India portfolio are deemed to be efficient and well established, it is nevertheless important to ensure sufficient planning in terms of time required for the different stages in the budget approval process to allow for the subsequent timely release of funds and to make sure proper tracking of budgeted versus actual amounts over the project implementation.</p> <p>It is proposed that the PMU will be jointly financed by IFAD, the WB and Government of Chhattisgarh financing. The WB and IFAD financing will cover two different geographic areas with IFAD financing covering six districts and 11 blocks located primarily in the northern part of the state.</p>		
<p>Mitigations:</p> <p>The submitted budget needs to incorporate and give a clear overview of all financing contributions, to be submitted for approval by the steering committee and subsequently for IFAD no-objection.</p> <p>In order to keep track of physical and financial progress, the project needs to ensure that adequate structures are put in place for tracking of budgeted versus actual amounts for project expenditures and follow up with relevant actions on any noted significant discrepancies.</p>		
<p>Project Funds Flow/Disbursement Arrangements</p>	<p>High</p>	<p>Substantial</p>
<p>Risk:</p> <p>The project will follow similar funds flow structure as for other project in the portfolio, with the exception that Withdrawal Applications will be submitted to IFAD by the WB, in respect of their role as CI for CHIRAAG. Funds will be transferred from the Designated Account (DA), denominated in USD, into a Project Account at Government level. At both state, district and block level, funds will be transferred based on from e-Kosh and deposited into relevant Project Accounts. Community level institutions will receive direct transfers into separate project bank accounts. All project expenditures will be pre-financed from the state budget.</p>	<p>High</p>	<p>Substantial</p>
<p>Mitigations:</p> <p>To ensure a good level of transparency and proper tracking of account balances, fund transfers and utilization, all accounts for the receipt/transfer of project funds will be</p>		

registered in the PFMS system (under 5 levels; i) State, ii) District, iii) Sub-Division, iv) Community- large grants, v) Community- small grants).		
Project Internal Controls	Moderate	Low
Risk: A project Financial Management Manual incorporating detailed supplementary financing rules will be developed by the SPM Program Support, as per noted in the PIP. For the internal audit, the project will be subject to quarterly reviews by chartered accountants, which will report on findings to the project management. At community level, a Community Operations Manual will provide guidance on FM process and applicable financial and administrative procedures.	Moderate	Low
Mitigations: The project needs to ensure proper segregation of duties and inventories/fixed assets should be properly reconciled on a regular basis. Given the different levels on which financial transactions will take place (state, district, block), the financial management structures should cover details for all levels to ensure adequate transparency and accountability. Supervision and monitoring should be undertaken during project implementation, led by WB and with IFAD expertise contribution, as per stipulated in the relevant project documentation		
Project Accounting and Financial Reporting	Substantial	Moderate
Risk: CHIRAAG will account for project expenditures using the e-Kosh system and in the current set-up, manual accounting records will be maintained for all funds withdrawn from e-Kosh. It is noted that no system is currently in place, capable of generating the required level of detailed financial reporting as per IFAD requirements. Interim Financial Reports will be submitted by the project within 45 days of the end of each quarter (used as basis for disbursements from the IBRD loan).	Substantial	Moderate
Mitigations: In order to ensure that the project is able to generate financial reports with the required level of detail as per IFAD requirements, an appropriate computerized accounting software needs to be acquired and set-up. This software should optimally also include integrated approval structures, ensuring segregation of duties and a solid system for internal control of project financial reporting.		

The software should further include recording of counterpart funding (both in-kind materials and labour and cash) contributions.		
Project External Audit	Moderate	Low
Risk: The project will be audited by the India SAI (Comptroller and Auditor General of India, CAG). To align with the WB agreed structure, IFAD will align with the nine months after financial year end timeline for submission of audited financial statements and audit report.	Moderate	Low
Mitigations: Reporting will be aligned with IFAD requirements and any identified audit recommendations should be promptly implemented properly followed up in subsequent audits. There should further be sufficient time allotted to the audit process, in order to ensure time is provided for the receipt of comments from project management on audit observations and recommendations.		
Project Procurement	High	Substantial
Legal and Regulatory Framework	Substantial	Moderate
Risk: The risk is substantial. The Borrower's regulatory and institutional capacity and practices (including compliance with the laws) are inadequate to conduct the procurement in a manner that optimizes value for money with integrity.	Substantial	Moderate
Mitigations: The project design suggests the project procurement follows the WB guidelines. As IFAD procurement guidelines are compatible with the WB guidelines, it is suggested to align the project procurement with WB guidelines for the common contracts. For additional scope of services for IFAD financed districts, IFAD approved contracts will be signed on direct contracting basis. Procurement for IFAD financing only will follow IFAD Procurement Guidelines and Handbook and IFAD prior review thresholds. Procurement staff are proposed to be engaged at SPMU and at the District level.. The WB is planning to build the capacity of the SPMU and DPMU on procurement		
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<p>Accountability and Transparency</p>	Substantial	Moderate
<p>Risk:</p> <p>The risk is substantial. The project will have highly decentralized implementation and procurement. Noncompliance with agreed procurement arrangements was flagged in the WB procurement assessment as well.</p>	Substantial	Moderate
<p>Mitigations:</p>		

<p>Mitigation measures designed by the WB and agreed with the State Govt include: 1)a robust complaint redressal mechanism will be put in place. The complaint handling authority, the form of complaint register, response time, decision-making mechanism, and other features will be outlined in detail in the PIM; 2) Procurement prior and post Review: The World Bank will conduct implementation support missions to review the procurement performance of the project. All contracts not covered under prior review by the World Bank will be subject to post review during the implementation support missions and/or special post-review missions, including missions by consultants hired by the World Bank; 3) for activities at community level, annual PPR for an agreed percentage of contracts shall be conducted by an independent consultant as per terms of reference and reporting requirements agreed with the Bank.</p> <p>It is recommended that IFAD adopts the same procedures in addition to social audit and audit of the community organizations starting the second year of the project.</p>		
<p>Risk:</p> <p>The risk is moderate. Noncompliance with agreed procurement arrangements was flagged in the WB procurement assessment.</p>	Moderate	Low
<p>Mitigations:</p> <p>Mitigation measures designed by the WB and agreed with the State Govt include: 1)a robust complaint redressal mechanism will be put in place. The complaint handling authority, the form of complaint register, response time, decision-making mechanism, and other features will be outlined in detail in the PIM; 2) Procurement prior and post Review: The World Bank will conduct implementation support missions to review the procurement performance of the project. All contracts not covered under prior review by the World Bank will be subject to post review during the implementation support missions and/or special post-review missions, including missions by consultants hired by the World Bank; 3) for activities at community level, annual PPR for an agreed percentage of contracts shall be conducted by an independent consultant as per terms of reference and reporting requirements agreed with the Bank.</p> <p>It is recommended that IFAD adopts the same procedures in addition to social audit and audit of the community organizations starting the second year of the project.</p>		
<p>Capability in Public Procurement</p>	High	Substantial
<p>Risk:</p> <p>The risk is high. The WB assessed the DOAB capacity as weak due to non-familiarity with Bank projects and procurement procedures</p>	High	Substantial

<p>Mitigations:</p> <p>Mitigation measures designed by the WB and agreed with the State Govt include: 1) appropriate procurement staffing at SPMU and DPMU level; 2) assignment of an experienced team by Beej Nigam, suitably strengthened, if required, for the project procurement; 3) SPMU to be supported by a full-time procurement consultant; 4) strengthening and capacity building of staff at State level and Beej Nigam thru training at ASCI /NIFM. DPMU to be trained by SPMU/Division staff for support and monitoring of Community level activities.</p> <p>It is suggested that IFAD adopts the same mitigation measures</p>		
<p>Risk:</p> <p>The risk is high. The WB assessed the DOAB capacity as weak due to non-familiarity with Bank projects and procurement procedures</p>	High	Substantial
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<p>Public Procurement Processes</p>	High	Substantial
<p>Risk:</p> <p>The risk is high. At design, WB assessed that highly decentralized project implementation may result in delays in procurement and contract management processes.</p>	High	Substantial
<p>Mitigations:</p> <p>itigations measure designed by the WB and agreed with the State Govt include: 1) develop Community Procurement Manual for CDD activities to ensure consistency across board; 2) the PIM will specify the delegation and procurement implementation arrangements; 3) all procurement activities at SPMU, Beej Nigam and DPMU level to be included in procurement plan in STEP and prior cleared by Bank and procurement at community level to be collated and monitored by DPMU and shared with SPMU and Bank on biannual basis; 4) use of Standard/ model Bid documents and e-Procurement and contract management tools; 5) develop a procurement information system which will track and provide required information regarding all procurement activities and contracts at the decentralized level; 6) all records from procurement planning to contract completion and procurement complaints shall be retained in a chronological order and made available as and when requested by SPMU or Bank.</p> <p>It is suggested that IFAD adopts the same mitigation measures.</p>		
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<p>Environment, Social and Climate Impact</p>	Substantial	Moderate
<p>Biodiversity Conservation</p>	Substantial	Moderate
<p>Risk:</p> <p>The risk is substantial. The State is a biodiversity hotspot.</p>	Substantial	Moderate
<p>Mitigations:</p>		

Mitigation measures listed in the ESMF include: 1) promote community action for biodiversity conservation; 2) investment in community awareness, documentation, conservation and effective utilization through value addition; 3) facilitate planning investments for community infrastructure such as village seed bank through the village development plans.		
Risk:	Moderate	Low
The risk is moderate. The State is a biodiversity hotspot.		
Mitigations:		
Mitigation measures listed in the ESMF include: 1) promote community action for biodiversity conservation; 2) investment in community awareness, documentation, conservation and effective utilization through value addition; 3) facilitate planning investments for community infrastructure such as village seed bank through the village development plans.		
Resource Efficiency and Pollution Prevention	Moderate	Low
Risk:	Moderate	Low
Risk is moderate. Run off from construction sites and agricultural activities applying agrochemicals may result in ambient pollution of water bodies.		
Mitigations:		
Integrated pest management practices and the use of organic fertilizers will help avoid/minimize pollutions. ESMF has also addressed this risk.		
Cultural Heritage	Moderate	Low
Risk:	Moderate	Low
The risk is moderate. The Project areas are likely to have several pilgrimage sites and places of religious prominence, sacred groves, and sacred water sources.		
Mitigations:		
Mitigation measures developed by the WB and State Govt include Chance Find Procedure included in the ESMF		
Indigenous People	Moderate	Low
Risk:	Moderate	Low
The risk is Moderate. Out of 14 districts, 12 are predominantly tribal districts and the project interventions address the range of livelihoods of tribal people which depend on rainfed agriculture, forests and natural resources.		
Mitigations:		
The WB and the State Government formulated a Tribal Development Plan. The plan ensures socially- and culturally- compatible project interventions that enjoy broad community support in the tribal villages. These		

<p>measures include: (i) screening and documentation of, and focused consultations with, tribal households during planning process; (ii) targeting and tracking of tribal households in beneficiary lists for common assets and individual benefits; (iii) use of local tribal language in information dissemination; and (iv) capacity building and convergence with other government schemes targeting tribal areas; (v) the livestock interventions will, in particular, provide project benefits to the transhumant nomadic tribes that are traditionally dependent on grazing and common pastures.</p> <p>It is suggested that IFAD adopts the same measures listed in the Tribal Development Framework which are in line with its strategy for engaging with IPs.</p>		
Labour and Working Conditions	Substantial	Moderate
Risk:	Substantial	Moderate
<p>The risk is Substantia. Although risk for labour camps, child/ bonded labor, and hazardous work and/ or accidents does not apply to the project, the design document of the WB reports increase in incidence of gender-based violence at state level.</p>		
Mitigations:		
<p>The WB and State Govt agreed on the following mitigation measures: a Labour Management Framework (LMF) was prepared that includes specific provisions on working terms and conditions, occupational health and safety, child/ forced labor, and gender-based violence, as well as a labor focused grievance redress mechanism. Sub Project Specific Labour Management Plan will be prepared before the commencement of bidding process.</p> <p>It is proposed that IFAD adopts the same procedure.</p>		
Community Health and Safety	Substantial	Moderate
Risk:	Substantial	Moderate
<p>Risks related to health and safety of communities due to disease transmission such as COVID-19 is substantial. The State of Chhattisgarh was among the more adversely affected states by the Covid pandemic.</p>		
Mitigations:		
<p>As part of the component on COVID 19 economic recovery response, the project will conduct communication , develop knowledge products and implement campaigns that build awareness and capacity among the project communities on safety and hygiene practices in the context of the ongoing pandemic and proposed project interventions.</p>		
Physical and Economic Resettlement		No risk envisaged
<p>The project does not include any activity related to physical or economic resettlement.</p>		
Greenhouse Gas Emissions	Moderate	Low
Risk:	Moderate	Low

The risk is moderate. Livestock activities may ;lead to increase in GHG.		
Mitigations: The project activities will lead to GHG mitigation benefits in terms of reductions in GHG emissions and increased carbon sequestration (estimated at 114 thousand tons of CO2 equivalent (tCO2e) over the project life of 20 years). At full development, annual GHG benefits are valued at US\$ 1.6 million and US\$ 3.2 million for the two scenarios respectively of low and high shadow prices for Carbon credit.		
Vulnerability of target populations and ecosystems to climate variability and hazards	High	Substantial
Risk: The risk is High. The population is prone to drought	High	Substantial
Mitigations: The project design adopts climate smart agriculture which includes integrated farming system, soil and water conservation and expansion of irrigation.		
Stakeholders	High	Substantial
Stakeholder Engagement/Coordination	High	Substantial
Risk: The risk is high and this refers to the private sector as a stakeholder. The WB identified that private sector engagement may be low and not immediate, given that the project will be implemented in remote areas, including Left Wing Extremist (LWE-affected areas).	High	Substantial
Mitigations: The project design incorporates several elements that respond to the socioeconomic and political economy context of tribal and LWE areas. Apart from these elements, it will leverage the longstanding presence, outreach and local credibility of NGOs and civil society organizations among communities, and other stakeholders as an important risk mitigation strategy. An LWE sensitization program will be delivered to all staff, partners and communities. Effective project implementation, robust community organizations and increased production volumes and quality would eventually attract private sector tie-ups. A special technical cell is set for value chain development and facilitation of market linkages.		
Stakeholder Grievances	High	Substantial
Risk: The risk is high. Stakeholders are not be aware of the existing channels for reporting grievances, and may require channels for grievance reporting in their own native languages.	High	Substantial
Mitigations:		

The mitigation strategy is to use the WB Grievance Redressal Mechanism. For IFAD financing, Govt of Chhattisgarh has a public grievance redressal mechanism and phone number is 0771-2236446 and email is addlceoraipur.cg@nic.in		
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