

ARGENTINA

**PROVINCIAL AGRICULTURAL SERVICES PROGRAM
PROSAP II (AR-L1030)**

**CCLIP FOR THE PROVINCIAL AGRICULTURAL SERVICES PROGRAM
PROSAP II (AR-X1006)**

LOAN PROPOSAL

This document was prepared by the project team consisting of Gabriel Montes (INE/RND), Project Team Leader; César Falconí (INE/RND); Adriana Delgado (INE/RND); María Claudia Perazza (INE/RND); Francisco Basilio Souza (RND/CAR); Gisella Barreda (INE/RND); Javier Cayo (LEG/SGO); and Nicolás Noro Villagra (CSC/CSC).

CONTENTS

PROJECT SUMMARY

I.	FRAME OF REFERENCE	1
A.	Introduction.....	1
B.	Performance of the agricultural sector and rural development in Argentina.....	1
C.	Situation and outlook for infrastructure and agricultural services	2
D.	Provincial Agricultural Services Program (PROSAP).....	3
E.	Implementation of PROSAP	4
F.	Lessons learned.....	6
G.	Country strategy for regional development.....	7
H.	The Bank's country and sector strategy	8
I.	Participation by other agencies	8
J.	Rationale for and relevance of a CCLIP.....	9
K.	Conceptualization and strategy of the first loan	11
II.	THE PROGRAM	11
A.	Objectives of the CCLIP and the first individual loan operation.....	11
B.	Description of the CCLIP and the first individual loan operation	11
1.	Infrastructure and food and agriculture services	11
2.	Food and agriculture businesses	12
C.	Representative sample of projects	13
D.	Cost and financing	15
III.	IMPLEMENTATION	16
A.	Borrower and executing agency	16
B.	Implementation and management.....	16
1.	Program leadership	16
2.	Central executing unit	16
3.	Implementation units at the provincial level.....	17
4.	Execution of private financing.....	17
5.	Institutional strengthening for implementation	17
C.	Operating Regulations	18
1.	Eligibility criteria for participating provinces.....	18
2.	Eligibility criteria, project cycle, and studies.....	18
D.	Technical and environmental inspection.....	20
E.	Operation and maintenance of works	20
F.	Procurement	20
G.	Revolving fund	21
H.	Accounting records and disbursement control	21
I.	External audit.....	21

J.	Disbursement timetable	22
K.	Monitoring and evaluation.....	22
IV.	FEASIBILITY AND RISKS	22
A.	Institutional feasibility	22
B.	Financial feasibility.....	23
C.	Economic feasibility	24
1.	Cost-benefit analysis	24
2.	PTI/SEQ analysis	25
D.	Social and environmental feasibility	26
E.	Special considerations and risks	27

ANNEXES

Annex I Logical framework

Proposed resolution

Electronic Links and References	
Basic socioeconomic data	http://www.iadb.org/countries/home.cfm?id_country=AR&Language=English
Status of loans in execution and loans approved	http://portal.iadb.org/approvals/pdfs/ARen.pdf
Tentative lending program	http://opsgs1/ABSPRJ/tentativelending.ASP?S=AR&L=EN
Information available in INE's technical files	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1101260
Annex II: Procurement plan	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1247744

ABBREVIATIONS

AWP	Annual work plan
CCLIP	Conditional credit line for investment projects
CDI	Cluster development initiative
CESI	Committee on Environment and Social Impact
CEU	Central executing unit
EIRR	Economic internal rate of return
ESMP	Environmental and Social Management Plan
ESU	Environmental and Social Unit
FIRR	Financial internal rate of return
GDP	Gross domestic product
ha	Hectare
IBRD	International Bank for Reconstruction and Development
ICAS	Institutional Capacity Assessment System
ICB	International competitive bidding
ICT	Information and communication technology
IPC	Investment Programming Committee
MECON	Ministry of the Economy and Production of Argentina
NCB	National competitive bidding
NRC	Nonreimbursable contributions
O&M	Operating and maintenance costs
PEU	Project executing unit
PPMR	Project performance monitoring report
PROSAP	Provincial Agricultural Services Program
RFP	Request for proposals
SAGPyA	Agriculture, Livestock, Fisheries, and Food Secretariat
SENASA	National Service for Health and Quality of Food and Agriculture
TGTG	Technology generation and transfer groups

PROJECT SUMMARY

ARGENTINA

PROVINCIAL AGRICULTURAL SERVICES PROGRAM

PROSAP II (AR-L1030)

CCLIP FOR THE PROVINCIAL AGRICULTURAL SERVICES PROGRAM PROSAP II (AR-X1006)

Financial Terms and Conditions ¹								
Borrower: Argentine Republic			Amortization period:		25 years			
			Executing agency: Ministry of the Economy and Production of Argentina (MECON) through the Agriculture, Livestock, Fisheries, and Food Secretariat (SAGPyA)			Grace period:		4 years
						Disbursement period:		4 years
Source	Amount (in US\$ millions)		%	Interest rate:		Adjustable		
	CCLIP	Program		Inspection and supervision fee:		0%		
IDB (Ordinary Capital)	600	200	80	Credit fee:		0.25%		
Local	150	50	20	Currency:		U.S. dollars from the Single Currency Facility		
Total	750	250	100					
Project at a glance								
Project objective:								
<p>The goal of the conditional credit line for investment projects (CCLIP) and the first operation is to contribute to development of regional rural economies by making them more competitive and increasing their agricultural exports. The purpose of the first individual operation is to foster a sustainable increase in the coverage and quality of the rural economic infrastructure for food and agriculture services, and promote private investment.</p>								
Description of the program:								
<p>The program covers two main areas: (i) infrastructure and food and agriculture services; and (ii) rural food and agriculture businesses that will promote development initiatives for agricultural clusters, and incentives to invest in food and agriculture supply chains.</p>								
Special contractual conditions:								
<p>Prior to the first loan disbursement, and in addition to complying with the general conditions of the loan contract, the borrower will:</p>								
<ul style="list-style-type: none"> a) Present how the staff and responsibilities of the central executing unit (CEU) will be restructured (paragraph 3.4). b) Implement the program's Operating Regulations and the Environmental Manual (paragraph 3.10). c) Present the CEU strengthening plan and the terms of reference to formulate a plan for strengthening provincial capacities in the design of agricultural strategies and the formulation, preparation, implementation, and monitoring of projects (paragraph 3.9). d) Approve the 2008 annual work plan (paragraph 3.20). 								
Special condition during execution:								
<p>In order for the program's infrastructure and service projects to be eligible, a management plan must be presented that ensures their operational and financial sustainability (paragraph 3.13).</p>								
Conditions during execution:								
<ul style="list-style-type: none"> a) Within 12 months of the effective date of the loan contract, evidence must be presented that at least 50% of the provinces covered by PROSAP either have sufficient institutional capacity or have requested an Institutional Capacity Building Plan (paragraph 3.9). b) Implementation of the project preparation module in the monitoring system prior to disbursement of more than 10% of program resources (paragraph 3.22). c) Presentation of the midterm evaluation report when 50% of the loan proceeds have been disbursed (paragraph 3.24). d) Presentation of the final evaluation report within 30 days after disbursement of 90% of the loan resources (paragraph 3.24). 								

Revolving fund: The program calls for a revolving fund for up to 10% of the loan amount (paragraph 3.18).

Exceptions to Bank policies: None.

Project consistent with country strategy: Yes (paragraph 1.21) No

Project qualifies as: SEQ PTI Sector Geographic Headcount

Verified by CESI on: 31 August 2007 (meeting 33-07).

Environmental and social review: See paragraphs 4.10 to 4.14.

Procurement: Works, goods, and consulting services will be procured in accordance with the Bank's policies set forth in documents GN-2349-7 and GN-2350-7 (paragraphs 3.16 and 3.17).

¹ The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendations. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount.*

* With regard to the inspection and supervision fee, in no case will the charge exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. FRAME OF REFERENCE

A. Introduction

- 1.1 The Provincial Agricultural Services Program (PROSAP) has been designed to support the economic development of the rural economies of Argentina's provinces. The main instruments of support are increased investments in basic infrastructure and rural food and agriculture services, and institutional capacity-building at the national and provincial levels. Satisfactory implementation by the executing agency of the initial operations with the Inter-American Development Bank and the World Bank, the need to streamline the execution of resources, and growing demand for investments in infrastructure and food and agriculture services justify the design of a conditional credit line for investment projects (CCLIP) that both meets this need and facilitates the provinces' access to the funds.

B. Performance of the agricultural sector and rural development in Argentina

- 1.2 In the 1990s, Argentina's agricultural sector enjoyed a period of recovery and growth brought about by external events that enabled it to improve its terms of trade. That phase was briefly interrupted by the crisis at the turn of the century, but resumed with elimination of the peso-dollar peg in 2002. As a result, Argentina was able to recover its macroeconomic stability and competitive advantages in agriculture, which coincided with favorable international prices for its main export products. That significant growth in the agricultural sector, which began in the second quarter of 2002 and has continued uninterrupted since that time, was reflected in a cumulative growth rate of 20.1% for the 2003-2006 period. At the same time, fiscal pressures on the agricultural sector increased between 1998 and 2003, reaching 26% of the total aggregate value in 2003, which is comparable to the 25% for the economy as a whole. However, one problematic aspect in the case of agriculture is that this pressure largely falls on tradable goods, particularly soy and grains, thus reducing their profitability.
- 1.3 In the last five years, the food and agriculture sector (primary agriculture and the food and beverage industry) has accounted for approximately 11% of gross domestic product (GDP) at constant prices, and 16% at current prices. Agricultural exports rose by 11% in 2006, reaching their highest historical value of US\$22.5 billion, of which US\$15.2 billion was agribusiness products, and the remaining US\$7.3 billion, primary goods.
- 1.4 The global market share for Argentina's food and agriculture production is growing at an annual rate of 2.8%, which is a clear sign of sector competitiveness. One group of products that includes berries and cherries, kiwis, frozen prefried potatoes, frozen vegetables, and goods that were already being exported, such as wines, olives, table grapes, essential oils, and asparagus, grew by 130% from 1991 to 2001. However, the dominant export products have a low level of processing, which means there is great potential for penetrating international markets with products offering greater value-added. Nonetheless, regional business conglomerates face serious limitations in terms of lack of experience with exports,

scarcity of capital, management and marketing, limited experience in business cooperation, high transaction costs, and limited development of business support services. In order to effectively take advantage of opportunities in Argentina's agricultural sector, a cluster development approach must be adopted in certain regions of the country. This has proven to be an effective way to identify the main barriers to greater expansion of production, trade, and exports, and to coordinate public, private, and other institutional efforts to implement actions geared toward overcoming those barriers.

- 1.5 Argentina's agricultural sector has historically been characterized by differences between the Pampa and other regions of the country.¹ The humid Pampa Region, which has traditionally led growth in Argentina's agricultural sector, has undergone major transformations in the last two decades, characterized by labor-saving technological changes and new arrangements for organizing production called "*farming pools*". The pools, which are being used on 50% of agricultural holdings in the Pampa provinces mainly dedicated to grain farming, permit economies of scale with more intensive mechanized use of the land.
- 1.6 This process has brought about structural changes in the Pampa Region, which have been reflected in the larger size of productive units; concentration in agriculture, mainly soy farming, which has displaced livestock production by reducing the rotation of grains with pastures; and a decrease in direct jobs created. During 2005-2006, the area used to cultivate soy grew by 6.5% over the previous cycle, and national soy production hit a record high of 40.5 million tons.
- 1.7 The rural economies of the four other regions are characterized by wide agroecological diversity, a more traditional agricultural sector farther removed from the technological frontier, and a variety of crops raised with both irrigated and dry farming methods. These regions have great potential for generating exports and creating jobs. Nonetheless, their development has been hindered by factors such as infrastructure deficiencies (roads, electricity, and irrigation), scarcity of appropriate technologies, phytosanitary problems, and the limited organization of their supply chains.

C. Situation and outlook for infrastructure and agricultural services

- 1.8 Despite the importance of the food and agriculture sector in generating exports and creating jobs, there is evidence of underinvestment in infrastructure and services for the rural sector. This problem is reflected in coverage and in inadequate

¹ Argentina's provinces are generally grouped into the following five geographic regions: (i) *Pampa Region* (humid Pampa), which includes Buenos Aires, Córdoba, Santa Fe, and Entre Ríos; (ii) *Northeast Region*, which includes Corrientes, Chaco, Formosa, and Misiones; (iii) *Northwest Region*, which includes Catamarca, Jujuy, Santiago del Estero, Salta, La Rioja, and Tucumán; (iv) *Cuyo Region*, which includes San Juan, San Luis, and Mendoza; and (v) *Patagonia Region*, which includes La Pampa, Chubut, Neuquén, Río Negro, Santa Cruz, and Tierra del Fuego. Sixty-seven percent (67%) of Argentina's population lives in the Pampa Region, mainly in the province of Buenos Aires. The population distribution among the other four regions is: Northeast 12%, Northwest 9%, Cuyo 7%, and Patagonia 5%.

- maintenance. In 2005, only 0.8% of the national government's total spending was allocated to entities in the agricultural public sector, equivalent to 1.4% of the agricultural GDP.
- 1.9 Argentina's rural road network includes approximately 550,000 km of roads run by the provinces or municipios that are essential for access to agricultural holdings. The lack of ongoing maintenance for this network has an adverse effect on transport costs and the quality of agricultural and livestock products, and reduces the competitiveness and incomes of rural entrepreneurs.
- 1.10 It is estimated that approximately 380,000 rural dwellings in Argentina do not have electricity, with agricultural holdings located the furthest distance from the main roads being particularly affected. Investments in rural electrification have primarily been promoted by provincial governments through decentralized entities or concessions of the service to cooperatives. Currently, limited financing is one of the main obstacles to expanding the coverage of rural power grids. PROSAP is the only source of financing, since the cooperatives that are the main service providers do not have access to credit facilities through private banks.
- 1.11 Argentina has 1.7 million hectares (ha) of irrigated land. Irrigation systems on those lands have low efficiency in terms of water conveyance and distribution—on average less than 30% after catchment, conveyance, and distribution (including on-farm) losses. That inefficiency is due in large part to factors such as: (i) low operational capacity at the provincial level and weak interagency coordination; (ii) irrigation charges that do not cover operating and maintenance costs (O&M); and (iii) inappropriate technologies for water conveyance and distribution, and for plant and animal production.

D. Provincial Agricultural Services Program (PROSAP)

- 1.12 PROSAP was started by the national government in 1996 with cofinancing from the IDB and the World Bank for an initial amount of US\$250 million and a total cost of US\$336 million. The original contract with the IDB was signed in March 1996 for US\$125 million and was declared eligible in November 1997. The original objective of PROSAP, which is still applicable, was to finance investments and sustainable improvements in the efficiency of agricultural services in the provinces, under a strategy for increasing competitiveness. In 2004, as a result of the redirecting of various IDB operations, PROSAP received additional financing of US\$200 million in two loans. Loan contracts 889/OC-AR1 (US\$150 million) and 889/OC-AR2 (US\$50 million) were approved by decree 1636/2004 of 24 November 2004, and the contractual conditions were met in the first half of 2005. The period for the final loan disbursement ends on 15 July 2008. To date, 93% of the resources from the original contract have been disbursed (US\$114 million), which combined with execution of the World Bank loan (US\$88.8 million) and the local contribution (US\$127.7 million) results in a total execution for PROSAP of US\$330 million. Only 2.5% of the redirected resources have been disbursed. However, 11 projects for a total of US\$78.9 million and one

loan for US\$57.5 million already have the Bank's no objection and are in the process of awarding the corresponding contracts.

E. Implementation of PROSAP

- 1.13 The program has gone through several phases. During the initial period (1995-1998), PROSAP used IDB funding to organize the central executing unit (CEU), formulate certain national programs (Agricultural Information System), disseminate information in the provinces, and carry out two projects at the provincial level: irrigation and drainage in Centenario, Neuquén and an irrigation project in Mendoza. An Emergency Program (PROEMER) was also financed for producers in the Northeast Region affected by flooding. The program initially encountered difficulties due to the limited institutional and financial capacity of most of the provinces, and the complexity of the infrastructure investment projects and amount of time needed to prepare them. Those difficulties were compounded by the fact that the provinces' eligibility was subject to approval of a law authorizing them for borrowing and to execution of a subsidiary loan contract with the national government. During the second period (1999-2002), the economic crisis at the turn of the century further diminished the fiscal and management capacity of both the national government and the provinces to generate and implement new investment projects. Consequently, implementation of the program's work plans for 2000 to 2003 slowed, thus affecting the expected progress in institutional strengthening for the participating provinces. As a result, the time between identification of projects by the provinces and the first disbursement extended to more than one year. In June 2002, only three provinces had projects being fully executed, with 63% of resources concentrated in Mendoza. During that period, disbursements continued due to the financing of a program for emergency actions and mass vaccinations against foot-and-mouth disease (US\$24 million), which made it possible to control an outbreak of the disease in 2001 and to recover international market share for Argentine beef.
- 1.14 The third period between 2003 and 2006 was one of reorganization and recovery for PROSAP. As a result of an institutional and implementation analysis of program conducted in 2004, an agreement was reached under the program to redirect resources, to carry out an Institutional Strengthening Plan that introduced organizational and structural changes to streamline the CEU's operations; public calls for proposals were issued for provincial projects, SAGPyA became involved in the preselection of project profiles through a project evaluation committee; and a pilot experience was incorporated to encourage the integration and strengthening of supply chains, supporting private initiatives through nonreimbursable contributions (NRCs). At the provincial level, an agreement was reached to: (i) designate a Liaison Unit in the provincial government; (ii) finance project formulation; and (iii) present the project documents for IDB approval with evidence of the province's eligibility for financing. The changes made accelerated execution of the original project's resources and encouraged the provinces to present investment projects in infrastructure and services. However, during the programming mission

in June 2006, the country and the Bank determined that the provinces' difficulties complying with the local counterpart contribution (50%) were a major obstacle to resource execution, despite the program being institutionally sound. Accordingly, it was decided that the New Lending Framework would be used to facilitate the Bank's participation in financing PROSAP through a conditional credit line for investment projects (CCLIP).

- 1.15 Two assessments were recently done (2007) of PROSAP's current capacity—a technical assessment and an institutional assessment—using the Institutional Capacity Assessment System (ICAS). The technical assessment determined that while most of the problems identified in 2004 had been resolved, certain problems persist with the quality of the feasibility studies presented for Bank review, which means that additional strengthening of the program would be required in that area. From an institutional standpoint, the ICAS found significant progress and favorable results in planning, implementation, and monitoring capacities. An analysis of the three groups of ICAS systems (planning, execution, and follow-up) determined that the CEU for PROSAP was significantly developed and presented low risk. Formulation and monitoring of AWP, formulation and evaluation of investment projects, development of procurement plans and training of subexecuting agencies in the Bank's new procedures, and creation of an Integrated Management Information System were areas in need of strengthening.
- 1.16 The program has achieved most of the expected outcomes: it has contributed to development of the agricultural export sector, establishment of programming capacity for development of the provincial agricultural sector, rehabilitation of irrigation and drainage systems in various provinces (Mendoza, Neuquén), pest control and eradication (Río Negro, Rioja), and improvement of the transportation and rural energy infrastructure (Misiones). PROSAP outcomes have been achieved through the impacts of 34 partially or fully executed projects, 15 of which are financed by the IDB. Following are some of the outcomes obtained to date by certain PROSAP provincial projects, and by the projects to prevent infestations of the cotton boll weevil and to vaccinate against food-and-mouth disease executed by Argentina's National Service for the Health and Quality of Food and Agriculture (SENASA):
 - a. **Rehabilitation of the lower section of the Mendoza River in Mendoza.** One thousand abandoned hectares were incorporated into production. Efficiency in water conveyance for irrigation increased from 61% to 85% from 2000 to 2005. During the same period, the yield of fine grape varieties increased by 53%, the water table depth was increased to levels below 1.5 m for 75% of the surface area, and 23 Technology Generation and Transfer Groups (TGTGs) were formed.
 - b. **Irrigation in Mendoza.** The water table depth was increased to levels below 1.5 m for 68% of the surface area, and 23 TGTGs were formed.

- c. **Project for rehabilitation of Centenario, Neuquén**, which permitted the construction of 28 km of channels and the improvement of 43 km of drains.
 - d. **Rural electrification in Misiones**. Approximately 1,557 producers and 1,682 families benefited from the project, through installation of 667 km of electrical lines.
 - e. Three plant health projects were implemented: **fruit flies in Rioja, eradication of the codling moth and the oriental fruit moth in Río Negro**, and **cotton boll weevil control**. A total of 38,773 producers benefited from a reduction in the incidence of these pests.
 - f. Two calls for proposals were held with respect to nonreimbursable contributions to strengthen supply chains. During the first, 155 business plans were presented with 800 beneficiaries. In the second, 146 business plans were presented with 875 beneficiaries.
 - g. SENASA received support for a Mass Vaccination Plan and initiation of the 2001-2005 Eradication Plan for foot-and-mouth disease, which allowed the country to recover its animal health status, increasing its access from 3 markets in 2001 to nearly 90 in 2005.
- 1.17 PROSAP also financed a project for fire prevention and control in Chubut, the technology generation and transfer component for the productive revitalization of Río Negro, and commercial development of forestry products in the native forests of Chaco.
- 1.18 The sustainability of projects financed by PROSAP at the provincial level varies by province and type of project. In provinces with a long tradition of organized irrigation, users are much more inclined to organize and pay for (all or some of) the costs of water than in provinces where irrigation has not been organized by the local governments. In projects where maintenance is essential to obtaining the benefits (e.g. roads), the propensity to organize, participate, and assume the costs has been higher than average. At the national level, the sustainability of projects is greater when the producers are organized (e.g. the case of animal health), than in cases such as plant health, where there is less organization.

F. Lessons learned

- 1.19 The lessons learned during execution of PROSAP I have served as the basis for the institutional reforms introduced during the redirecting exercise. Some of those lessons will be considered in preparing this operation, including the following:
- a. *The disparate capacity of the provinces requires tailored strengthening actions.* The difference in technical, institutional, and financial capacities among the provinces was greater than expected when the program was designed, which caused implementation delays. This difficulty is being corrected in the executing unit with tailored strengthening actions in training and technical assistance.

- b. *The initial preparation and implementation capacity of the provinces is key to maintaining an adequate project cycle pace.* The project cycle was quite slow in the early phases of PROSAP due to technical and administrative limitations in preparation and technical assistance provided to the provinces to strengthen them for implementation. This was related to the lack of a critical mass of consultants and specialists at the provincial level. In order to overcome this problem, project cycle monitoring is being strengthened, starting with presentation by the provinces of their respective profile, with the necessary and relevant information to allow the CEU to systematically monitor projects from the moment they are formulated.
- c. *The technical complexity of multidisciplinary programs like PROSAP and weaknesses in the management capacity of the executing agencies requires the hiring and retention of managers and professionals from the outset with high administrative and technical competence in the executing unit.* The CEU launched PROSAP with various weaknesses in terms of its organization and training of its technical personnel that caused implementation delays. Those weaknesses are being resolved by hiring managers and professionals in all technical areas with management and communication skills and involving them in all phases of the program.
- d. *Private sector participation is important to ensuring the benefits of the infrastructure and services projects.* During the redirecting exercise, the pilot experience of financing supply chains through nonreimbursable contributions demonstrated the importance of complementing the investments and strengthened agricultural services with mobilization of primary and agribusiness producers. However, in order to increase the impact of that private participation, strategic work and measures need to be implemented to make the provinces more competitive, set a medium-term strategy, and encourage collaboration among enterprises, which led to the proposal for a PROSAP cluster subcomponent.

G. Country strategy for regional development

- 1.20 SAGPyA's agricultural development policy is aimed at economic-productive consolidation and expansion of the sector in the different regions, seeking greater complementarity between public and private institutions, tailoring its actions based on the disparate characteristics of the provinces and the capacities of the various agricultural producers. In that regard, the programs that are vehicles for implementing this policy, particularly PROSAP, seek to accelerate the transition to greater private participation and to provide small and medium-sized producers with the necessary tools to integrate themselves into the dynamic processes of agricultural growth in the context of regional development.

H. The Bank's country and sector strategy

- 1.21 The main objective of the Bank's strategy with the country 2004-2008² is to support Argentina in achieving more equitable, sustainable growth, with special emphasis on less developed regions. The country strategy focuses on three main areas: (i) a stronger institutional framework for better governance and fiscal sustainability; (ii) a favorable climate for investment and productivity growth, to enhance competitiveness; and (iii) poverty reduction and promotion of social inclusion. During the midterm review of the country strategy (2006-2008),³ the Bank proposed concentrating its support on social sectors and sustainable development (infrastructure, technology, agricultural development, tourism), in line with strategic area (ii). The proposed program contributes to, and is guided by, the criteria set forth in the country strategy.
- 1.22 In formulating this program to support provincial development, the Bank's different actions in the various provinces will also be taken into consideration, namely: the program to support the modernization of production in the province of Río Negro (loan 1463/OC-AR); program for productive sector development and competitiveness in the province of Mendoza (loan 1640/OC-AR); lending program for productive and job development in the province of San Juan (loan 1789/OC-AR); and the water infrastructure development program (loan 1843/OC-AR) and competitiveness program (loan 1850/OC-AR) for the Norte Grande provinces. There are also projects in preparation, such as the project to strengthen SENASA (AR-L1032) and the program for the financing and competitiveness of micro, small, and medium-sized enterprises. For strengthening SENASA, PROSAP will use resources from the redirecting exercise to assume the initial (temporary) financing of plant health campaigns (fruit fly and codling moth) until the corresponding program becomes eligible. Likewise, PROSAP will continue financing provincial health efforts that complement the project to strengthen SENASA. With respect to Bank-financed provincial productive programs, PROSAP will finance investments in rural infrastructure and agricultural services that complement the respective programs being implemented, as has been the case in Río Negro and Mendoza. For Norte Grande, PROSAP may finance investments in sectors such as land titling and registration, which are fundamental to the success of investments in irrigation projects in Santiago del Estero and Catamarca.

I. Participation by other agencies

- 1.23 On 22 April 1997, the World Bank approved International Bank for Reconstruction and Development (IBRD) loan 4150-AR for US\$125 million to finance PROSAP. For several years, that operation had an extremely low level of execution because the provinces did not meet the additional fiscal eligibility requirements to access the

² Document GN-2328-1 approved on 11 November 2004.

³ Document GN-2328-3 approved on 11 September 2006.

IBRD loan.⁴ Delays in IBRD financing affected accounting of the “pari passu” of the IDB loan. It was not until 2002 that the IBRD relaxed those criteria and began to grant its no objection to various PROSAP irrigation, electrification, road, and health projects in the provinces of Mendoza, Chaco, Neuquén, Tucumán, Chubut, and Entre Ríos. Later, in December 2006, the IBRD approved a new loan for PROSAP in the amount of US\$44.8 million, which will complete financing of the aforementioned works.

J. Rationale for and relevance of a CCLIP

- 1.24 Analyses concluded that consolidating development of Argentina’s rural economy and maximizing the agricultural sector’s potential, particularly in the non-Pampa regions, is a medium- and long-term process. A sustained effort from the public sector is required to overcome underinvestment in infrastructure and rural services, as well as barriers to greater growth of competitiveness and increased sector and regional contributions to exports and job creation. Moreover, ongoing efforts are needed to create public and private institutional capacity at the provincial and regional levels. In order to strengthen the economies of the Pampa provinces, their greatest needs must be met in the areas of basic infrastructure, quality improvements, environmental monitoring, and phytosanitary controls. In the other regional economies where agriculture is less developed, it is particularly important to improve competitiveness by eliminating production constraints in areas such as: management to improve the efficiency of their irrigation systems; expansion of coverage of their road and rural electrification infrastructure; technology transfer to disseminate new technology packages; establishment of health systems and quality to comply with international market standards; regularization of land tenure; and the promotion of agribusiness through collective actions in value chains.
- 1.25 With the exception of a small group of provinces with the technical and financial capacity to carry out an agricultural development policy that includes financing for strategic public and/or private investments, most Argentine provinces require a vehicle such as PROSAP to fulfill these objectives. After a period of learning in technical, institutional, and administrative areas, PROSAP has proven itself to be an effective instrument for coordinating this in the medium and long term. Accordingly, implementation of a CCLIP designed to provide access to ongoing credit to finance recurring activities that are similar in nature and target the same sector is warranted.
- 1.26 PROSAP has already implemented, or is in the process of implementing, projects totaling US\$330 million (PROSAP I and the World Bank). Additionally, in recent months, the Bank has given its no objection to projects totaling US\$79 million (loan 889/OC-AR1 and 889/OC-AR2). During the analysis period, a sample of projects for US\$127 million was reviewed and determined to be feasible. A recent CEU call for proposals resulted in the presentation of project profiles that included

⁴ In addition to requiring passage of the provincial Borrowing Act and execution of a subsidiary loan contract with the national government, the IDB would require attainment of the fiscal ratios established by MECON.

Bank financing for US\$700 million, which is indicative of the potential demand for financial resources in successive phases of the CCLIP (includes some of the projects recently reviewed for the first phase).

- 1.27 The preliminary evaluations and results of the project completion report (PCR) conclude that (i) after an initial period of learning and slow implementation, the executing agency, through the CEU, has satisfactorily executed the first phase of PROSAP, having achieved its development objectives. Likewise, the executing agency implemented the corresponding World Bank loan and is executing additional financing from the World Bank with satisfactory results; (ii) the borrower and executing agency have complied with the contractual conditions of the loan and policies on disbursement and procurement of goods and services; the program's financial statements have been audited with satisfactory results; and maintenance of PROSAP investments has been adequate; and (iii) the program is consistent with the Bank's country strategy (see paragraph 1.22). According to the latest Project Performance Monitoring Report (PPMR), PROSAP has a satisfactory rating for seven of its eight components, which suggests very good progress. The "Strengthening of Provincial Programming Capacity" component (simultaneously financed with IDB and IBRD resources) is the one component that was rated unsatisfactory. Similarly, based on an analysis of the PPMR from the standpoint of the probability of fulfillment of the components, it is estimated that only 1 in 4 assumptions has a low probability of occurrence. Considering the development objectives and their assumptions, fulfillment was rated as likely and highly likely.
- 1.28 Strengthening of the institutional capacities of PROSAP and the provinces was found to coincide with a period of improvement in the country's macroeconomic conditions and a substantial increase in agricultural production and exports. As a result, there is growing demand to finance investment projects in infrastructure and agricultural services. However, the financial conditions for regional productive development projects that the Bank has approved recently are more favorable for the provinces from a fiscal standpoint than in the case of PROSAP (100% transfer to the provinces in the case of Norte Grande and 80%-20% in the case of the other provinces, versus 50%-50% for PROSAP), which makes PROSAP less attractive to the provinces. The proposed CCLIP provides guaranteed resources to meet this demand in the medium term, and relaxes the requirements for the provinces to access those resources. Financing PROSAP through the CCLIP will make it possible to continue implementing this mechanism for supporting provincial investments. In particular, it will allow provincial capacities to be consolidated in the areas of project programming, implementation, and monitoring. It will also permit a deepening of the process of strengthening and coordinating the provincial private sectors, which started with the nonreimbursable contributions and will be consolidated with financing of the cluster strategy. Lastly, it will permit the institutional consolidation of PROSAP within the structure of SAGPyA.

K. Conceptualization and strategy of the first loan

- 1.29 The first operation under the CCLIP will seek to finance the infrastructure and service projects generated by the provinces that have already been studied, are consistent with the long-term strategy for boosting investment, strengthening competitiveness, and supporting the development of regional rural economies, and were analyzed during the preparation process. The national government and the provinces will receive support so that—based on the lessons learned—they can make the necessary policy adjustments and institutional changes, including enhancing capacity to identify, prepare, and execute projects; strategies for making projects more sustainable; and increasing private participation in agricultural services. There will be a gradual shift in the program’s strategy to give greater importance to the financing of projects within an integrative framework, such as local development or cluster plans. Efforts will be made to finance the building of provincial capacity for programming, implementation, and monitoring.

II. THE PROGRAM

A. Objectives of the CCLIP and the first individual loan operation

- 2.1 The objective of the CCLIP and the first operation is to contribute to the development of the regional rural economies by making them more competitive and increasing their agricultural exports.
- 2.2 The purpose of the first individual operation is to foster a sustainable increase in the coverage and quality of the *rural economic infrastructure for food and agriculture services and promote private investment*.

B. Description of the CCLIP and the first individual loan operation

- 2.3 The CCLIP includes two broad areas of program financing and intervention: (1) *infrastructure and food and agriculture services*, which will support: water, energy, and road projects, and various support services for food and agriculture production, as well as **institutional strengthening** of the CEU and the PROSAP subexecuting agencies; and (2) *rural businesses*, which will encourage: agricultural cluster development initiatives and incentives to invest in food and agriculture supply chains.
- 2.4 The first individual loan operation under the CCLIP will include the following two areas of program financing:
- 1. Infrastructure and food and agriculture services (US\$187 million)**
- 2.5 The purpose of the **infrastructure projects** is to increase the coverage and quality of the rural infrastructure in the provinces, and to protect the rural population from risks by constructing works to rehabilitate or expand: (i) tertiary rural roads; (ii) rural power grids; (iii) alternative energy sources; (iv) irrigation and drainage systems; and (v) soil protection and flood control.

- 2.6 The purpose of the **food and agriculture services projects** is to support producers from the different provinces in overcoming barriers to competitiveness and in using their contributions to increase exports and create jobs. Projects will be financed in areas of intervention such as: (i) technological development; (ii) agricultural health and quality; (iii) commercial development; (iv) titling and regularization of land tenure in rural areas; (v) rural information and communication technology; and (vi) development of biofuels.
- 2.7 The purpose of the **institutional strengthening projects** is to help strengthen the CEU and build capacity at the provincial level for sector development programming activities and the generation and management of both public and private projects. Strengthening of the CEU and *Institutional Strengthening Plans for provincial entities* will be financed with program resources for: (i) analysis and design of activities linked to the food and agriculture development strategy; (ii) capacity-building in project formulation, preparation, management, and monitoring, with an emphasis on economic, social, and environmental assessments; (iii) formulation of projects in territorial development contexts within one province, or of regional development with the participation of more than one province.

2. Food and agriculture businesses (US\$30.5 million)

- 2.8 The objective of this area of financing is to increase the competitiveness and growth of productive activities linked to the rural sector in provincial economies. The specific instruments for this will be: generation or consolidation of food and agriculture clusters, and incentives for investments that integrate food and agriculture value chains (nonreimbursable contributions).

a. Cluster development (US\$10.5 million)

- 2.9 The purpose of this financing is to support “cluster development initiatives” (CDIs)—both new ones and strengthening existing ones. This component will start a process of strategic efforts and actions to improve the competitiveness of the country’s agribusiness clusters, involving all stakeholders. The subcomponent will finance: (i) CDIs, which includes contracting advisory services to support the development of new clusters and consolidate existing ones, hiring local teams, and training cluster managers and members; (ii) institutional strengthening, which includes hiring the technical team, training and operating expenses in the CEU, technical assistance for the provincial bodies, and training and support for agencies responsible for cluster development; (iii) implementation of projects to enhance competitiveness, with financing for the following activities, among others: technology innovation and transfer, technical assistance services and laboratories, logistics, distribution, commercial strategies, expenses for the licensing (patents) or registration of industrial property, certification of good agricultural and agribusiness practices, advertising materials, market studies, prototypes and pilot plants, and environmental studies; and (iv) monitoring, evaluation, learning, and communication, which will finance coordination and learning events, monitoring and evaluation systems, and dissemination of lessons learned.

b. Promotion of investments in supply chains (US\$20 million)

- 2.10 The purpose of the financing is to provide nonreimbursable contributions (NRCs) to cofinance business plans and integrate small and medium-sized producers and micro, small, and medium-sized agribusinesses and service providers into value chains. The business plans may have different characteristics depending on the problems or barriers affecting producers' competitiveness: scale limitations, need for strategic partnerships, and search for new opportunities. The program will grant NRCs for up to 40% of the value of the business plan, and the counterpart contribution from the beneficiaries will finance the remaining value of the proposed strategic investments.
- 2.11 The two previous calls for proposals for NRCs are the benchmark for setting targets for this area of intervention. In the first one (December 2005-May 2006), 155 business plans were presented totaling US\$34 million, requesting NRCs for US\$9.3 million. In the second (January-April 2007), 146 business plans were received for a total of US\$41.3 million, requesting NRCs for US\$15 million. The business plans were more heavily weighted towards the grape and wine, bee, fruit, oil, and meat chains. They focused on investments to increase productivity, develop new productive processes, introduce quality systems, develop new products, improve environmental sustainability, have traceability systems, gain a foothold in international markets, develop new brands, and develop products with appellation of origin. While the cluster component is geared toward achieving an aggregate impact on businesses, interventions under this component target a small number of beneficiaries.

C. Representative sample of projects

- 2.12 In order to prepare and evaluate the program's feasibility, a review, modification, and analysis process was conducted for a group of projects potentially eligible for financing under the program. Of those, a sample of 12 projects was selected with a total cost of US\$127 million, and their feasibility was analyzed. The sample included the following viable projects.
- 2.13 **Improvement of water resources management in Achalco, Catamarca (US\$1.2 million).** This project is geared toward improving irrigation in an area measuring 1,245 ha, with an available water supply averaging 421 liters per second at the headwaters. The irrigated area is divided among 71 producers.
- 2.14 **Redesign of the Los Sauces River irrigation system, Córdoba (US\$8.2 million).** This project would repair the main works and improve the efficiency of distribution in an irrigated area of 11,321 ha belonging to 625 land owners and 493 producers, organized into three irrigation consortiums and one groundwater consortium. The project also seeks to improve the management and operating capacity of the users.
- 2.15 **Departmental water supply system for livestock raising in Adolfo Alsina, Río Negro (US\$10.2 million).** The purpose of the project is to supply water to 90 livestock producers and 100 families working on the farms, in order to replace

- the current poor-quality sources that affect livestock development in an area measuring 310,000 ha.
- 2.16 **Soil conservation and water runoff management, Pedemontana Region-Phase 1, Córdoba (US\$10.5 million).** This includes works to conserve productive soil in the central region of Córdoba province. It includes the construction of drainage channels and 12 on-farm water retention basins. A total of 71,640 ha will benefit from the project, of which 78% is used for agricultural production and 22% for livestock production, on a total of 145 agricultural holdings.
- 2.17 **Rural electrification in productive areas, Chaco (US\$31 million).** The purpose of this project is to supply electric power to 3,662 rural families, of which 2,774 are agricultural producers distributed throughout 23 departments. It also includes support for the transfer of technology to producers and the strengthening of 17 cooperatives that provide rural electrification services in the project areas.
- 2.18 **Rural electrification, Mendoza (US\$3.9 million).** This project includes 1,460 km of single-wire transmission lines, covering a portion of the dryland area in Mendoza, benefiting more than 896 producers, 543 livestock farms, and small rural populations with the potential for agricultural development (in the municipios of Lavalle, Santa Rosa, La Paz, San Rafael, and General Alvear). It will also support technical assistance services for the direct beneficiaries of the project (livestock producers) and will strengthen the institutional capacity of the Undersecretariat of Food and Agriculture Planning and Quality Management, which will act as the project executing unit (PEU).
- 2.19 **Rural electrification III, Misiones (US\$24 million).** The purpose of this project is to make electricity service available to 4,969 new rural users, of which 16 are large customers. The population will be trained in the efficient use of electric power, and the distribution company (EMSA) will be strengthened with personnel and equipment.
- 2.20 **Roads for the western Pampa, La Pampa (US\$2.8 million).** The purpose of this project is to resolve the problems affecting transit on the secondary and tertiary road networks due to soil conditions and flooding in the province's western departments. The works directly benefit approximately 270 agricultural producers and their families, and will cover 148.05 km, connecting them to the main urban centers and helping to bring their goods to provincial markets.
- 2.21 **Improvement of roads in productive areas, Río Negro (US\$6.8 million).** The purpose of this project is to improve the serviceability of 30 km of rural roads located on the municipal lands of Cipolletti, benefiting 950 producers, 55% of whom have less than 5 ha. The main works include the paving of 18 dirt roads that are used to take fruit to the packers.
- 2.22 **Improvement of the tertiary road network in rural productive areas, Tucumán (US\$25.6 million).** The purpose of this project is to improve 13 sections of rural roads that cover nearly 225.2 km, directly benefiting 1,244 agricultural holdings

and a resident population of 6,220. This project will also strengthen the public and private management capacity for operating and maintaining the provincial network of tertiary roads.

2.23 **Food and agriculture quality**, *Mendoza (US\$1.9 million)*. The purpose of this project is to incorporate approximately 3,000 small and medium-sized producers into quality management systems in the food and agriculture chain.

2.24 **Rural connectivity**, *Mendoza (US\$1 million)*. The purpose of this project is to give approximately 8,900 rural residents access to public services, productive information, and online training through the use of information and communications technologies. Twenty information and training centers will be financed, and the operation will be carried out by rural civil society organizations during the execution period.

D. Cost and financing

2.25 The total cost of the program will be US\$750 million, with financing from the CCLIP of US\$600 million and an execution period of 10 years. The first operation under the line will be for US\$250 million, with Bank financing of US\$200 million. The financing and local counterpart contribution will be allocated as follows:

Table 1
Cost and financing (in thousands of U.S. dollars)

Categories	IDB	Local	Total	(%)
A. Engineering, management, and supervision (CEU)	7,500	2,500	10,000	4.0%
B. Direct costs	190,500	27,000	217,500	87.0%
1. Rural infrastructure and services	160,000	27,000	187,000	74.8%
2. Food and agriculture businesses	30,500	0	30,500	12.2%
a) Support for chain competitiveness	20,000	0	20,000	8.0%
b) Support for cluster interventions	10,500	0	10,500	4.2%
C. Associated costs	2,000	0	2,000	0.8%
Audit, evaluation, and monitoring	2,000	0	2,000	0.8%
D. Finance charges		20,500	20,500	8.2%
1. Interest		20,000	20,000	8.0%
2. Credit fee		500	500	0.2%
3. Inspection and supervision fee				
Total cost	200,000	50,000	250,000	100%
Distribution of financing by source (%)	80%	20%	100%	

2.26 Indirect costs associated with *engineering, management, and supervision (US\$10 million) finance*: (i) CEU operating costs, including strengthening of the project management area in economic terms and creation of the Environmental and Social Unit (ESU); (ii) preinvestment expenses for projects eligible for program financing (US\$1.4 million) and supervision expenses for projects in execution;

(iii) hiring of evaluators and contracting of an independent inspection of the supply chain projects; and (iv) hiring of independent consultants to verify adoption of the measures set forth in the project management plans.

III. IMPLEMENTATION

A. Borrower and executing agency

- 3.1 The borrower will be the Argentine Republic. The executing agency will be the Agriculture, Livestock, Fisheries, and Food Secretariat (SAGPyA), under Argentina's Ministry of the Economy and Production (MECON), which has delegated responsibility for implementation of the program to the central executing unit (CEU).

B. Implementation and management

- 3.2 The implementation framework includes a central coordination body (the Investment Programming Committee (IPC) presided over by SAGPyA); the CEU; and provincial bodies (Liaison Units, Provincial Financial Management Units, and PEUs).

1. Program leadership

- 3.3 The program's lead agency will be the IPC, chaired by the Secretary of Agriculture, Livestock, Fisheries, and Food, and comprised of five members appointed by the Secretary. The IPC's function will be to accept or reject the profiles for specific public sector programs and/or projects that are presented to PROSAP for financing, and to evaluate their relevance in light of the program's objectives and the "Provincial Strategy for the Food and Agriculture Sector".

2. Central executing unit

- 3.4 The CEU is responsible for leading, coordinating, managing, and supervising the program's technical, human, and financial resources. To that end, it has an Executive Coordinator, five operating areas (Public Project Management, Private Project Management, Administration and Finance, Management Control, and Institutional Relations), and four advisory units or staff (Legal Advisory, Internal Control, Monitoring and Evaluation, and the ESU). The Executive Coordinator reports directly to the Secretary of Agriculture, Livestock, Fisheries, and Food. The institutional capacity assessment concluded that the CEU's human resource needs would be determined by a study of the processes and procedures included in the reformulation of the existing Administrative Procedures Manual. The changes in functions involve bringing together project preparation and execution in a single area. **Application of the revised duties and staffing of the CEU in accordance with the terms of reference agreed with the Bank will be a condition precedent to the first disbursement of the loan.**
- 3.5 The CEU's main responsibilities are to: prepare the budget and ensure the local counterpart contribution; prepare the AWP and procurement plans; prepare and

verify disbursement requests; supervise work and offer legal and administrative support to the subexecuting agencies in procurement processes; pay contractors and suppliers; coordinate all of the program activities with each province and other beneficiaries; monitor and evaluate the project and program activities; and commission the external audit and serve as a counterpart for it. In order to perform these activities, the CEU will have a staff of technical and administrative professionals hired with Bank financing.

3. Implementation units at the provincial level

- 3.6 Three provincial entities with different responsibilities will implement PROSAP: the Liaison Units, Provincial Financial Management Units, and PEUs. Each province must determine the administrative level of the entity responsible for serving as the executive and administrative liaison with the CEU-PROSAP (Liaison Unit). The Liaison Units coordinate and supervise formulation and implementation of the provincial programs and/or projects. Consequently, they are the lead agencies for implementation of PROSAP at the provincial level. The Provincial Financial Management Units are responsible for administrative, accounting, and financial coordination for program implementation.
- 3.7 For each program and/or project, the provincial authorities will designate a PEU. The institutional capacity of the proposed unit must be evaluated during program and/or project formulation. Likewise, as a condition precedent to the first disbursement for each program and/or provincial or regional project, the executing units must: (i) have been established or strengthened, as appropriate; (ii) have signed the necessary agreements to determine the powers, obligations, and responsibilities of each institution participating in implementation of the program and/or project; and (iii) have taken the necessary measures to ensure implementation of the environmental mitigation and/or supervision plans of any programs and/or projects that require them.

4. Execution of private financing

- 3.8 The innovative projects and private initiatives that receive NRCs to promote supply chains will be executed by the beneficiary companies and/or agents sponsoring coordination within the agribusiness chains, in accordance with the business plans approved by the CEU and the contracts signed by SAGPyA and the beneficiaries. The projects that comprise the cluster initiatives program will be implemented in accordance with the provisions of the program Operating Regulations.

5. Institutional strengthening for implementation

- 3.9 In order to strengthen implementation at both the central and provincial levels, an institutional strengthening plan will be financed for the CEU and for the provincial entities. The content of that plan is described in paragraph 2.7. **Presentation to the Bank by the executing agency of the CEU strengthening plan and the terms of reference to formulate a plan for building provincial capacities in the design of agricultural strategies and the formulation, preparation, implementation, and**

monitoring of projects will be a condition precedent to the first disbursement of the loan. As an execution condition, within 12 months after the effective date of the loan contract, the executing agency must provide evidence that at least 50% of the provinces benefiting from PROSAP either have sufficient institutional capacity to execute the program or, if not, have an Institutional Capacity Building Plan.

C. Operating Regulations

3.10 The Operating Regulations contain the terms and conditions that will govern program implementation, including: the duties and responsibilities of each area of the CEU and interagency coordination mechanisms; eligibility criteria for program financing; procurement criteria and procedures; and the procedures and responsibilities for the project cycle and planning. During the analysis, a draft of the Operating Regulations was reviewed and recommendations were formulated for it to be finalized. **Entry into force of the Operating Regulations, their annexes, and the Environmental Manual will be a condition precedent to the first loan disbursement. The Bank's written consent will be required to modify those documents.**

1. Eligibility criteria for participating provinces

3.11 A province will be eligible to participate in PROSAP if it meets the following requirements:

- a. Adoption of a "Provincial Strategy for the Agricultural Sector" with a horizon of at least 10 years. This document must be approved by resolution of the highest sector authority in the province. It must also be consistent with provincial and national sector policies.
- b. Provincial law in effect to authorize borrowing with PROSAP resources and available capacity at the authorized level.
- c. Demonstrated compliance with specific fiscal responsibility legislation (Law 25917/2004 and regulatory decree 1731/2004) in order to sign the Subsidiary Lending Framework Agreement, which establishes the conditions for onlending to the provinces. The framework agreement is executed with the first project to be financed.
- d. Authorization from the Undersecretariat for Provinces of MECON's Finance Secretariat.
- e. Once the above conditions have been met and the eligibility conditions established for a given project, the province and SAGPyA sign the specific Subsidiary Lending Agreement for each project.

2. Eligibility criteria, project cycle, and studies

3.12 In all cases, the following *general eligibility criteria* must be met and steps completed by the projects to be considered and financed by the program:

- a. *Formulation.* The project profile must be presented by the provinces or the SAGPyA agencies, using the forms provided during SAGPyA's calls for proposals. It must also be consistent with the sector's food and agriculture policies, with the Provincial Strategy for Food and Agriculture Development, and be in one or more of PROSAP's areas of intervention. However, for project approval, the province must meet the eligibility requirements set forth in paragraph 3.11. Project profiles that meet these requirements must be given priority and approved by the IPC. Once the profile is approved, the preinvestment proposal is prepared (this may be financed with program funds), and the province forms the project team.
- b. *Documentation, review, requirements, and terms.* The technical, legal, institutional, financial, social and environmental, and economic feasibility studies must be satisfactorily completed prior to being approved by the CEU and must have the Bank's no objection. The Operating Regulations include specific requirements for each type of infrastructure works and services: irrigation, roads, energy, health, technical assistance, land titling, commercial development, and food and agriculture businesses. The deadlines are also established for the various phases of the loan preparation and approval process.
- c. *Cost recovery.* The project must generate sufficient resources to defray O&M costs for the works and a reasonable proportion of the capital costs.
- d. *Operation and maintenance.* Once construction is completed, the works must be operated and maintained in their respective provinces by organizations with sufficient sustainable institutional capacity. That function may be the responsibility of a governmental institution, a concession to a public utility, or an organization of users, as appropriate.
- e. *Environmental sustainability.* The project must be sustainable from an environmental and social standpoint, which means it must avoid: (i) permanent adverse impacts on protected areas; (ii) adverse impacts on endangered species; (iii) adverse environmental impacts that cannot be adequately mitigated to acceptable levels; and (iv) social costs that are considered by the affected communities to be unacceptable and/or unmitigatable.
- f. As part of environmental feasibility, the project must comply with applicable environmental legislation in the respective province and with the Bank's policies on relevant issues. Accordingly, each project must: (i) have completed an environmental study based on the applicable impact classification (A, B, or C); (ii) have a management plan that includes environmental mitigation, compensation, and control measures for the construction and operation phases of the systems, and, where applicable, specific measures: to protect historical and cultural heritage, for involuntary resettlement, and/or mitigation of adverse impacts on indigenous populations;

and (iii) include all costs of executing the respective environmental management plan in the project budget.

- 3.13 *Operational and financial sustainability.* In the case of infrastructure and service projects, one fundamental criterion for eligibility will be presentation by the respective province of a sustainability management plan that in each case considers the existence of an enterprise or entity responsible for the project that is operationally and financially sustainable; aspects related to recovery of O&M costs; selection of appropriate technology for the project; increase in the efficiency ratios for the process; and promotion of user organization. **A special condition for eligibility of the program's infrastructure projects will be submittal of a management plan that ensures they are operationally and financially sustainable.**

D. Technical and environmental inspection

- 3.14 A firm will be hired to provide support in inspection of the works and equipment. Engagement of consulting services under the terms agreed with the Bank for the inspection of civil and electromechanical works and the program's social and environmental mitigation and compensation programs must be completed prior to signing contracts for the works. For its part, the ESU must monitor the PEUs in supervising compliance by contractors with the Environmental and Social Management Plan, as well as oversee the programs for environmental monitoring of projects. That supervision will also include periodic visits to a sampling of projects in the provinces and formulation of recommendations to improve execution of the project's actions.

E. Operation and maintenance of works

- 3.15 To the extent possible, responsibilities for operation and maintenance of the works will be assumed by organizations of beneficiaries. Each transfer of works to beneficiaries or user associations will be based on a specific agreement that determines the obligations, responsibilities, and rights of the different groups and entities involved in the transfer. Consequently, as a condition for receiving the works and/or improvements to works financed by the program, the entities will be obligated to provide the CEU and the Bank with an annual operation and maintenance plan for the facilities. That obligation will continue for 10 years after the works have been completed.

F. Procurement

- 3.16 Goods and services will be procured with program resources in accordance with the Bank's policies set forth in documents GN-2349-7 and GN-2350-7, "Policies for selection and contracting of consultants financed by the IDB" of August 2006. PROSAP will use international competitive bidding (ICB) for goods valued at US\$500,000 equivalent or more, and for works valued at US\$5 million or more. PROSAP will contract services in excess of US\$200,000 by international open calls for proposals.

- 3.17 **Procurement plan.** In accordance with the Bank's procurement policies, the borrower must submit a procurement plan for approval by the Bank that details the following for each project in the sample: (i) specific contracts for works, goods, and consulting services required to carry out the project during the initial period of at least 18 months; (ii) the methods for selecting consultants; (iii) proposed methods for procuring works and goods; and (iv) applicable procedures for review by the Bank (in accordance with the provisions of the aforementioned GN documents).

G. Revolving fund

- 3.18 The program's revolving fund will be for up to US\$20 million, equivalent to 10% of the Bank's financing. That amount is justified by the need for timely transfers to the provinces, which involve complex administrative procedures that, if they were not to occur, would impede efficient execution of the loan. The Bank's disbursements will be used to replenish the revolving fund up to the agreed level. In exceptional circumstances and when duly justified, the Bank may make direct disbursements at its discretion. Semiannual reports to the Bank must report on the status and sufficiency of the revolving fund.

H. Accounting records and disbursement control

- 3.19 In accordance with the current regulations of the national government established by MECON, the CEU must open specific, separate bank accounts to manage the resources from the Bank loan and from the local counterpart contribution. The CEU will also be responsible for the financial accounting of transactions and disbursements during the implementation phase, and maintenance of the program's financial information.
- 3.20 **Approval of the AWP for 2008 is a condition precedent to the first disbursement of the loan.** The AWPs must be submitted to the program's management for consideration before being presented for approval by the Bank, which must occur during the last quarter of the preceding year.

I. External audit

- 3.21 The external audit will be performed by auditors acceptable to the Bank in accordance with the requirements of documents AF-100 and AF-300, based on the terms of reference previously agreed with the Bank (document AF-400). The program's annual audited financial statements are to be presented within 120 days of the fiscal year-end. The closing financial statements are due within 120 days of the last disbursement. The audit costs will be included as part of the cost of the program and will be financed with the loan proceeds.

J. Disbursement timetable

Table 2
Tentative timetable of annual loan disbursements

Source	2008	2009	2010	2011	Total	%
IDB	50	75	50	25	200	80%
Government of Argentina	10	15	15	10	50	20%
Total	60	90	65	35	250	100%
%	24%	36%	26%	14%	100%	

K. Monitoring and evaluation

- 3.22 **Monitoring system:** During the four years of program execution, the current Monitoring, Evaluation, and Management Information System will remain in use. **Implementation of the module for monitoring project preparation will be a condition precedent to disbursement of more than 10% of the loan proceeds.**
- 3.23 **Progress reports.** The CEU is to present semiannual reports to the Bank on the progress of the program within 60 days after the end of each six-month period. The logical framework (see Annex I) includes the indicators and means of verification that will be used for monitoring and presentation of progress reports on each project. During the last quarter of each year, the CEU will present the AWP for the following year to the Bank for approval. Those reports will enable the Bank to monitor the program and will supply sufficient information to update the Project Performance Monitoring Report (PPMR) System.
- 3.24 **Midterm and final evaluation.** As part of the monitoring and evaluation system, the CEU must present: **(i) a midterm evaluation report, when 50% of the loan proceeds have been disbursed and (ii) a final evaluation report, 30 days after 90% of the loan proceeds have been disbursed.** The evaluation reports will examine the program's progress in terms of the institutional capacity of the CEU and the provincial organizations; the program's progress in each of the investment and service areas: coverage of irrigation works, roads, and electricity, and efficiency in their management; recovery of O&M costs and strengthening of the operational and financial sustainability of the executing agencies; strengthening of user associations and the effectiveness of technical assistance programs for beneficiaries; and progress in strengthening food and agriculture supply chains and the cluster component in terms of investments and jobs created. The CEU will gather and make available all information, indicators, and parameters necessary to prepare the project completion report (PCR).

IV. FEASIBILITY AND RISKS

A. Institutional feasibility

- 4.1 The work done by the CEU in all aspects inherent to projects with international financing allows us to conclude that it has adequate experience to carry out the

proposed works. Additionally, the institutional feasibility of the CEU has been analyzed by applying the Institutional Capacity Assessment System (ICAS). The results of the ICAS suggest significant progress and good results in terms of planning, execution, and control capacities. An analysis of the three groups of ICAS systems (programming, execution, and follow-up) concludes that the CEU of PROSAP is significantly developed (SD) and presents low risk (LR). Aspects to be strengthened were: formulation and monitoring of AWP, formulation and evaluation of investment projects, development of procurement plans and training of subexecuting agencies in the Bank's new procedures, and creation of an Integrated Management Information System.

- 4.2 Institutional capacity at the provincial level will be strengthened through support that will be offered through resources for the Institutional Capacity Building Plans in the areas of agricultural strategies and project formulation, preparation, implementation, and monitoring.

B. Financial feasibility

- 4.3 The proposed financing framework for the program includes involvement of the provincial governments with the necessary counterpart resources, and of the national government in the case of management expenses for the CEU and for national projects. For provincial projects, a framework comprised of the following ensures provincial capacity and fulfillment of their obligations: law to authorize borrowing and requirements for the transfer of funds and financing conditions that will be established for each project in the Subsidiary Lending Agreement between the national government, through SAGPyA, and the respective provincial government. Experience with PROSAP shows that the provinces have complied with their counterpart obligations.

- 4.4 **Financial feasibility of the projects.** One aspect that was given attention in program design and the analysis of the projects in the sample was identification and implementation of the actions necessary for the financial and operational sustainability of the infrastructure and service projects. This entails strengthening management of: organizations of irrigation and drainage system users; consortiums of road builders or provincial entities responsible for maintaining rural roads; and electricity distributors, together with cooperatives responsible for operating the rural networks. An analysis was also made of their financial position in recent periods, considering whether current levels of operating income were sufficient to sustainably finance O&M costs. In the case of the analysis of the financial sustainability of the three rural electrification projects in the sample (Chaco, Mendoza, and Misiones), it was determined that the provinces have taken, or are planning to take, effective measures to ensure the financial and operational sustainability of the systems. In the case of irrigation projects in the sample, the analysis determined that the projects have been designed such that users pay the O&M expenses, based on the crop yield. In the case of the roads project, the necessary modifications were made to ensure funding for the maintenance and repair of the secondary and tertiary road networks.

- 4.5 In order to ensure the financial and operational sustainability of each infrastructure project, a requirement to be eligible for financing is presentation of, and agreement to implement, a *management plan*, which identifies commitments to: maintain an operating profit; strengthen user organization and participation in system operation and maintenance; and increase system efficiency ratings.

C. Economic feasibility

- 4.6 In all, the program is expected to directly or indirectly benefit approximately 200,000 agricultural holdings and a rural population of around one million people through them becoming involved in agricultural activities as producers or labor, thus contributing to the generation of exports, and through giving them access to infrastructure and support services.

1. Cost-benefit analysis

- 4.7 Economic feasibility is based on the cost-benefit analyses for each of the projects selected for implementation, applying the most appropriate methodologies to estimate their economic internal rate of return (EIRR). In order to complete the economic assessment, market prices were corrected to adjust for taxes and withholdings, both at the level of inputs and outputs. The results are as follows:
- a. **Achalco irrigation project.** The project was evaluated at both market prices and social prices, corrected for both inputs and outputs. The benefits were calculated by comparing the value of production flows generated by the increase in crop production and the increase in surface area irrigated under the project, with current values. The studies estimated an EIRR of 32%.
 - b. **Los Sauces River irrigation project (Córdoba).** The incremental benefits of the project stem from the increase in crop productivity and irrigated surface area. The EIRR is 22.2%.
 - c. **Project for soil conservation and water runoff management in the Pedemontana Region (Córdoba).** The incremental benefits of the project arise from the increase in crop productivity due to a decrease in soil loss from sheet erosion, the elimination of fluctuations in water supply, and a decrease in nutrient loss. The economic assessment determined an EIRR of 21.6%.
 - d. **Water supply project for livestock raising in Río Negro.** The incremental benefits of the project are estimated based on the increase in stockyard productivity due to the supply of water with a low saline content. The EIRR is 18.2%.
 - e. **Rural electrification in productive areas (Chaco).** The benefits are derived from the impact of rural electrification works on agricultural production. Benefits attributable to the replacement of energy sources used in rural households by 888 families were also considered. The estimated EIRR is 18%.

- f. **Rural electrification project in Mendoza.** The project benefits are derived from the increased productivity of agricultural activities, better quality products, and lower operating costs. The EIRR is 26.8%.
 - g. **Rural electrification III in Misiones.** The calculation of benefits was based on an estimate of the consumer surplus due to substitution and on the increase in energy use. The estimate was based on a survey of new users. The economic prices are the long-term marginal prices calculated on the basis of combined cycle gas generation in northern Argentina. Prices for services by Electricidad de Misiones, S.A (EMSA) correspond to the economic values for both development of optimized facilities and for O&M. The EIRR is 17.4%.
 - h. **Roads for the western Pampa (La Pampa).** The project benefits are derived from estimates of cost savings in: vehicle operation due to a decrease in fleet maintenance, repair, and replacement costs; savings in kilometers traveled between the agricultural holdings and their points of sale; and savings in the costs of preserving and maintaining roads. The EIRR is 15.5%.
 - i. **Improvement of roads in productive areas (Río Negro).** The benefit is associated with improvement in the quality of fruit delivered to the bulking centers (estimated 80% decrease in losses), with a higher proportion of fruit being classified as export-grade. The EIRR is 20%.
 - j. **Improvement of the tertiary road network in rural productive areas in Tucumán.** The estimated benefits are associated with impacts on production. The project will also help reduce transportation costs for inputs and outputs. In some areas, transport costs to points of sale will be reduced. The EIRR is 25.3%.
 - k. **Food and agriculture quality project for Mendoza.** The project's incremental benefits arise from an increase in exportable products for approximately 1,000 farms, representing 7% of total farms that grow products benefiting from the project. The EIRR is 25%.
 - l. **Project for rural connectivity of Mendoza.** The project benefits were estimated considering savings in transportation costs and time, and an increase in potential incomes for the target population due to higher productivity as a result of training. The EIRR is 27%.
- 4.8 For nonreimbursable contributions, three cases were evaluated showing favorable financial internal rates of return (FIRR): (i) a honey extraction and bottling plant in Bahía Blanca (FIRR 27%); (ii) production, extraction, and fractioning of monofloral organic honey of certified quality (FIRR 39%); and (iii) a plan corresponding to a peanut value chain (FIRR 18%).

2. PTI/SEQ analysis

- 4.9 This operation does not qualify as a social equity enhancing project, as described in the indicative targets for Bank activities contained in the report on the Eighth General Increase in Resources (document AB-1704). This operation does not

qualify as a poverty-targeted investment (PTI) because at least 50% of the beneficiaries do not belong to low-income groups.

D. Social and environmental feasibility

- 4.10 **Social and environmental feasibility of the credit line:** An institutional environmental assessment was made that included an analysis of the environmental legal/institutional framework, the institutional capacity of the executing agency and of the subexecuting agencies in environmental management, and the performance of those entities with respect to execution of the environmental and social elements of projects financed under PROSAP I. The main recommendations of the analysis that were incorporated into the design of the program include: (i) strengthen the ESU by hiring environmental specialists, and provincial executing agencies to prepare and conduct environmental plans and studies for their projects; (ii) support beneficiaries in applying environmental monitoring and tracking procedures; (iii) update environmental management and evaluation procedures and requirements to be applied to loans under the CCLIP, so that they are consistent with the country's current environmental regulations and the Bank's policies; and (iv) establish a more standardized set of environmental specifications that will form part of the bidding documents and construction contracts.
- 4.11 **Analysis of the social and environmental impact of the first loan:** Social and environmental impact studies were reviewed for a sample of 12 projects prepared in accordance with the Environmental Manual that was used for PROSAP I and revised based on Bank policy guidelines. Mitigation of the direct adverse impacts identified is largely feasible through the use of good practices in construction, management, and monitoring, both in the execution phase and during operation of the projects. Each project has an ESMP, which includes those mitigation measures, as well as monitoring and control specifications to be included in the bidding documents. The minimum content of the ESMP is defined in the revised Environmental Manual of the Operating Regulations. The projects in the sample, as well as future projects, must comply with the environmental institutional and legal framework of the corresponding province, including obtaining the required authorizations. Electronic copies of the environmental studies are available for consultation through the Bank's Public Information Center. Prior to the Bank's no objection to procure works, the provinces must present the required environmental authorizations obtained from the appropriate provincial authorities. The costs of mitigation and monitoring measures are included in the budgets for the specific projects.
- 4.12 **Public consultations:** Public consultation meetings were held in June and July 2007 in the areas benefiting from the projects in the sample, preceded by dissemination of the analysis report. At each meeting, the planned interventions for each town or region were presented, along with the results of the environmental study, and the impacts and recommended mitigation measures. The consultation and publicity procedures used are outlined in the revised Environmental Manual of the program Operating Regulations.

- 4.13 **Environmental and social management:** The management framework is structured based on a series of management mechanisms: (i) the Operating Regulations and respective Environmental Manual, which governs the execution of investments, with updated guidelines for social and environmental evaluations, including involuntary resettlement, and mitigation and control procedures, as well as for public consultations; (ii) the environmental institutional and legal framework in place at the national and provincial level; and (iii) the program monitoring and evaluation system. The institutional responsibilities for implementing the program's environmental and social management system are distributed among the three levels of execution: (i) at the central level, the CEU/ESU will play an active role in its relationship with the provincial executing agencies, strengthening its role as the promoter of good practices and sustainable development, and complementing quality control functions. The team of environmental specialists will be responsible for coordinating the activities of the other participating institutions and for integrating the results of the studies needed to make the projects feasible from an environmental and social standpoint, as well as for consolidating information on compliance with the mitigation measures in the construction contracts and operating agreements; and (ii) at the provincial level, the executing agencies are responsible for preparing and implementing the projects in accordance with the requirements set forth in the Operating Regulations, ensuring compliance with the mitigation measures included in the construction contracts and operating agreements, and following up on the project's monitoring actions, in accordance with the procedures established in the Operating Regulations and agreed in the respective ESMP.
- 4.14 The ESU will be an integral part of the technical committee for project evaluation in analyzing project eligibility, and will coordinate with the other units of the CEU and provincial executing agencies in order to ensure compliance with environmental procedures, and opportunities to make project designs more sustainable. The Environmental and Social Management Report (ESMR) consolidates the results, conclusions, and recommendations of the institutional analysis and of the social and environmental evaluation for the first loan.

E. Special considerations and risks

- 4.15 The main risk of the program, albeit to a lesser extent than in the initial phase, is the institutional weakness of most of the provincial governments for managing the different phases of the project cycle. In order to help mitigate this problem, the various phases of the program include ways to effectively organize and involve agricultural producers and service users, transferring operation and management responsibilities to them, while simultaneously offering funding to strengthen their organization. The program also includes implementation of Institutional Capacity Building Plans for the provinces in agricultural strategies and project formulation, preparation, implementation, and monitoring.

PROVINCIAL AGRICULTURAL SERVICES PROGRAM – PROSAP II (AR-L1030)
LOGICAL FRAMEWORK

Narrative summary	Indicators	Means of verification	Important assumptions
A. Goal			
Contribute to development of the food and agriculture sector by increasing competitiveness and agricultural exports in regional economies.	1.1 The percentage of exports corresponding to the food and agriculture sector is maintained. 2005 baseline: 33.4%. 1.2 Growth in total productivity of factors in the agricultural sector increases to 2.5% over the next eight years. Baseline: 2.35% (1980-2001).	<ul style="list-style-type: none"> • Statistics from the National Statistics and Censuses Institute of Argentina (INDEC) and the central bank • Food and Agriculture Organization (FAO) statistics and indices 	
B. Purpose			
Foster a sustainable increase in coverage and quality of the rural economic infrastructure and food and agriculture services.	By the end of the first operation under the credit line: 1.1 Expenditures on agricultural institutions as a percentage of agricultural GDP increase by 0.5%. Baseline: 1.4% in 2005. 1.2 The number of rehabilitated hectares increases by 40,300, corresponding to 3,300 irrigation system users. Baseline: 1.7 million ha in 2001. 1.3 The number of productive agricultural holdings with access to a network of rehabilitated rural roads increases by 9,000. Baseline: 300,000 (2002). 1.4 The number of agricultural holdings with access to energy for productive use increases by 6,750. Baseline: 400,000 dwellings (2001).	<ul style="list-style-type: none"> • Reports from the central executing unit (CEU) and the Ministry of the Economy (MECON) • Midterm and final evaluation reports 	<ul style="list-style-type: none"> • Favorable macroeconomic policies for agricultural production and exports

Narrative summary	Indicators	Means of verification	Important assumptions
	<p>1.5 100% of provinces in the program have implemented Institutional Capacity Building Plans. Baseline: 50% the first year.</p> <p>1.6 The value of sales for 320 agricultural holdings increases by 30% as a result of implementation of business plans that received nonreimbursable contributions (NRCs).</p> <p>1.7 12 new cluster initiatives and 6 existing clusters are consolidated. Baseline: 6 clusters being consolidated.</p>		
C. Areas of intervention			
<p>1. Infrastructure and services</p> <p>1.1 Carry out projects to enhance the quality and coverage of rural electricity service that is financially sustainable and complies with regulatory requirements.</p> <p>1.2 Carry out projects to enhance the quality and coverage of rural roads, while ensuring ongoing, satisfactory maintenance.</p>	<p>1.1 By the end of year 4: (i) an additional 5,100 km of lines have been laid or upgraded to increase capacity; (ii) 20 cooperatives have been strengthened.</p> <p>1.2 By the end of year 4: 2,369 km have been rehabilitated in the network of provincial rural roads.</p>	<ul style="list-style-type: none"> • For all infrastructure and service areas: (i) reports from the CEU; and (ii) midterm and final evaluation reports • Reports from provincial and municipal authorities in charge of electricity services, roads, irrigation, and agricultural services 	<ul style="list-style-type: none"> • The provinces have the necessary institutional capacity to plan food and agriculture development and to formulate, implement, and monitor projects. • There is effective coordination between the CEU and provincial agencies, and between the latter and users of the works and services (irrigation and road consortiums, electricity service cooperatives, service providers).

Narrative summary	Indicators	Means of verification	Important assumptions
<p>1.3 Carry out projects dealing with irrigation infrastructure and efficient and sustainable water resources management.</p> <p>a. Rehabilitate six irrigation projects and other water resource use and management projects in the five regions.</p> <p>b. Strengthen and consolidate irrigation consortiums in order to operate the irrigation system efficiently and create technology transfer schemes.</p> <p>1.4 Carry out projects to offer sustainable and competitive services that support agricultural production.</p>	<p>1.3a By the end of year 4: 236 km of irrigation channels have been rehabilitated and 273 km of water supply lines are installed.</p> <p>1.3b By the end of the program: 10 consortiums have received support to perform a diagnostic assessment and assume a collaborative work strategy, and management capacity in their organization has increased.</p> <p>1.4 10,000 agricultural producers benefit from the different projects, classified by type of service offered: technology, health, information, and land titling.</p>		
<p>2. Food and agriculture line of business</p> <p>2.1 Carry out projects to develop agricultural cluster initiatives.</p> <p>2.2 Carry out projects to promote investments in supply chains.</p>	<p>2.1 400 agricultural holdings, agribusiness enterprises, and service providers have benefitted from cluster interventions.</p> <p>2.2 250 agricultural holdings and agribusiness microenterprises have received NRCs and strengthened their supply chains.</p>	<ul style="list-style-type: none"> • Reports from the CEU • Reports from the CEU 	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION

Argentina. Conditional Credit Line to Support the Provincial Agricultural
Services Program
(PROSAP II)

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreement or agreements as may be necessary with the Argentine Republic, to establish a Conditional Line of Credit to support the provincial agricultural services program (PROSAP II), hereinafter referred to as the "Credit Line", of up to the sum of US\$600,000,000, chargeable to the resources of the Single Currency Facility of the Ordinary Capital of the Bank.
2. That the establishment and utilization of the Credit Line shall be carried out in accordance with: (a) the objectives and regulations of the Conditional Credit Line for Investment Projects established by Resolution DE-58/03 of July 16, 2003 and amended by Resolution DE-10/07 of January 31, 2007; and (b) the specific provisions set forth in document GN-2246-4.
3. That the approval of individual operations, chargeable to the Credit Line, shall be subject, with the exception of the first of such operations, to the satisfactory performance of the previous program or programs financed under the Credit Line.
4. That the amounts authorized to finance individual operations chargeable to the Credit Line shall be granted as individual loans subject to the usual financial terms and conditions applicable to financing from the resources of the Single Currency Facility of the Bank's Ordinary Capital, in force at the time that the individual operation is approved. Such terms and conditions shall be specified in the executive summary of the corresponding loan proposal.
5. That the Bank may only sign an agreement or agreements with the Argentine Republic to grant financing for the first individual operation after the Credit Line agreement or agreements between the Argentine Republic and the Bank enter into force.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION

Argentina. Individual Loan ____/OC-AR to the Argentine Republic
Utilization of the resources of the Conditional Line of Credit for
Investment Projects established by Resolution DE-_/08
Provincial Agricultural Services Program
(PROSAP II)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to utilize the resources of the Conditional Line of Credit for Investment Projects approved pursuant to Resolution DE-_/08, by entering into such contract or contracts as may be necessary with the Argentine Republic, as Borrower, for the purpose of granting it a financing for an individual operation for cooperating in the execution of the provincial agricultural services program (PROSAP II). Such financing will be in the amount of up to US\$200,000,000, from the resources of the Single Currency Facility of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.