

Document of
The World Bank

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Report No: PAD1187

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$58.76 MILLION

TO THE

ARGENTINE REPUBLIC

FOR A

FORESTS AND COMMUNITY PROJECT

March 6, 2015

Environment and Natural Resources Global Practice
Latin America and the Caribbean Region

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CURRENCY EQUIVALENTS

Exchange Rate Effective

February 26, 2015

Currency Unit = Argentine Peso (ARS)

ARS8.750 = US\$1.00

AR\$1.00 = US\$0.114

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

CDD	Community Driven Development
COFEMA	Federal Environmental Council (<i>Consejo Federal de Medio Ambiente</i>)
CPS	Country Partnership Strategy
DIME	Development Impact Evaluation Initiative
EMF	Environmental Management Framework
FAO	Food and Agriculture Organization
FAO/WB-CP	Cooperative Programme of the FAO of the United Nations and the World Bank
FM	Financial Management
GoA	Government of Argentina
Ha	Hectares
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICF	Integrated Community Framework
INTA	National Institute of Agricultural Technology (<i>Instituto Nacional de Tecnología Agropecuaria</i>)
INTI	National Institute of Industrial Technology (<i>Instituto Nacional de Tecnología Industrial</i>)
INAI	National Indigenous Affairs Institute (<i>Instituto Nacional de Asuntos Indígenas</i>)
IP	Indigenous People
IPP	Indigenous Peoples Plan
IPPF	Indigenous People Planning Framework
IRR	Internal Rate of Return
JGM	Chief of the Cabinet of Ministers (<i>Jefatura de Gabinete de Ministros</i>)
LEU	Local Executing Unit (<i>Unidades Ejecutoras Locales</i>)
MAGyP	Ministry of Agriculture (<i>Ministerio de Agricultura, Ganadería y Pesca</i>)
M&E	Monitoring and Evaluation
NAF	Family Agriculture Unit (<i>Núcleo de Agricultores Familiares</i>)
NEA	North East of Argentina

NEU	National Executing Unit (<i>Unidad Ejecutora Nacional UEN</i>)
NGO	Nongovernmental Organization
NOA	North West of Argentina
NPV	Net Present Value
NTFP	Non Timber Forest Products
OM	Operational Manual
OTBN	Forest Land Use Zoning (<i>Ordenamiento Territorial de Bosques Nativos</i>)
PDO	Project Development Objective
PIC	Integrated Community Plan (<i>Plan Integral Comunitario</i>)
PFMS	Permanent Forest Cover Monitoring System
PHRD	Policy and Human Resources Development Fund
PROSOBO	Social Forestry Program (<i>Programa Social de Bosques</i>)
REDD	Reducing Emissions from Deforestation and Forest Degradation
RDA	Rural Development Agents (<i>Agentes de Desarrollo Rural ADR</i>)
SACVEFOR	Forest Administration, Control and Verification System (<i>Sistema de Administración, Control y Verificación Forestal</i>)
SAyDS	Secretariat of Environment and Sustainable Development (<i>Secretaría de Ambiente y Desarrollo Sustentable de la Jefatura de Gobierno de Ministros</i>)
SAF	Secretariat of Family Agriculture (<i>Secretaría de Agricultura Familiar del MAGyP</i>)
SAT	Deforestation and Forest Degradation Early Warning System
SBD	Standard Bidding Document
SFLMM	Sustainable Forest Landscape Management Model
SFP	Small-scale Forest Producer
SIDIF	Federal Government Integrated Budget and Accounting System (<i>Sistema Integrado de Información Financiera</i>)
SORT	Systematic Operations Risk-Rating Tool
UMSEF	Forest Management Evaluation Unit
UNDP	United Nations Development Program
UN-REDD	United Nations collaborative initiative on Reducing Emissions from Deforestation and Forest Degradation (REDD)
USD	United States Dollars
WBG	World Bank Group

Regional Vice President:	Jorge Familiar
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Task Team Leader:	Peter Jipp

ARGENTINA
Forests and Community Project (P132846)

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PAD DATA SHEET

Argentina

Forests and Community Project (P132846)

PROJECT APPRAISAL DOCUMENT

LATIN AMERICA AND CARIBBEAN REGION

Environment and Natural Resources Global Practice

Report No.: PAD1187

Basic Information			
Project ID P132846	EA Category B - Partial Assessment	Team Leader(s) Peter Jipp	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 01-Jul-2015	Project Implementation End Date 29-May-2020		
Expected Effectiveness Date 01-Jul-2015	Expected Closing Date 30-Nov-2020		
Joint IFC No			
Practice Manager/Manager Emilia Battaglini	Senior Global Practice Director Paula Caballero	Country Director Jesko S. Hentschel	Regional Vice President Jorge Familiar
Borrower: Argentine Republic			
Responsible Agency: SAyDS - Secretariat of Environment and Sustainable Development			
Contact: Telephone No.: 11-5 235-0764	Ruben Manfredi	Title: Email: rmanfredi@ambiente.gob.ar	National Project Coordinator
Project Financing Data (in USD Million)			
[X] Loan	[] IDA Grant	[] Guarantee	
[] Credit	[] Grant	[] Other	
Total Project Cost:	61.06	Total Bank Financing:	58.76
Financing Gap:	0.00		

Financing Source		Amount			
Borrower		2.30			
IBRD		58.76			
Total		61.06			
Expected Disbursements (in USD Million)					
Fiscal Year	2016	2017	2018	2019	2020
Annual	6.15	12.5	15.0	15.0	10.11
Cumulative	6.15	18.65	33.65	48.65	58.76
Institutional Data					
Practice Area (Lead)					
Environment & Natural Resources					
Contributing Practice Areas					
Urban, Rural and Social Development; Agriculture					
Cross Cutting Areas					
[X] Climate Change					
[] Fragile, Conflict & Violence					
[X] Gender					
[] Jobs					
[] Public Private Partnership					
Sectors / Climate Change					
Sector (Maximum 5 and total percent must equal 100)					
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %	
Agriculture, fishing, and forestry	Forestry	80	10	10	
Agriculture, fishing, and forestry	General agriculture, fishing and forestry sector	20	10	10	
Total		100			
<input type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.					
Themes					
Theme (Maximum 5 and total percent must equal 100)					

Major theme	Theme	%
Social dev/gender/inclusion	Gender	20
Social dev/gender/inclusion	Indigenous peoples	20
Rural development	Rural non-farm income generation	20
Rural development	Rural services and infrastructure	20
Environment and natural resources management	Other environment and natural resources management	20
Total		100

Proposed Development Objective(s)

The Project Development Objective (PDO) is to improve forest management; and increase access to markets and basic services by small forest producers (including indigenous people and *campesinos*) in selected Northern Provinces.

Components

Component Name	Cost (USD Millions)
Sustainable Livelihoods	41.69
Natural Forest Management and Civil Society	0.64
Skills Development and Technology Transfer	7.40
Forest Monitoring	6.66
Project Management and Impact Monitoring	2.22

Systematic Operations Risk- Rating Tool (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Substantial
8. Stakeholders	Substantial
OVERALL	Substantial

Compliance			
Policy			
Does the project depart from the CAS in content or in other significant respects?		Yes []	No [X]
Does the project require any waivers of Bank policies?		Yes []	No [X]
Have these been approved by Bank management?		Yes []	No []
Is approval for any policy waiver sought from the Board?		Yes []	No [X]
Does the project meet the Regional criteria for readiness for implementation?		Yes [X]	No []
Safeguard Policies Triggered by the Project		Yes	No
Environmental Assessment OP/BP 4.01		X	
Natural Habitats OP/BP 4.04		X	
Forests OP/BP 4.36		X	
Pest Management OP 4.09		X	
Physical Cultural Resources OP/BP 4.11		X	
Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12		X	
Safety of Dams OP/BP 4.37			X
Projects on International Waterways OP/BP 7.50			X
Projects in Disputed Areas OP/BP 7.60			X
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Project Management and Impact Monitoring	X		Continuous
Description of Covenant			
Provision of support for the technical and administrative coordination of the Project, including the hiring of consultants to staff the NEU and LEUs as stated in the Legal Agreement, Schedule I, Part E, 1.			

Conditions			
Source Of Fund	Name	Type	
IBRD	UNDP Agreement	Effectiveness	
Description of Condition			
Legal Agreement, Article 5.01 (a) UNDP Agreement has been executed in a manner satisfactory to the Bank.			
Source Of Fund	Name	Type	
IBRD	Retroactive financing	Disbursement	
Description of Condition			
Legal Agreement Schedule 2, Section IV, B.1. No withdrawal shall be made for payments made prior to the date of the signed Legal Agreement, except that withdrawals up to an aggregate amount not to exceed \$1,600,000 may be made for payments made prior to that date but on or after January 15, 2015, for Eligible Expenditures.			
Team Composition			
Bank Staff			
Name	Role	Title	Unit
Peter Jipp	Team Leader (ADM Responsible)	Sr Natural Resources Mgmt. Spec.	GENDR
Gustavo Adrian Canu	Procurement Specialist	Procurement Specialist	GGODR
Luz Maria Meyer	Financial Management Specialist	Financial Management Analyst	GGODR
Diana Rodriguez-Paredes	M&E	Consultant	GENDR
Daniel Charles Miller	Proxy Indicators	Sr Forestry Specialist	GENDR
Maria Alejandra Bouquet	Land Tenure	Rural Development Specialist	GSURR
Fabiola Altimari Montiel	Counsel	Senior Counsel	LEGLE
Lilian Pedersen	Safeguards Specialist	Consultant	GSURR
Pablo Francisco Herrera	Biodiversity	Consultant	GENDR
Ricardo Larrobla	Safeguards Specialist	Consultant	GENDR
Extended Team			
Name	Title	Office Phone	Location
Dino Francescutti	Agricultural Economist		Rome
Hans Thiel	Senior Forestry Officer		Rome

Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Argentina	Chaco	Provincia del Chaco	X		
Argentina	Salta	Provincia de Salta	X		
Argentina	Santiago del Estero	Provincia de Santiago del Estero	X		
Argentina	Misiones	Provincia de Misiones	X		
Argentina	Jujuy	Provincia de Jujuy	X		

I. STRATEGIC CONTEXT

A. Country Context

1. **After rebounding from the economic crisis of 2002, Argentina has been one of the top two performers in the Latin America and Caribbean region in reducing poverty and sharing the gains of rising prosperity by expanding the middle class.**¹ Total poverty (measured at US\$4 per day) declined from 31.0 percent in 2004 to 10.8 percent in 2013, while extreme poverty (measured at US\$2.50 per day) fell from 17.0 percent to 4.7 percent.² Income inequality, measured by the Gini coefficient, fell from 50.2 in 2004 to 42.5 in 2012. Argentina's poverty rate and Gini coefficient are among the lowest in the region. At the same time, the middle class in Argentina grew by 68 percent between 2004 and 2012, reaching 53.7 percent of the population.

2. **Nonetheless significant regional disparities persist with respect to poverty and access to basic services.** The gap between regions has grown since the 2002 crisis, with Patagonia far outpacing the Northeast and Northwest regions. The Northern region provinces have poverty rates two to three times higher than the national average and lag behind the rest of the country in social services and basic infrastructure. The illiteracy rate there is three times higher than the national average and more than a third of the population has unsatisfied basic needs. Disparities also exist within provinces. Rural areas have lower levels of access to basic services such as education, health, roads, and water, constraining them in terms of levels of economic and social development and ultimately limiting their ability to participate in economic activities. Improving basic services in impoverished rural communities is critical for human capital formation and building pathways out of poverty.

3. **Indigenous people are one of the largest and most vulnerable groups of rural poor in Argentina.** Indigenous people (2.5 percent of the population) are present in all provinces of Argentina but more so in the northern provinces of Salta, Jujuy, Chaco, Formosa, Santa Fe, and Tucuman.

4. **Today, more than 40 percent of the Argentine population remains at risk of falling into poverty.**³ Three challenges stand out for the poor and vulnerable population. First, the greatest vulnerability to poverty arises in periods of economic crises or prolonged sluggish growth, which reduce employment and earnings and limit the ability of the Government to finance social programs that directly support the poor. Second, although Argentina is a broadly inclusive society, endowments and opportunities continue to vary for different groups in society and across regions. Poverty risks are highest among those with limited access to, and command of, human and basic infrastructure assets. Third, Argentina's economy depends on natural capital, and environmental degradation represents a significant cost to the economy, threatening livelihoods, especially for the poorest rural households that are dependent on these resources.

¹ Unless otherwise specified, poverty data in this paragraph are from: Socio-Economic Database for Latin America and the Caribbean (CEDLAS and World Bank).

² Poverty measured at US\$1.25 per day declined from 6.3 percent in 2004 to 1.3 percent in 2012.

³ Those considered "vulnerable" to falling into poverty in the event of an adverse shock constitute those living on US\$4 to-US\$10 per day. In 2012 that figure was 33 percent of Argentina's population, with another almost 10.9 percent already living in poverty; hence the "more than 40 percent" above. The vulnerability measure is mono-dimensional and does not include non-monetary poverty indicators.

5. **Strong economic growth over the last decade was accompanied by rising macro imbalances.** Key macroeconomic challenges include the existence of inflationary pressures, deficits in fiscal and current accounts, and limited international reserves. Argentina has relatively modest fiscal and current account deficits, as well as low public sector debt to gross domestic product. Nonetheless, given the limited access to international capital markets, they create pressures on the economy. These imbalances need to be resolved in order to avoid unwanted effects on the medium-term sustainability of the gains in equity and development achieved during the last decade. In this regard, the GoA has recently implemented various public policy interventions aimed at resolving key macroeconomic imbalances. It must be noted, however, that continued and consolidated efforts are required for achieving the desired results.

B. Sectoral and Institutional Context

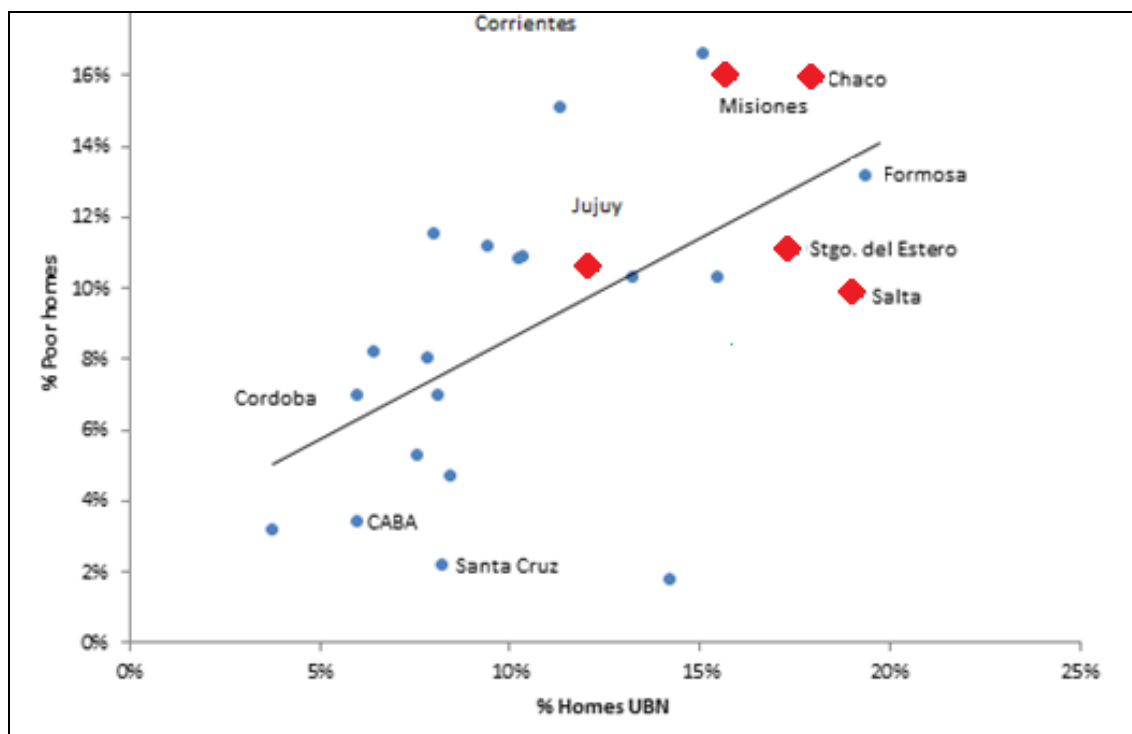
6. **Most deforestation in Argentina takes place in the fragile Chaco Ecoregion.** Between 2006 and 2011 more than 1.5 million ha of natural forest were destroyed, with conversion to agriculture and uncontrolled (often illegal) forest exploitation causing deforestation at a rate of 1.2 percent per year. Biodiversity has been lost, soil and water resources have been degraded, and carbon emissions have increased. The Chaco Ecoregion occurs in twelve Argentinean provinces and covers a total area of 21.7 million hectares and produces around 90 percent of all natural forest products in Argentina (mainly poles, tannin, firewood and charcoal).

7. **Poverty and limited development options are driving deforestation.** The four provinces (Chaco, Salta, Santiago del Estero and Formosa) that make up 88 percent of the Chaco Ecoregion have some of the highest levels of unmet basic needs and poverty nationwide (Figure 1). In the most critical areas (and the target Departments for the proposed project), approximately 80 percent of the population are indigenous people and 30 percent of households have unsatisfied basic needs (see Annex 5, Table 5.1 and Table 5.2). These communities are disproportionately dependent on forest products for their livelihoods, consuming more than 50 percent of the total fuel wood in the country. Their livelihoods are frequently subsistence based, and eight out of ten rural households in these areas⁴ use wood or charcoal to cook their food.

8. **The cornerstone of the GoA's efforts to address deforestation is the Forest Law 26.331.** The Forest Law (*Ley de Presupuestos Mínimos de Protección Ambiental de los Bosques Nativos, 2007*) provides a framework to control deforestation, promote land use zoning (*Ordenamiento Territorial de Bosques Nativos; OTBN*), implement sustainable forest management and strengthen collaboration between the national and provincial forest administrations. This law also established a Forest Fund, to provide public resources to provinces to promote sustainable use of forests and provide payment for environmental services. Annually, for the past six years, the GoA has transferred approximately US\$55 million to the Forest Fund. While below the expected amount (see Figure 2.1; Annex 2), the magnitude and consistency of these transfers demonstrates the GoA's commitment to forest conservation. Nonetheless, enormous challenges remain in reducing deforestation in the Chaco Ecoregion.

⁴ A multivariable study to define areas of highest social and environmental criticality in the Chaco was undertaken during preparation. See annex 2, and Determinación de Áreas Críticas Forestales en el Parque Chaqueño, SAyDS, Diciembre 2011.

Figure 1: Poverty and Unmet Basic Needs Are Highest in the Chaco Ecoregion (2010)



Source: World Bank computations using data from Population Census 2010 and “Encuesta Permanente de Hogares,” 2010

9. **Translating the *Forest Law* into action requires broadening access to Forest Fund resources as well close coordination between national, provincial and local level stakeholders to improve Fund performance.** The recent GoA decision to remove restrictions requiring formal tenure to access Forest Fund resources has generated an opportunity to increase the share of fund resources flowing to poor people (particularly indigenous and *campesino*) who were previously excluded due to their unclear tenure status. Furthermore, the 2013 Auditor General review of the Forest Fund highlighted improved access for indigenous people to resources and institutional coordination among national, provincial and local actors as key to improving Forest Fund performance.

10. **Rationale for the World Bank’s Involvement.** The World Bank is uniquely placed to assist the Government’s proposed program to alleviate poverty by improving access to Forest Fund resources and encouraging sustainable forest and land management and climate resilient small scale agriculture. The World Bank and the Food and Agriculture Organization (FAO) have a twenty-year working relationship in forestry conservation, agriculture and demand-driven sustainable development in Argentina. The proposed Project complements and builds on a robust ongoing program that includes: (a) the *Sustainable Natural Resources Management Project* (P100806); (b) the recently approved Reducing Emissions from Deforestation and Forest Degradation (*REDD*) *Readiness Preparation Grant* (TF019086, P120414) that supports Argentina’s efforts to mitigate climate change and access forest carbon markets; and (c) the companion *Rural Corridors and Biodiversity Project* (GEF, P114294, pipeline) that protects vulnerable natural areas and conserves biological diversity including in the Chaco Ecoregion.

Box 1: Building On a Longstanding Partnership in the Forestry Sector

The Bank has supported improved forest management in Argentina and worked closely with the Government for the past two decades. Since 1995, the focus of the Bank's efforts has been on improving the design and implementation of publically financed forestry programs, helping to increase their effectiveness, efficiency, and inclusiveness. During this period our focus has gradually shifted toward greater emphasis on secure access to natural resources and livelihood opportunities for vulnerable forest dependent communities.

The Argentina *Forestry Development Project* (P006040; approved October 1995) was designed to enhance the competitiveness of forest plantations and plantation-based industries through policy, legal and regulatory reform, and by strengthening public sector institutions, applied research, and extension programs. Under this project three draft laws were developed and a plan and agenda for their implementation were designed, the country's first national plantations inventory was completed, and the first tree-seed certification system in Latin America was established.

The *Native Forests and Protected Areas Project* (P040808; approved September 1996) made substantial progress implementing its PDO, contributing to the preparation of the *Forest Law* (26.331), implementing a national forest inventory, planning for modernization of the National Parks Agency (APN); and investing in infrastructure and capacity building in four high visibility parks in Patagonia, despite challenges posed by the economic crisis (2001-2003).

Through the ongoing *Sustainable Natural Resources Management Project* (P100806; approved March 2008) the Bank has reinforced it's working relationship with all three of the key institutions responsible for managing and protecting forest resources in Argentina including the Ministries of Agriculture (UCAR), Tourism (National Parks) and Environment (SAyDS). Support to forest dependent communities living in productive forest landscapes and in National Parks expanded and policies supporting the inclusion of indigenous communities in National Park management planning were adopted.

The proposed *Forests and Community Project* (P132846) represents a continuation of the successful historic pro-poor engagement in the forestry sector and it will also strengthen the implementation of the Forest Law and improve the performance of the Forest Fund. Creation of the Forest Fund in Argentina has set an important international standard linking regular annual financing for sustainable forest management to international agricultural exports but Fund performance must improve to ensure continued and expanded support at national and sub-national levels.

C. Higher Level Objectives to which the Project Contributes

11. **The proposed project supports the World Bank Group's (WBG) twin goals of reducing extreme poverty and increasing shared prosperity in a sustainable manner.** It will contribute to poverty reduction by targeting poor people in a poor region: indigenous and *campesino* populations, lower income producers, and isolated rural communities in the North of Argentina. Additionally, by piloting an approach to climate resilient production systems and improving access to incentive payments for forest management for smaller land-holders, the project will also provide a contribution to shared prosperity and sustainable development.

12. **The proposed Project is closely aligned with the Country Partnership Strategy (CPS) FY15-18** for the Argentine Republic (Report No. 81361-AR), discussed by the Executive Directors on September 9, 2014. The proposed Project is aligned with the CPS' strategic theme of "Reducing Environmental Risks and Safeguarding Natural Resources" and contributes to the CPS Result: "Improving natural forest cover in the Chaco Ecoregion"; and "reducing

deforestation by 50 percent in critical areas in targeted provinces”. The proposed Project is also aligned with CPS cross-cutting portfolio management indicators related to increasing the share of WBG financing directed to low-income geographic areas (through the focus on indigenous and *campesino* communities in Northern Argentina), governance (introducing systems to detect illegal felling and transport of timber), and gender (through gender mainstreaming and disaggregated data collection).

II. PROJECT DEVELOPMENT OBJECTIVES (PDO)

A. PDO

13. The Project Development Objective is to improve forest management and increase access to markets and basic services by small forest producers (including indigenous people and *campesinos*) in selected Northern Provinces.

Project Beneficiaries

14. *Target groups.* The project will focus on forest dependent communities initially in the critical vulnerable areas of the Chaco Ecoregion. The primary target groups include small and medium sized forest owners and communities, mainly of indigenous and *campesino* origin, 70 percent of whom live below the poverty line. Thirty percent of households have unsatisfied basic needs (see Annex 5, table 5.1). More than eighty percent of the project beneficiaries are indigenous peoples, belonging to nine different groups (including: *Qom, Wichí, Mocoy, Vilela, Tonocé, Mbyá guaraní, Ava guaraní, Tupi Guaraní* and *Kolla*). These groups generally lack opportunities and access to finance that would allow them to escape poverty by, for instance, adopting improved production and processing of wood and non-wood products and accessing markets. These groups disproportionately suffer from food insecurity, insecurity of land tenure, and low levels of education and organization.

15. The Project is expected to have approximately 150,000 beneficiaries distributed as follows: (a) 10,000 families (50,000 estimated beneficiaries of which 80 percent or more are indigenous and half of whom are women; in approximately 250 communities) mainly Small-scale Forest Producers (SFP) participating in designing and implementing integrated management plans and income generating sub-projects; (b) 100,000 beneficiaries participating in communication and training programs including families of SFP, public administrators, and service providers at federal, provincial, and departmental levels.

16. *Project area.* Consistent with the CPS, the project area will include regions characterized by both high levels of rural poverty with high concentrations of SFP and indigenous peoples. Accordingly, the initial area of intervention will include pre-selected departments in three provinces in the Chaco Ecoregion (Chaco, Salta, and Santiago del Estero) but the area is expected to expand to include poor communities of SFP in Misiones and Jujuy Provinces during implementation.⁵ Land tenure strengthening activities under the project will initially be piloted in a more limited area, with possible expansion considered during the mid-term review, taking

⁵ More details are provided in Annex 5. Targeted area including pre-selected Departments and poverty statistics are included in (Table 5.1).

into consideration implementation results and lessons generated from a parallel Policy and Human Resources Development Fund (PHRD) financed Land Governance Dialogue.

PDO Level Results Indicators

17. Progress towards the achievement of the project objective would be measured using the following PDO level results indicators:⁶

- a) People in targeted forest and adjacent communities with increased monetary or non-monetary benefits from forest (disaggregated by gender and ethnic minorities);
- b) Increased share of Forest Fund resources allocated to small forest producers;
- c) Share of target households with improved access to basic services; and
- d) Small forest producers reporting improved access to markets.

III. PROJECT DESCRIPTION

A. Project Components

18. **Component 1: Sustainable Livelihoods** (IBRD US\$41.69 million). This component would improve the livelihood of small forest producers and promote sustainable forest landscape management, with special emphasis on the Chaco Ecoregion, through:

- (a) the preparation of Integrated Community Plans (“PICs”), including: (a) the carrying out of forest landscape management planning, mapping, and consultations to produce PICs in approximately two hundred and fifty communities; and (b) the identification and design of activities to be included in PICs;
- (b) the implementation of PICs, including (a) the provision of technical assistance to two hundred and fifty communities to support the implementation of PICs; and (b) the carrying out of activities under the PICs, including forest management planning; enhanced resilience and productivity of agricultural and livestock management; forest and agricultural product processing and packaging; land tenure strengthening activities and pilots; the installation of wells for potable water and rain water harvesting systems; and the installation of alternative energy and wood energy systems (including improved wood stoves and improved charcoal kilns);
- (c) the design and implementation of subprojects.

19. Forest management plans prepared under this component will be considered for certification and for financing under the Project and/or under the national Forest Fund created by the Forest Law 26.331.

20. **Component 2: Natural Forest Management and Civil Society** (IBRD US\$0.64 million). This component would support carrying out of a national forest and climate awareness campaign to expand and maintain support for the implementation of the Forest Law through the establishment and/or expansion of existing community radio stations in approximately fifty locations to distribute information locally (in Spanish and/or in native languages) on sustainable

⁶ The Results Framework (Annex 1) provides detailed information of the target values for these PDO indicators and additional intermediate indicators.

natural resources management, climate resilience and indigenous rights.

21. **Component 3: Skills Development and Technology Transfer** (IBRD US\$7.40 million). This component would finance strengthening the technical, managerial skills of: (i) indigenous and *campesino* community members; (ii) small forest producers; and (iii) technical service providers and extension agents working in the Selected Northern Provinces, through the provision of short training courses including both classroom and community level instruction and financing of scholarship grants. The training delivered under this component will cover project related topics; such as, sustainable forest management, improved production, climate resilient agricultural and livestock production, value addition and tenure security. Short training courses will be delivered through both classroom and community level instruction. Classroom instruction will be delivered to both community members and Rural Development Agencies (RDA) staff and others involved in project related service delivery. Instruction of service providers will include sharing experience among RDA and implementing agencies across provinces, improving communication with local communities, accessing land tenure security services, and accessing funds for sustainable forest management.

22. **Component 4: Forest Monitoring** (IBRD US\$6.66 million). This component would support the expanding SAYDS technical and institutional capacity to manage forest information and monitor changes in forest cover, including: (i) the expansion of coverage of the forest administration, control and verification system to ten Selected Northern Provinces; (ii) the establishment of a national deforestation and forest degradation early warning system, and (iii) the establishment and monitoring of a national grid of permanent sample plots.

23. **Component 5: Project Management and Impact Monitoring** (US\$4.52 million, of which: GoA US\$2.30 million and IBRD US\$2.22 million). This component would finance: (i) provision of support for the technical and administrative coordination of the Project, including the hiring of consultants to staff the NEU and LEUs, (ii) development of an impact evaluation system to identify changes in outcomes directly attributable to Project activities and (iii) development and implementation of a grievance redress mechanism to identify and resolve Project related grievances.

24. The impact evaluation is expected to help identify strengths and weaknesses in the design and implementation of existing policies and regulations related to forest management and forest tenure in Argentina and inform future decisions and regulatory revisions including during project implementation.⁷

B. Project Financing

25. *Lending Instrument:* The proposed lending instrument is an Investment Project Financing of US\$58.76 million over a five-year period.

26. *Project Cost and Financing.* The estimated total Project cost is US\$61.06 million and its financing is presented in Table 1. As shown, more than 80 percent of the IBRD financing will be invested in indigenous and *campesino* communities under components 1, 2 and 3.

⁷ The World Bank. 2009. Making Smart Policy: Using impact Evaluation for Policy Making.

Table 1: Project Cost and Financing (US\$ million)

Project Component	Total Cost	Government	IBRD Financing	
			Amount	% of cost
1: Sustainable Livelihoods	41.69	0.00	41.69	100
2: Natural Forest Management and Civil Society	0.64	0.00	0.64	100
3: Skills Development and Technology Transfer	7.40	0.00	7.40	100
4: Forest Monitoring	6.66	0.00	6.66	100
5: Project Management and Impact Monitoring	4.52	2.30	2.22	31
<i>Front-end Fee</i>	<i>0.15</i>	--	<i>0.15</i>	100
Totals	61.06	2.30	58.76	96

C. Lessons Learned and Reflected in the Project Design

27. Lessons applied to the design of activities proposed in the current Project include: Regarding the improvement of rural livelihoods and local communities' sustainable management of forests, lessons from projects implemented in Mexico and Northeast Brazil include: (i) poorer communities can be reached through an operational strategy that emphasizes mobilization, organization (strengthening local institutions) and training from the outset to ensure equitable access to benefits, (ii) quality of technical assistance is as important as its financing, (iii) beneficiaries' participation at all stages of project cycle is essential, and (iv) market and value chain analysis to identify and target market opportunities for productive subprojects is key.

28. Multiple service providers delivering support for project activities requires a high degree of coordination among agencies operating in remote communities. In particular, experiences in Mexico and Indonesia have demonstrated that this coordination can improve economic outcomes. Project design incorporates this global experience in both lending and supervision including an explicit effort to transfer knowledge through the Global Practices.

29. Clear land rights are known to be important for conserving and managing natural forests. The *Socio Bosque* program in Ecuador paid titled forest owners for the conservation of forest and highlighted weak tenure as the main factor limiting participation. In several countries insecure tenure and land 'grabbing' contributed to uncontrolled expansion of commercial agriculture.⁸ Efforts to secure indigenous land rights in northwest Ecuador showed the importance of working with local communities. A key element in the process was training community *paralegals* on legal aspects of land formalization, natural resource management and conflict resolution.⁹

30. Regarding *improved woodstoves*, the project incorporates successful experiences from Central America¹⁰ and Peru. Key lessons include: (i) promulgate standards for stoves

⁸ Naughton-Treves, L. and C. Day. eds. 2012. Lessons about Land Tenure, Forest Governance and REDD+. Case Studies from Africa, Asia and Latin America. Madison, Wisconsin: UW-Madison Land Tenure Center.

⁹ Ibid.

¹⁰ Energy Sector Management Assistance Program (ESMAP)- The World Bank. What have we learned about household biomass cooking in Central America?

disseminated to ensure quality control, (ii) pilots help identify potential problems with selected cook stove model functioning and use, and (iii) monitoring and providing training on proper construction and use of cook stoves is important to improve results.

31. The Monitoring and Evaluation (M&E) framework incorporates recommendations from the Independent Evaluation Group (IEG) review of the Bank's Forests Strategy and subsequent Committee on Development Effectiveness (CODE) report (2013) by including short-term proxy indicators to measure anticipated long-term impacts of: (i) increased flow of public finance to smallholders and (ii) strengthened tenure on sustainable management of forests by communities in the project area.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

32. **Implementing Agency.** The project will be implemented by the National Secretariat of Environment and Sustainable Development (SAyDS) under the Chief of Cabinet. During implementation of the preparatory activity (Argentina Sustainable Natural Resources Management- P100806) SAyDS established a National Executing Unit (NEU) in Buenos Aires integrated into its line functions.

33. **Project Management.** GoA has already identified an Executive Coordinator responsible for oversight of the Project who will recruit individual thematic specialists to act as managers for each of the four technical components. By utilizing administration and management capacity, systems and procedures established during implementation of P100806, initial costs and time frame for launching the project should be greatly reduced. Overlap is expected between incoming NEU staff and members of the team that designed the proposed Project. The NEU will include M&E, safeguards, accounting, and procurement specialists and administrative assistants.

34. **Technical Implementation.** Local Executing Units (LEU) in the eight selected departments will include one specialist in charge of each of the following technical areas: (a) Community Forest Management, (b) Participatory Land Use Planning (PICs), (c) Land Tenure and Rights Strengthening, and (d) Marketing of Forest and NTFP. One of the specialists will act as coordinator in each LEU. LEU's will also include administrative and M&E support officers (see Organogram Annex 3, Figures 3.2 and 3.3). Component 1 will be implemented in close collaboration with national, provincial and local Rural Development Agencies (RDA) that already work with targeted indigenous and *campesino* communities in the Project area. Selected RDAs will include public agencies, non-governmental organizations, and academic institutions.

35. **Consultation Committees.** Each LEU will work closely with local institutions to address forest, tenure, social development, and indigenous peoples' issues. To facilitate information exchange and coordination a Local Project Consultation Committee (LPCC) will be set up in each Department with representatives from communities, local agencies, NGOs, and other relevant actors. Project Consultation Committee shall include Indigenous Peoples (IP) and *Campesino* organization representatives.¹¹

¹¹ Based on early results from MIC consultations in January 2015, Organization representatives asked to be included in decision making processes.

B. Results Monitoring and Evaluation

36. The results framework (Annex 1) details performance indicators by component and sub-component¹². Monitoring and evaluation efforts will include (a) biannual progress reports with performance indicator updates and (b) a project-specific impact evaluation designed in consultation with the Development Impact Evaluation Initiative (DIME).¹³ SAyDS has gained experience reporting on progress during the ongoing operation (P100806) however with a greater number of field activities and a larger number of implementation partners, SAyDS will need to rely more on Local Executing Units (LEU) and ensure that they follow established methodologies for reporting progress. An M&E strategy has been included in the Operational Manual (OM) and an M&E specialist will be providing support and capacity development at all levels (Organogram Annex 3, Figure 3.3). The implementing agency was involved in the development of the results framework and plans to collect disaggregated data on gender and ethnicity.

37. M&E reports, including environmental and social monitoring results, will be produced quarterly at the LEU level, and every six months at the NEU level. The data collected at the field level would be consolidated and analyzed at the LEU level and consolidated by the NEU for reporting and feedback. Annual evaluation and impact monitoring reports will facilitate adaptive management, allowing for the identification of issues and lessons that could help adjusting the operational strategy. The format and content of the annual monitoring report are defined in the Project Operational Manual. The mid-term review of the Project would occur no later than 30 months after effectiveness.

C. Sustainability

38. The proposed project design will increase the availability of key technical and managerial skills at both departmental and community levels and address shared prosperity by improving small-producers' access to financial resources for sustainable forest management (through links to the Forest Fund). Adoption of a community driven approach ensures that beneficiary communities will acquire skills needed to advocate for improved natural resources management and access forest management funding through provincial authorities on an ongoing basis, after project completion, through the Forest Fund. Engaging a number of RDAs will contribute to inter-agency coordination and cooperation and spread the implementation burden across participating institutions allowing selected provinces and departments to meet a wide range of beneficiary needs (land tenure, water, and resilient agriculture). Investments in forest monitoring, early warning systems, and community radios are expected to increase public awareness and cooperation with GoA's efforts to manage natural resources sustainably.

¹² Requirements of core and citizen engagement indicators are included as well as disaggregation by gender and ethnic minorities.

¹³ The proposed project Impact Evaluation Design was presented for consideration by the Development Impact Evaluation (DIME)/Department for International Development (DIFD) impact evaluation program.

V. KEY RISKS

A. Overall Risk Rating Explanation

39. The overall risk rating for the proposed project is Substantial. Political and governance risk is rated Moderate as local political events and administration cycles could negatively impact project progress. While macroeconomic imbalances have increased over the past years and Argentina has been experiencing a mild contraction, the potential impact of macroeconomic risk on the achievements of the project's development objective is moderate. Limited counterpart financing is envisaged and no counterpart financing difficulties were experienced during the previous project. Sector strategies and policies risk is rated Moderate as the Forest Law provides a solid framework for implementation at both national and subnational levels. Technical design is rated Substantial as the project builds upon a successful prior operation but includes a range of new implementation partners and project activities will be implemented in a larger geographic area. Institutional capacity for implementation and sustainability is rated Substantial; measures to mitigate this risk include capacity building activities and strengthening the National Executing Agency (NEU) and establishing eight additional Local Executing Agencies (LEU). Fiduciary risks are rated Substantial. Although SAYDS has gained experience during the previous operation, the decision was taken to hire UNDP to act as financial agent for transactions exceeding a value of US\$10,000. Finally, stakeholder risk is rated Substantial, given the participation of a multiple provinces and federal institutions and the focus of the program on poor isolated and predominantly indigenous communities.

VI. APPRAISAL SUMMARY

A. Financial and Economic Analysis¹⁴

40. **Economic Analysis.** The project is expected to generate significant tangible and intangible economic benefits, including: (i) additional income generated from forest products (mainly timber, poles, firewood and charcoal), non-timber forest products and livestock; (ii) improved ecosystem services including biodiversity conservation, landscape integrity and the conservation of cultural identities; and (iii) improved micro-climate and carbon sequestration. Economic analysis undertaken during preparation (Wood and Cassino, 2013) characterized six groups of Small-scale Forest Producers (SFP), all of whom engage in silvo-pastoral livestock production with herds between 20 and 80 head, including cattle, goats and other small animals. The forest area used by the SFPs to harvest wood and non-timber forest products range from 200 to 850 ha. Analyzed SFPs had annual incomes below the poverty line (AR\$12,500-21,700) and generally consume 40-55 percent of their own production (subsistence).

41. Based on the assessed typology of producers and on documentation prepared during the previous project, five multiple use forest management models were developed and evaluated. The *without project* situation reflected current land use practice where uncontrolled land use and forest exploitation bears no relation to the sustainable productive capacity of the forest. The *with-project* situation harvesting follows a management plan which limits harvesting to the annual

¹⁴ See Annex 6.

sustainable productive capacity of the forest, but it also aims to diversify the number of products.

42. With an annual discount rate of 15 percent (the opportunity cost of capital), an evaluation period of 20 years, and using 2013 costs and prices, four of the five models produced substantial returns. The only exception is the wood-fired electricity model, which generates a return close to the annual discount rate. The highest returns were obtained from the forest management model, which considers production of dried, sorted and packaged fire-wood for retail and supermarkets. All models included family farm investments for increased production of cattle and goats (essentially improved water availability, improved pastures or cattle management infrastructure) and improved cook-stoves, which significantly reduce family labor for wood gathering. In summary, the Economic IRR for the project was 31 percent internalizing avoided deforestation, and the Financial IRR was 23 percent, excluding avoided deforestation. The expected Economic Net Present Value (NPV) would be around US\$44 million.

43. **Financial and Fiscal Analysis.** The financial analysis shows that an investment of US\$43/ha over five years could raise annual net income from US\$6/ha without project to US\$31/ha with project. The NPV of increased tax revenues would be US\$14 million which partially compensates the public investment of GoA on this project (around 22 percent of project cost). Employment increased (mainly family labor) by 490 person-years equivalent. A sensitivity analysis showed that returns were sensitive to environmental benefits. In the event that the environmental benefit of avoided forest over exploitation is not achieved, the Economic Internal Rate of Return (IRR) would be around 7 percent. Leaving aside environmental benefits, with project production levels of wood products could be reduced by 30 percent while the overall project Economic IRR would still be above 18 percent. This analysis confirms that the project is both economically attractive for society as a whole and financially viable for the beneficiaries.

B. Technical

44. Given that rural poverty is a driving force of forest degradation, the project preparation adopted a poverty-focused approach, with sustainable forest and land management and climate resilient small scale agriculture being used as poverty alleviation tools. To maximize project impact, critical areas were identified, the livelihood strategies of forest dependent communities were analyzed, and viable, socially acceptable sustainable forest and land management models were developed.

45. During implementation forest and land management plans prepared by communities with specialist support will undergo technical review to carefully consider viability and associated opportunity costs before being incorporated into Integrated Community Plans (PIC). Sub-project investments will be identified and screened through the PIC process to evaluate economic returns and equity aspects. Topic-specific training (both classroom and *in situ*) will be made available to build organizational and implementation capacity at the community level. Key investments, for instance, in improved water supply or dendro-energy will be delivered as a package including materials, technical training and advice delivered by RDAs with demonstrated expertise.

C. Financial Management

46. Although the majority of activities will be implemented by the Secretariat of Environment and Sustainable Development (SAyDS, which is the main project implementing

agency and overall coordinator), the project will also entail transfer of funds to a wide range of entities, some of which may have low administrative capacity, including the following:

- a) National Agencies with a Rural Development mandate (National RDAs) who will implement some of the project activities.
- b) Local Executing Units (LEU)¹⁵ who will use the funds for the payment of small administrative expenditures.
- c) Communities which will implement sub-projects¹⁶ under component 1.

47. Due to the above, the project will require considerable administrative coordination so as to ensure that the flow of funds and information is done under an adequate level of control. The SAyDS will sign implementation agreements with the recipient of funds, which will include specific clauses aimed at ensuring that the resources are managed under sound financial management practices. SAyDS will report on the use of funds consolidating all financial information following norms and documentation standards specified in the Operational Manual (OM). The conclusion of the assessment is that the proposed FM arrangements are acceptable to the Bank. The FM action plan includes: preparing the terms of reference for the financial external audit, agreeing on the format for the project's financial reports, reviewing the project OM including a FM section, and hiring additional staff as appropriate for the National Executing Unit.

D. Procurement

48. The procurement activities for all components will be carried out at national level by the National Executing Unit (NEU; SAyDS), which is familiar with Procurement requirements of the Bank, due to its previous experience in executing P100806. A Bank assessment of SAyDS capacity will be conducted in advance of appraisal. The assessment exercise will identify risk factors that may potentially affect project implementation and propose mitigation measures.

49. The Procurement Plans for the first eighteen months, including all project components, were reviewed during negotiations. The Procurement Plan will be updated in agreement with the Bank Team every three months or as required to reflect the actual Project implementation needs and improvements in institutional capacity. Given the nature of the operation, there is no expected need for international competitive bidding (see also Annex 3).

E. Social (including Safeguards)

50. **Social Assessment.** The Social Assessment was prepared based on: experience and lessons learned from projects in Argentina (including SAyDS Social Forestry Program – PROSOBO) and other client countries; available secondary information from provincial and national levels; field visits to indigenous and *campesino* communities in Santiago del Estero and Salta Provinces; and targeted project preparation studies including a socio-economic study of 20 Indigenous People (IP) and *Campesino* communities; a detailed institutional assessment; and a study on Land Tenure in project provinces.¹⁷ Based on the Social Assessment, social safeguard policies triggered include: **Indigenous Peoples** (OP/BP 4.10) and **Involuntary Resettlement**

¹⁵ The LEUs are located in the eight departments in which the project is expected to operate.

¹⁶ The amount of these subprojects will be under US\$10,000.

¹⁷ Referenced studies (in Spanish) are available in the project files.

(OP/BP 4.12). The environmental safeguard policies triggered by the project include; **Environmental Assessment** (OP/BP 4.01); **Natural Habitats** (OP/BP 4.04); **Pest Management** (OP/BP 4.09); **Physical Cultural Resources** (OP/BP 4.11) and **Forests** (OP/BP 4.36).

51. Project activities will be implemented through demand driven plans and subprojects developed by beneficiaries during implementation. As potential impacts can only be identified once the project is running an Integrated Community Framework¹⁸ (ICF) was prepared to detect potential negative impacts of project activities and make sure mitigation actions are consistent with the social safeguards policies of the Bank. The ICF includes an Indigenous People Planning Framework (IPPF), a Resettlement Policy Framework (RPF) and a Process Framework (PF). Expected positive impacts of the project include: increased monetary and non-monetary benefits from forest; health improvement from the use of clean and efficient wood stoves, and strengthened land tenure security. Negative impacts such as restrictions on use of natural resources or involuntary resettlement are not expected, however related safeguard instruments were prepared in order to identify and maximize positive impacts and to minimize or avoid negative impacts on beneficiaries. Opportunities to mainstream gender into planning, decision making, implementation and monitoring were identified and incorporated into the ICF and the project Results Framework.

52. **Consultation.** The draft ICF was distributed for public consultation in January 2015. Consultation included members of the *Consejo de Participación Indígena* of the five Project provinces and the *Instituto Nacional de Asuntos Indígenas* (INAI) and Indigenous Peoples' organizations from Parque Chaqueño, Selva Tucumano– Boliviana and Selva Misionera. The IP consultation addressed cultural IP diversity and included communication in distinct IP languages (*inter alia*, Wichi, Mby'a Guaraní, Avá Guaraní). Consultations were also held with *campesinos* from eight departments across the five project provinces. Consultation results were integrated in the ICF, including IP suggestions, modifications and observations. The final ICF incorporating consultation comments was published in Argentina and on the World Bank's external website on February 23, 2015.

F. Environment

53. The Project was classified as Category B, as no substantial negative environmental impacts are expected from its investments and activities. The Project is expected to generate mostly positive environmental impacts, given that its objective involves the improvement of forest management, conservation, and resilience to climate change, based on participatory community management models.

54. Given that the precise location of the Project investments will be determined during execution, an Environmental Management Framework (EMF) was prepared as part of the Environmental Assessment. The EMF requires prior screening of environmental risks through preparation of site specific Environmental Management Plans (EMP), and provides guidelines to mitigate environmental impacts. The aforementioned screening may require the development of

¹⁸ Integrated Community Framework includes all required social safeguard instruments under the safeguards policies triggered. The EMF includes all required environmental safeguard instruments under the safeguards policies triggered. For additional information on triggered Safeguard Policies see Annex 5.

additional “Supplementary Environmental Studies”.

55. In order to ensure the Terms of Reference (ToR) and final reports of such studies are acceptable to the Bank, the first two Supplementary Environmental Studies of each type will require the Bank’s no objection before the related investments are executed. At least one professional will be appointed to work exclusively on safeguards at the national level and within each LEU. When required, specific training will be provided to staff and/or Project partners to strengthen capacity to deal with safeguard issues.

56. Public consultations on the Environmental Management Framework included representatives of the Indigenous Peoples, peasants and small farmers, and local Nongovernmental Organizations (NGOs) that have previous work experience in the Project area were conducted during a period of seven weeks. The consulted stakeholders. The disclosed EMF includes comment received and responses provided during the public consultation. In relation to OP/BP 4.36, the project is fully compliant in that it will not be working in critical forest areas, aims to promote sustainable forestry, and will focus only in forest areas being exploited. The objective is to take a community driven approach to replace unsustainable forestry practice (resource mining which results in deforestation) with sustainable practices which maintain forest cover and have positive impacts on the environment.

G. World Bank Grievance Redress

57. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB’s independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank’s attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Results Framework and Monitoring
COUNTRY: ARGENTINA Forests and Community Project
Results Framework

Project Development Objective (PDO):											
<i>To improve forest management; and increase access to markets and basic services by small forest producers (including indigenous people and campesinos) in selected Northern Provinces.</i>											
PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative or Percentage Target Values**					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR 1	YR 2	YR3	YR 4	YR5			
People in targeted forest and adjacent communities with increased monetary or non-monetary benefits from forest	<input checked="" type="checkbox"/>	Number	0			20,000		50,000	YR 3 and YR5	Survey- Statistically valid sampling	NEU
Increased share of Forest Fund resources allocated to small forest producers	<input type="checkbox"/>	%	4% (2014)			6%		8%	YR 3 and YR5	SAYDS Annual Report	NEU
Share of target households with improved access to basic services	<input type="checkbox"/>	%	0			25%		50%	(annual)/ survey (mid and end)	M&E report and survey	NEU / LEU
Small forest producers reporting improved access to markets	<input type="checkbox"/>	Number	0			1,000		2,000	YR 3 and YR5	Market and producers survey	NEU / LEU
INTERMEDIATE RESULTS											
Results Indicators	Core	Unit of Measure	Baseline	Cumulative or Percentage Target Values (Years 1-5)					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR 1	YR 2	YR3	YR 4	YR5			
Component One: Sustainable Livelihoods											
Forest area brought under management plans	<input checked="" type="checkbox"/>	ha	0	0	50,000	140,000	250,000	310,000	Annual	Provincial Forest Monitoring System	LEU
Small forest producers trained in sustainable forest management, value addition and marketing.	<input type="checkbox"/>	Number	0	300	800	1,200	1,500	2,000	Annual	Activity and project reports	NEU / LEU

Forest area brought under strengthened tenure	<input type="checkbox"/>	ha	0	10.000	60.000	120.000	180.000	248.000	Annual	M&E report	NEU / LEU
Small forest producers with improved access to water for consumption and production	<input type="checkbox"/>	Number	0		2,000		5,000	6,400	Biannual	Activity and project reports	NEU / LEU
Small forest producers issued Group Certification Certificates	<input type="checkbox"/>	Number	0	10	30	50	70	100	Annual	Argentinian Forest Certification Scheme (PEFC)	NEU / LEU
Household wood consumption reduced by 25 percent with adoption of improved/clean wood stoves	<input type="checkbox"/>	Percent (%)	Defined in YR 1			25%		25%	YR 3 and YR5	Survey w/ Field test	NEU / LEU
Improved kilns increase wood to charcoal conversion by 15 percent	<input type="checkbox"/>	Percent (%)	Defined in YR 1			15%		15%	YR 3 and YR5	Survey w Field test	NEU / LEU
Small forest producers adopt climate resilient practices for agriculture and livestock production	<input type="checkbox"/>	Number	0	25	50	100	200	300	Annual	M&E reports	NEU / LEU
Households with access to electricity from clean energy sources incl.co-generation plants	<input type="checkbox"/>	Number	0	5	15	180	330	580	Annual	M&E reports	NEU / LEU
Component Two: Natural Forest Management and Civil Society											
Journalists, public opinion leaders and social communicators trained	<input type="checkbox"/>	Number	0	50	100	150	200	200	Annual	Training reports	NEU
Forest and society dissemination campaign activities completed	<input type="checkbox"/>	Number	0	Graphic material (1); Media products (4)	Graphic material (2); Media products (10)	Graphic material (3); Media products (15)	Graphic material (4); Media products (15)	Graphic material (4); Media products (15)	Annual	M&E reports	NEU
Community members trained to operate Community Radios	<input type="checkbox"/>	Number	0	50	100	200	300	400	Annual	Training reports	NEU
Community broadcasting stations equipped and operating	<input type="checkbox"/>	Number	0	0	20	35	50	50	Annual	Operating licenses	NEU

Component Three: Skills Development and Technology Transfer											
Community members trained in sustainable forest management, climate resilient agriculture/ livestock practices	<input type="checkbox"/>	Number	Zero	300	900	1,500	3,500	4,750	Annual	Scholarship agreements / M&E Reports	NEU
Service providers trained in climate resilient agriculture and livestock practices	<input type="checkbox"/>	Number	Zero	30	90	180	200	200	Annual	Training reports	NEU
Component Four: Forest Monitoring											
Deforestation Early Warning System operational	<input type="checkbox"/>	Yes/No	No	No	No	Yes	Yes	Yes	Annual	Letters of agreement with partners. M&E Reports	NEU
Permanent sample plots installed	<input type="checkbox"/>	Number	0	0	500	1,000	2,000	3,000	Annual	M&E reports	NEU
Share of volume of timber transported in participating provinces tracked by SACVEFOR	<input type="checkbox"/>	%	0	10	20	30	40	50	Annual	BND/SAYDS	NEU
Component Five: Project Management and Impact Monitoring											
Direct project beneficiaries of which female (percentage)	<input checked="" type="checkbox"/>	Number and % women	0	5,000 (20%)	25,000 (30%)	50,000 (40%)	75,000 (45%)	105,000 (48%)	Annual	Activity and project reports	NEU / LEU
Beneficiaries that feel the project investments reflected their needs	<input checked="" type="checkbox"/>	%	0			40		70	YR 3 and YR5	Survey	NEU / LEU

PDO Level Indicators	
Indicator name	Description (definition, measurement, etc.)
People in targeted forest and adjacent communities with increased monetary or non-monetary benefits from forest	Core. Disaggregated by gender (number) and ethnic minority (number). This indicator measures the extent to which local people have seen improved livelihood as a result of the project. This will cover both monetary and non-monetary benefits such as improved access to goods and services as well as income derived from sale of timber and non-timber forest products. This indicator is expected to be monitored through surveys of activities under component 1. The survey will be conducted three times; in year one to establish the baseline, at mid-term and at the end of the project. These surveys will allow the project to monitor income growth of the poorest 40 percent.
Increased share of Forest Fund resources allocated to small forest producers	This indicator measures the increase share in percentage of forest funds resources allocated to indigenous and <i>campesino</i> small holders in project provinces. The objective is to raise the share from four percent (baseline) to 8 percent which means a 100 percent increase. Reports should include resources that reach the target population at a departmental and provincial level in participating provinces and at a provincial level in provinces not included in the project. This indicator is related with forest management activities since the development of a management plan is required to apply for the fund. To improve the access to the fund is an element of sustainability as resources availability goes beyond the life of the project.
Share of target households with improved access to basic services	This indicator will report the number of households with improved access to basic services (water, electricity (including co-generation) and improved woodstoves). Information will be disaggregated into number of households with improved access to water, electricity (including co-generation) and improved woodstoves. Progress will be reported annually. In addition a survey will be done at a mid-term and the end of the project to report the satisfaction of the beneficiaries. This indicator will report to “direct forest beneficiaries” counting each member of the household as beneficiary.
Small forest producers reporting improved access	This indicator will report the number of beneficiaries reporting improved access

to markets	to markets as a result of the project. Improve access will be measured as an increase in the sale of products by beneficiaries of the project. Data will be collected through surveys in year one and at mid-term and the end of the project.
Intermediate Results Indicators	
Component One: Sustainable Livelihoods	
Forest area brought under management plans	Core. This indicator includes production and protection forests as well as other forests under sustainable management. Total production, protection and other forest areas – but not designated protected areas – for which management plans have been prepared, endorsed and are also in process of implementation, expressed in hectare (ha). Reports will be annual.
Small forest producers trained in sustainable forest management, value addition and marketing.	Disaggregated by gender and ethnic minority. This indicator will report the number of beneficiaries that participated in training activities of sustainable forest management and/or to give value to their products and market them. The report is expected to include a list of participant by training event and will be annual.
Forest area brought under strengthened tenure	This indicator includes the total forest area with strengthened tenure in hectares. Strengthened tenure includes the following activities: land tenure pilots, mapping, forest management plans, concessions and/or co-management agreements. Reporting will be annual.
Small forest producers with improved access to water for consumption and production	The unit of measure of this indicator is number of beneficiaries that receive support to improve their access to water for consumption and production as a result of the project.
Small forest producers issued Group Certification Certificates	The unit of measure is number of small producers certified. The data source would be the certificates given by the Argentinean Forest Certification Scheme (PEFC). The indicator is to be reported annually.
Household wood consumption reduced by 25 percent with adoption of improved/clean wood stoves	This indicator will be measured through tests performed in the field on woodstoves distributed by the project that are in use. A mid-term and end test will report on the indicator. A baseline will be measured in the first year. The indicator should also report on the number of woodstoves distributed (8,000

	woodstoves are planned to be distributed). A clean woodstove has a chimney or other mechanism that reduce air pollution from the use of the stove.
Improved kilns increase wood to charcoal conversion by 15 percent	This indicator will be measured through tests (performed in the field) of the kilns distributed by the project and already in use. A mid-term and end test will report on the indicator. A baseline will be measured in the first year. The indicator should also report the number of kilns distributed (300 kilns are planned to be distributed).
Small forest producers adopt climate resilient practices for agriculture and livestock production	This indicator will report on the number of beneficiaries that adopted climate resilient practices for agriculture and livestock production. Agriculture includes forestry. Annual report.
Households access electricity from clean energy sources including co-generation plants	This indicator will report on the number of households with access to alternative clean energy sources and co-generation. This indicator will report to “direct forest beneficiaries” counting each member of the household as beneficiary. Annual report.
Component Two: Natural Forest Management and Civil Society	
Journalists, public opinion leaders and social communicators trained	Disaggregated by gender and ethnicity. The unit of measure of the indicator is the number of people trained. The source of information is the list of participants of the trainings. Annual report.
Forest and society dissemination campaign activities completed	The indicator will report on the number of dissemination activities. Products will include material targeted to indigenous communities in their language. Activities include: advertising campaign in media (radio and tv) and graphic products (flyers, posters, brochures, etc) to inform civil society. Annual report.
Community members trained to operate Community Radios	Disaggregated by gender and ethnicity. The indicator will report on the number of community members trained. The source of information is the list of participants of the trainings. Annual report.
Community broadcasting stations equipped and operating	The indicator will report the number of broadcasting station equipped and operating. Annual report.

Component Three: Skills Development and Technology Transfer	
Community members trained in sustainable forest management, climate resilient agriculture/ livestock practices	Disaggregated by gender and ethnicity. This indicator will report on the number of beneficiaries that have received training (including short courses in educative centers and in situ courses) in sustainable forest management, climate resilient agriculture and livestock practices, marketing and value adding. The source of information will be scholarship agreements and M&E reports submitted on annual basis.
Service providers trained in climate resilient agriculture and livestock practices	Disaggregated by gender and ethnicity. The indicator will report on the number of service providers trained in sustainable forest management, climate resilient agriculture and livestock practices, marketing and value adding. It will also report on woodstoves, kilns, clean energy and co-generators installation and use. Training of service providers will guarantee the proper implementation of benefits and will allow a better availability of technicians to respond to a demand if needed. The source of information is the list of participants of the trainings. Annual report.
Component Four: Forest Monitoring	
Deforestation Early Warning System operational	This is a yes/no indicator. The early warning system has to be fully operative for achieving the indicator. The sources of information are the Letters of agreement with partners and annual M&E Reports.
Permanent sample plots installed	This indicator reports on the number of permanent plots installed. Annual M&E reports will be produced.
Share of volume of timber transported in participating provinces tracked by SACVEFOR	The target is that at least 50 percent of the volume of timber that is transported in participating provinces is processed and approved electronically. Information from SACVEFOR provincial reports about wood products transported. Progress will be reported annually. The number of provinces using SACVEFOR will also be reported and ten provinces are expected to be using the system at the end of the project.
Component Five: Project Management and Impact Monitoring	
Direct project beneficiaries of which female (percentage)	Core. The total number of people that are benefitted as a result of a direct intervention of the project. Disaggregated by gender and ethnicity. Reports will be annual.
Beneficiaries that feel the project investments	Core. This will measure the extent to which decisions about the project reflected

reflected their needs (percentage)	<p>community preferences in a consistent manner. Survey techniques will be used to document male and female beneficiary priorities at project outset.</p> <p>Surveys during and at the close of the project may identify respondents' satisfaction with project investments, including a specific question about the degree to which respondents felt project activities reflected their preferences (ex post). This indicator will draw on one question from a survey that sampled to be representative of beneficiaries. It is understood that a meaningful analysis of satisfaction with project outputs will require analysis of more than one question. Larger samples might be needed if project management needs to track the impact by gender, by ethnicity/language group, geography etc. (from guidelines on core indicators)</p>
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Annex 2: Detailed Project Description

1. The Project Development Objective *is to improve forest management; and increase access to markets and basic services by small forest producers (including indigenous people and campesinos) in selected Northern Provinces.* To accomplish this objective the Project will provide technical and organizational support at grass root level, build capacities within the communities to carry out sustainable forest management, climate resilient agriculture and livestock production, strengthen tenure rights, improve efficiency of wood fuel use and improve their ability to benefit from the existing national Forest Fund. The Project would also aim to strengthen institutional linkages and capacities at national and provincial levels, raise public awareness on forest related issues, and strengthen the national forest information and monitoring system to reduce the rate of deforestation, forest degradation, and illegal forest exploitation. After an initial period operating solely in the Chaco Ecoregion, the Project (following mid-term review) would expand to four additional departments (two per Province) in the *Selva Misionera* (Province of Misiones) and *Selva Tucumana Boliviana* or “*Jungas*” (Province of Jujuy).
2. The project is based on a bottom-up development approach through which Small-scale Forest Producers (SFP) will develop and implement forest landscape management plans for the territory and land they use/own. These plans, known as PICs for their acronym in Spanish (*Planes Integrales Comunitarios*), would serve to plan for the sustainable use of natural resources and identify rural development needs in each participating community (the demand). Identified needs may include: water, land tenure, agriculture, livestock, forest management and forest products. Presenting these needs in a coherent way would allow public and non-public rural development agents (RDA) and non-governmental agencies working in the area to organize their interventions (the supply) to better serve the communities. In a subset of communities, where beneficiaries are eligible to plan and execute small investment projects (eligibility criteria defined in the Operational Manual), sub- projects not to exceed US\$10,000 will be included in the PIC. Sub-project financing is expected to contribute to generating income and employment but also to provide a crucial experience-based capacity building opportunities.
3. Experience with previous projects has shown that natural forests can be managed sustainably for both wood and a variety of non-wood products and services, but that such interventions must be supported by functional institutions, especially at the local level, in order to implement land use zoning, discourage illegal forest exploitation, encroachment and uncontrolled land use change. It is also demonstrated that local communities tend to restrict their consumption of forest products when they own forest commons, thereby increasing carbon storage and improving their livelihoods (Stevens et al 2014; Chhatre and Agrawal, 2009). The aim would be to demonstrate the potential that sustainable forest landscape management has to improve livelihoods and encourage adoption of sustainable practices in other Argentinean Provinces, outside the core project area. However, a potentially significant hindrance to sustainable forest landscape management and stabilization of outmigration flows is the fact that most SFPs in the Chaco Ecoregion do not have recognized rights over land nor territory and they lack effective protection by the State.
4. The project is composed of five components:

Component 1: Sustainable Livelihoods (IBRD US\$41.69 million).

5. This component is expected to improve the livelihoods of SFPs through sustainable forest landscape management. Under this component support will be provided to improve production systems in agriculture, livestock and forests helping to secure local food supply and combat rural poverty and out-migration. In addition, legal advice to strengthen property rights will be offered. The component would also seek to strengthen the organizational and technical capacities of communities to enhance their access to knowledge, markets and to access to financial resources including the national Forest Fund. The component focuses its activities mainly on the dry forest Chaco Ecoregion (94 percent of the project area), but would be expanded to the humid forests of the *Selva Misionera* and *Selva Tucumano-Boliviana*, once the intervention concept has proved to be effective (post-mid-term).

6. During project preparation a study to define the critical areas in the Chaco was undertaken (*Determinación de Areas Críticas Forestales en el Parque Chaqueño*, SAyDS, 2011). To define environmentally critical areas, the following parameters were applied: (i) natural forest cover, (ii) soil productivity, (iii) biodiversity, (iv) category of land use suitability – OTBN, (v.) hydrological regimes and pressures thereon and, (vi) important protected areas. Socially critical areas were identified on the basis of the following criteria: (i) unsatisfied basic needs, (ii) percentage of population living under the poverty threshold (*línea de pobreza*), (iii) demographic growth, density and migration flows and, (iv) social vulnerability and exclusion – including illiteracy, infant mortality, access to health care. A matrix was constructed combining social and environmental ratings ranging from low (1) to high (5) resulting in *General Güemes* department (Chaco Province) being the department with the highest (worst-off) social and environmental score, followed by departments of Copo, Pellegrini and Alberdi in Santiago del Estero Province; and departments Rivadavia and San Marín in Salta. Although *San Martin* department was not rated in the highest category (scoring 4 environmental and 3 social) it was chosen because of the high importance of the indigenous population and the essential role which natural forests play in their cultural practices and beliefs. Seven of the nine indigenous groups that live in the Chaco live in this department. Together these six departments add-up to an area of more than 2.3 million hectares (23,587 km²), and 323,500 inhabitants of which 66 percent live in urban and 44 percent in rural areas. This area presents the highest levels of conservation in the South American Chaco Biome, and had medium to low levels of deforestation in 2103 (Guayra Paraguay, in Lucas N. 2013).

7. Seven Sustainable Forest Landscape Management Models (SFLMM) that include climate smart agriculture and livestock production components were developed for the socio-economic and cultural conditions of the project area. Five SFLMM have been developed for SFP and members of indigenous communities, while two SFLMM were selected for medium scale forest producers. The models strive to enhance and regulate sustainable wood harvesting and biomass use, promote climate smart agriculture and livestock production in a sustainable way, to produce not only food and meat, but also timber, round-wood and poles, firewood, charcoal, NTFPs, handicrafts (Wood W. Cassino W. 2013, WB-FAO CP). To help launch the initiative, the first year of the project will include a vigorous campaign to disseminate, discuss and validate the SFLMMs with the beneficiaries, adapt them to their local needs and tailor the interventions to suit each community's needs in a genuinely demand-driven way.

8. The project would be implemented in collaboration with a range of RDAs and NGOs already working in the territory on key issues relevant to this project, including organizational strengthening, small scale agroforestry and livestock production, sustainable forest management, land tenure, water harvesting and wells, NTFPs and handicraft production, commercialization and certification, among others. In order to make sure that project interventions respond and are driven by demands of the SFP, and have community ownership, the following steps will be followed to implement this component:

Step 1: Selection of participating SFP indigenous and *campesino* communities following a set of eligibility criteria including: (i) high social and environmental criticality; (ii) prior presence of PROSOBO and/or relevant RDAs; (iii) forest cover.

Step 2: Community awareness and resources diagnostics. This will cover project disclosure and community consultation on project and RDA plans, initiating the free, prior and informed consent process. This step would include studies on the resource base, the livelihood options, markets and community needs, among others.

Step 3: Integrated Community Plan (PICs; *Planes Integrales Comunitarios*) consultations and agreement. Participatory formulation of the PICs at community level and alignment of RDAs interventions to the development needs expressed by the communities.

Step 4: Implementation of the PICs: the project would support coordinated and coherent implementation of the PICs in association with RDAs and NGOs; including a grievance mechanism and support to communities in participatory self-monitoring; in addition to monitoring by the LEUs.

9. Support would take the form of technical assistance, studies, equipment and minor works provided directly by the project, but also through contracts and agreements with service providers and RDAs. The component would also finance small subprojects proposed and executed by the SFPs with the aim of supporting local initiatives and strengthening the capacities of local organizations. SFPs may choose to hire RDA or NGO partners to support implementation of subprojects. Eligibility criteria for SFPs to manage subprojects are included in the project's Operational Manual.

10. *Participatory Forest Landscape Management.* A forest landscape is an area that is largely forested and includes other land uses like pastures, agricultural production sites, settlements and other production areas. Managing forest landscapes means balancing natural resources use and conservation, anticipating and mitigating impacts from overlapping developing activities, planning and monitoring climate change adaptation activities and optimizing resources use to reduce poverty. Participatory landscape level planning not only helps to organize and optimize a wide array of land uses, but also serves the purpose to position the community and its territory in the center of a demand driven, bottom-up development process, to which external development agencies and actors can align themselves and their services.

11. Approximately 53 groups of SFPs with land titles and/or established resource-use rights will be trained and provided with equipment and technologies and support to plan, implement and finance participatory sustainable forest landscape management and add value to forest and non-forest products. Two areas with clear tenure of around 70,000 ha each have been identified in the Province of Chaco (*Teuco Bermejito* and *Gran Reserva Wichí*) in which participatory forest management under the landscape approach will be implemented.

12. Voluntary forest certification and fair trade market access supported for at least five producer groups. The Chaco Ecoregion is the main source of natural forest products in Argentina, including not only poles and timber, but also firewood and charcoal. Particularly charcoal and firewood consumption for grilling is very high in Argentina. The project would strive to increase the efficiency of charcoal production, improve market access for these products and compensate sustainable forest management with higher prices to directly benefit SFP producers.

13. Approximately 133 SFP groups with no clear land tenure nor secure use rights will be supported through organizational strengthening, land tenure advice, participatory planning and sustainable land use practices. A pivotal element of this activity is the support to the participatory formulation of *Forest Landscape Management Plans*,¹⁹ which would serve to legitimate land and resources use, plan and organize land use forms of the territory, and structure development interventions accordingly.

14. The formidable endowment of natural forest of the Argentinean Chaco Ecoregion produces 81 percent of officially declared national demand of round wood, 86 percent of firewood and 99 percent of charcoal (Wood G. 2013 – FAO/WB CP). It is estimated that 3.8 million tons of firewood are converted to charcoal every year, mainly for the domestic market, while another 1.8 million tons of firewood are used annually by households, bakeries and brick ovens. Eight out of ten households in the critical areas of the Chaco Ecoregion cook their food and heat their houses with firewood. Introducing simple technologies as improved cooking stoves and charcoal kilns will not only improve the livelihoods of SFPs, but also reduce the consumption of firewood due to much higher combustion efficiency. SFP households that rely on the production of charcoal for their income will be supported through the improvement in charcoal production technology, product grading, quality improvement, packaging and branding, and marketing. The project will:

- a) Provide improved cooking stoves to 8,000 households and schools that depend on firewood for cooking and heating with improved cooking stoves so as to eliminate smoke in the house, reduce time used for firewood collection mainly by women, and reduce household wood consumption and pressure on the resource base. This would be achieved by improving combustion efficiency by 25 percent.
- b) Support the use of alternative electric energy sources for off-grid communities and households to provide them with light and communications.
- c) Provide improved kilns and train charcoal producers in improved and more efficient charcoal kilning techniques so that conversion rates are improved by 15 percent, quality is raised and access to more sophisticated markets is enabled.

15. In summary, Component 1 is expected to support: (a) the preparation of Integrated Community Plans (*Planes Integrales Comunitarios - PIC*) for land and forests in approximately 250 Communities, (b) implementation of PICs with support from RDAs and NGOs and (c) locally-managed subprojects not to exceed US\$10,000. PICs will be designed to raise incomes

¹⁹ Forest Landscape Management Plans will be included in the Integrated Community Plans (PIC; *Planes Integrales Comunitarios*) prepared by each participating community.

and increase resilience to drought through demand-driven investments including in improving forest management planning, increasing dry season water availability, providing legal assistance to strengthen tenure and piloting land tenure strengthening activities in at least two communities and improving efficiency of wood energy systems by installing and monitoring improved cook stoves and charcoal kilns. Subprojects will finance among other activities, increasing production, processing and marketing of timber and non-timber products. Forest management plans prepared under this component will be considered for certification and for financing under the Project and/or under the national Forest Fund created by the Forest Law 26.331.

16. Under this component the project will finance:

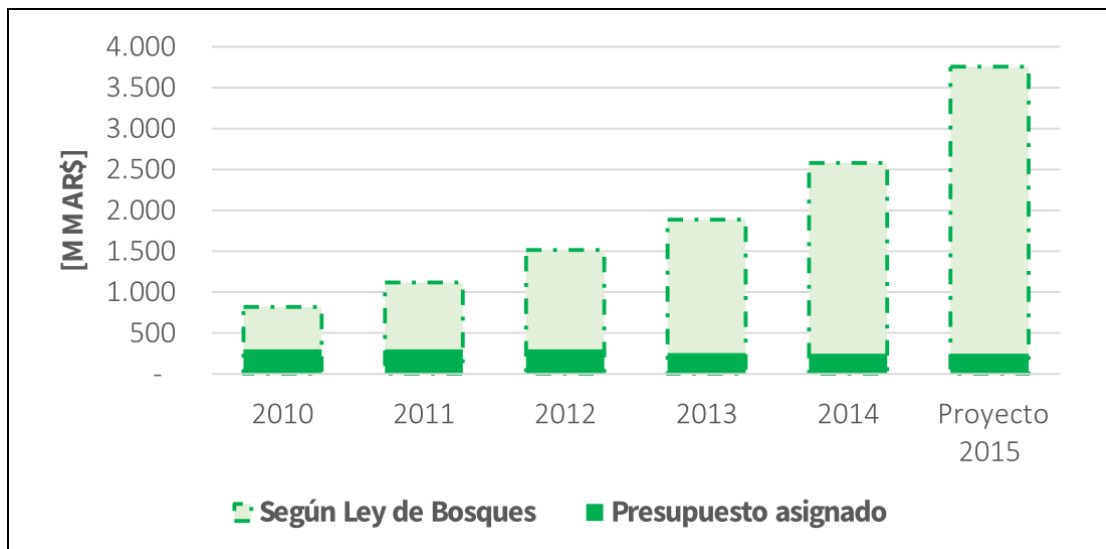
- a) Preparation of Integrated Community Plans including:
 - (i) Forest landscape management planning, mapping, and consultations to produce PICs in 250 communities.
 - (ii) Identification and design of activities required to implement priorities defined in PICs.
- b) Implementation of Integrated Community Plans including:
 - (i) Contracting services of RDAs and NGOs to support PIC implementation, *inter alia*, forest management planning, enhanced resilience and productivity of agricultural and livestock management, improved access to markets, tenure strengthening and tenure strengthening pilots, improved access to water and installation alternative energy and wood energy systems (including improved wood stoves and improved charcoal kilns).
 - (ii) Purchase of goods to implement activities identified in PICs.
- c) Subproject design and implementation including:
 - (i) Contracting services of RDAs and NGOs to support Subproject design and implementation.
 - (ii) Purchase of goods to implement activities identified in subprojects.

Component 2: Natural Forest Management and Civil Society (IBRD US\$0.64 million).

17. In November 2007, Argentina enacted Law 26.331 (*Ley de Presupuestos Mínimos de Protección Ambiental de los Bosques Nativos*) to protect natural forest, mainly through Forest Land Use Zoning OTBN (*Ordenamiento Territorial de Bosques Nativos*) and payment of environmental services through a Forest Fund. Provinces were given one year to develop and formally adopt OTBNs to qualify for access to the financial resources of this Fund: until 2014, all Provinces but La Rioja and Buenos Aires had met this requirement. Law 26.331 also mandated that at least 0.3 percent of the annual public budget should accrue into the Fund, though this ambitious target has never been reached: It is important to note that for the past six years the amount deposited annually into the Forest Fund has been equivalent to approximately US\$55 million. The magnitude and consistency of these transfers is an important indicator of government commitment to improved forest management. Never-the-less this sum is insufficient to confront the enormous challenge of deforestation in the Chaco Ecoregion and since 2010 the amount deposited has been well below the mandated amount (See Figure 2.1 below: Di Paola

and Ramirez 2014, FAO-WB CP.

Figure 2.1: Allocations from the Budget to the Forest Fund (in million Argentine Pesos)



Source: Consejo Federal de Medio Ambiente (COFEMA), Resolución Nro: 281 /2014

18. The rate of natural forest loss nationwide has been 1.22 percent per year between 2006 and 2011, and in some of the soybean producing provinces of the Chaco Ecoregion significantly higher (Santiago del Estero 2.31 percent and Salta 1.31 percent per year). Deforestation surveyed before the OTBN was enacted in the Chaco Ecoregion, but after that, the pace of deforestation has gone down a bit: Chaco 0.73 to 0.5 percent; Salta 1.34 to 0.84 percent and Santiago del Estero 3.15 to 1.83 percent (SAyDS. Junio 2012. Monitoreo de la Superficie de Bosque Nativo en la República Argentina 2006-2011).

19. Growing demand for agricultural commodities on the international markets in the light of climate change and market liberalization has become a strong driver for the expansion of the soybean cultivation areas and oilseed exports from Latin America, including Argentina (Chaherli N., Nash J., 2013). In Northern Argentina the 800 mm rainfall isohyets have shifted westwards reaching its maximum in the year 2000, thus incorporating vast land areas of the Chaco Ecoregion into agro-industrial soybean cultivation. Nevertheless climate change scenarios indicate that this trend will revert in the next 50 years in which higher temperatures, severe draughts and higher climate variability is predicted, limiting agriculture strongly and reducing resilience significantly (Second National Communication to the UNFCCC, 2007; in Lucas N. 2014, FAO-WB CP), even worse on landscapes on which the forest cover may have disappeared.

20. In this context of transformations, strong economic pressures, relatively weak forest policy implementation and diminishing funding to compensate for natural forests conservation, additional efforts are needed to increase societal awareness and support to manage and conserve natural forest landscapes sustainably and equitably. Also strengthening institutional capacities and land tenure security for small forest land holders and indigenous communities to access to the resources of the Forest Fund are central entry points to achieve this objective. A socio-economic study carried out in the project area showed that only in two of 20 communities a

significant number of families (>50 percent) had benefitted from finance of the Forest Fund (Serman Asociados, FAO-WB CP, 2014).

21. To maintain and increase societal support for Law 26.331 and to strengthen the political will to continue providing public financial support for natural forest management and conservation through the Forest Fund, a national awareness raising campaign will be financed. This campaign would not only highlight the importance of natural forest for agriculture (and agro-exports) through regulation of hydrologic cycles, insect pollination, reduced soil erosion and biodiversity conservation, but it would also promote the role they play in arresting climate change. The campaign would also strive to increase awareness and visualize the contribution that natural forests make to the livelihoods and the cultural values of the indigenous and *campesino* populations that live in those areas. The targeted audiences would include political decision makers and local leaders. This activity would also aim to include at least 200 journalists who would be trained to get involved in the National Public Awareness Campaign.

22. To reach remote communities with the media campaign, and to facilitate communication and exchange of experiences between them, small radio broadcasting stations will be created or upgraded. To this end, community members will be trained in communication and provided with the necessary equipment. Where necessary, communications will be conducted in the natural tongue of indigenous peoples. This will help foster not only basic general communication and exchange on sustainable forest livelihoods, but could also include other dimensions for the improvement of rural living conditions such as health, education, rural development among others. To achieve this, community members will be trained in communication and will be engaged in the Forest Community Radio Stations. This activities will be carried out in collaboration with the Federal Authority of Communication Services (AFCA), but should strongly involve civil society organizations and networks already present in the area like the Red Chaco, *Red Agroforestal REDAF* its member organizations, and other groups like *Organización Campesina Copo*, Alberdi y Pellegrini (OCCAP); *Unión de Pequeños Productores del Salado Norte* (UPPSAN); *Asociación de Pequeños Productores de Alberdi* (APPA) ; *Asociación de Pequeños Productores Agropecuarios y Forestales de Alberdi* (APPFA); *Movimiento Nacional Campesino Indígena*; *Movimiento Campesino de Santiago del Estero* (MOCASE); and NGOs like *Fundación Gran Chaco*, *Fundapaz*, *El Ceibal*, *Asociana*, *Oikos*, *Sedcero*, *Agua y Juventud* y *la Asociación Cultural para el Desarrollo Integral* (ACDI), among others.

23. Activities to be financed include consultant services, training, media time, equipment, minor works and small goods.

Subcomponent 2.1. Nationwide Awareness Raising and Media Campaign

This subcomponent will support:

- a) Training of at least 200 public opinion leaders, journalist and social communicators on the importance of natural forest conservation and sustainable use through training events, workshops and similar events.
- b) Production of audio-visual spots and contracting of broadcasting time (TV / radios).
- c) Preparation and distribution of at least 50.000 graphic products (leaflets, brochures, small

books) to mainly politicians, political decision makers, local leaders, among others.

Subcomponent 2.2. Community Radio Broadcasting Stations

24. In line with the recently issued Law on Audiovisual Communication Services (Law 26.552) which aims to give stronger voice and visibility to socially marginalized sectors through community radios and alternative media, this subcomponent will provide:

- a) Training for selected members from participating SFPs in communication and production of broadcasting content.
- b) Provide equipment to upgrade or establish community 50 community broadcasting stations.
- c) National/regional learning and exchange events for community radios, of which the majority of participants are *campesinos* or of indigenous origin.

Component 3: Skills Development and Technology Transfer (IBRD US\$ 7.4 million)

25. This component will strengthen technical and managerial skills of SFPs with weak tenure, but also of other small forest producers, technical service providers and extension agents working in the project area. The training delivered under this component will cover project related topics including but not limited to sustainable forest landscape management, land use planning, climate smart agricultural and sustainable livestock production, value addition and marketing, organizational strengthening and land tenure security. Issues to be covered by the training will be demand driven and will be determined during the first year of project implementation.

26. Short training courses will be delivered through both classroom and community level instruction. Classroom instruction will be delivered to both community members and RDA staff involved in project related service delivery. Instruction of RDA staff and of service providers will include sharing experience among RDAs, across sectors and provinces, improving communication with local communities, supporting the access to land tenure security services, and accessing funds for sustainable forest management. Eligibility criteria for receiving scholarship grants and/or participating in training courses will depend on the type of course (formal or informal) as defined in the Project Operational Manual. Activities to be financed would include consultant and non-consultant services, training, and equipment:

This component will support:

- a) Regional institutions (public, academia, NGO, others) to develop and deliver at least 150 short-term residential training courses (ten days) on project related topics. These courses will be carried out in the cities where the institutions are located and will imply community members to travel and to receive scholarship grants during their stay, which will be covered by the project.
- b) At least 3000 SFP members receive scholarship grants to take part in short-term residential training courses mentioned above.
- c) National co-implementing agencies, RDAs, universities and training centers develop and deliver at least 70 field courses for community-level instruction on topics related to project investments.
- d) At least 1750 SFP members receive scholarship grants to participate in locally delivered

short courses (five-ten days) on topics related to project investments.

- e) Provincial service providers strengthen their administrative and technical capacity to help improve production, climate resilience and tenure security of forest dependent communities including facilitating small holder access to resources of the Forest Fund.

Component 4: Forest Monitoring (IBRD US\$6.66 million)

27. Natural Forest Law 26.331 gives SAyDS the national environmental authority with the competencies to approve the OTBN; update the National Forest Inventory every five years, put in place a National Forest Monitoring System in order to oversee compliance with forest management and land use change plans approved by the provinces, among other duties (Art.11 of the Law and its regulation). This component would aim to strengthen and expand the technical and institutional capacities of the SAyDS to fulfill this mandate. Activities would include: (i) the development of a permanent Forest Cover Monitoring System; (ii) the creation of a Deforestation and Forest Degradation Early Warning System (SAT) to detect unauthorized land change cover processes in line with the Reducing Emissions from Deforestation and Forest Degradation (REDD)+ Measurement Reporting and Verification (MRV)-System; (iii) the establishment of SACVEFOR to track the movement of forest products from the forests to the markets or industry, and to match-up produce movements with permits. The component would finance consultant and non-consultant services, training, and equipment.

Subcomponent 4.1 Forest Administration, Control and Verification System (SACVEFOR)

28. By Federal Constitution, Provinces in Argentina have the right to regulate and administer natural forest use and forest product transport. This is why provincial forest administration and control systems have evolved autonomously, resulting in great differences between forest management and timber transport regulations, what makes it very difficult for neighboring provinces to verify the authenticity of a timber transport permit from another province crossing its territory. This not only makes it easy to falsify timber transport permits to launder illegally sourced forest products, but has also generated conflicts between provincial forest authorities. Preparatory activity (P100806) supported a process of participatory design and pilot implementation of an online SACVEFOR between a core group of four provinces of the Chaco Ecoregion (Chaco, Jujuy, Santiago del Estero and Salta). This pilot system would be finally tested and then implemented within the SAyDS to be fully operative, and six additional Provinces would be integrated into the system over the life of the project. This would allow that at least 50 percent of timber transported in and between these ten provinces would be licensed through an electronic transaction, simplifying procedures, reducing transaction costs for legal forest users and creating more transparency. The system would permit the verification of legality and authenticity of timber transport permits through cloud computing and smart phone technology at checkpoints and the industry/market, which combined with improved controls and forest law enforcement, would make transport of illegally sourced timber more difficult and expensive.

29. This component would finance consultant services, training and capacity building events, as also communication infrastructure and hardware. This would involve following activities:

- a. Upgrading the Pilot SACVEFOR to “production phase” in the SAyDS. This would involve the evaluation of the pilot system already in place and its adaptive improvement to fit demands, business processes and improvement opportunities to be identified with the four already participating provinces.
- b. Integrating at least six additional Provinces into the SACVEFOR. Information events and workshops with provincial authorities and stakeholders to include these new participating provinces into the SACVEFOR, as also to further programming and adjustment of the linkages and interphases between the provinces and the SACVEFOR would be provided. Capacity building and training of trainers to put members of all participating provincial forest administration and checkpoint personnel, forest users, timber transport and industry in the capacity to access and use the SACVEFOR. Particularly SFP involved in participatory forest management should be able to access and benefit from the SACVEFOR by printing out timber transport permits by themselves at origin and transport their products to the regional and national markets with minimal transaction costs.
- c. Organize communication events at the national level with a view to expand the SACVEFOR to the other Ecoregions especially to the Provinces that consume large quantities of forest products that come out of the Chaco Ecoregion. This would encompass information workshops and capacity building events, as also dialogue and negotiation processes with provincial forest authorities and stakeholders.

Subcomponent 4.2 Creation of a Deforestation and Forest Degradation Early Warning System (SAT)

30. A SAT collects satellite information that has a relatively high temporal resolution in order to alert about threats to the forest in the shortest period time possible. Although the resolution in space might not be very high (MODIS images: pixel > 250 m) the SAT would allow early detection of deforestation in order to organize and proceed with law enforcement action on the ground as soon as possible. To set up and run such a system the SAyDS would have to build partnerships with Provinces, the Academia and other actors, as also obtain the technology and the additional know-how from other specialized agencies at national, regional and international level. Through participation in the UN-REDD Program Argentina is already participating in the capacity building events offered through the collaboration between the FAO and the Brazilian Space Agency INPE, which has gained valuable experience in successfully running such a system in Brazil. This and other partnerships would allow for the sharing of satellite images transfer of technology and knowledge, as enforcement coordination. Coordination efforts and capacity building would be added to the infrastructure needed (soft-and hardware) to manage this system.

This subcomponent would:

- a) Establish partnerships and institutional articulation with relevant partners at the provincial at the national level, and at the international level, bilaterally and regionally in collaboration with relevant institutional actors.
- b) Create technological infrastructure, software and contract technical specialized capacities to set up the SAT.
- c) Train technical staff of UMSEF to run and maintain the SAT.

Subcomponent 4.3 Establish a Permanent Forest Cover Monitoring System (PFMS)

31. With financial support of the Natural Forest and Protected Areas Project (BIRF-4085-AR) Argentina carried out its first National Natural Forests Inventory of between 1998 and 2005. The sample plots assessed at that time were not permanently established within a systematic grid. Therefore with support of this project it is envisaged to establish a systematic grid of permanent measuring plots to monitor changes of natural forest over time as a basis for Ecoregional and for the national Forest Inventories. Preparatory activity (P100806) established six nodes of the Forest Management Evaluation Unit (UMSEF) of the SAyDS, one in each Forest Ecoregion. These serve as technical links between the UMSEF (national level) and the Provinces within each of the Ecoregions, and are now all operational through partnerships with relevant Ecoregional organizations: for the Chaco Ecoregion, for example the node has been established in the Forestry Faculty of the National University of Santiago del Estero, while in Misiones, the node operated within the Secretariat of the Ecology and Environment of the Province.
32. To establish the PFMS following activities will be carried out:
- a) Planning the measuring plot network and develop technical guidelines and field manuals, training of technical teams and partner institutions among others preparatory activities.
 - b) Setting up and measuring plots: implies the logistical and technical activities to physically install and permanently mark 300 plots. The plots will be installed in a 10 x 10 km grid throughout the whole country.
 - c) Install and run a national database, publish reports and provide public online access.

Component 5: Project Management and Impact Monitoring (US\$4.52 million, of which: GoA US\$2.30 million and IBRD US\$2.22 million)

33. This component would operate at the national and local levels. At the national level a NEU, staffed with ten people financed by the loan, plus additional staff financed by other sources. The NEU will be in charge of overall project management, inter-institutional coordination, supervision and monitoring, cumulative procurement processes, liaise and report to the World Bank, amongst other overarching tasks. Overarching tasks will include; (a) the development of an impact evaluation system to identify changes in outcomes directly attributable to Project activities. and (b) development and implementation of a grievance redress mechanism to identify and resolve Project related grievances At the local level eight LEUs will be created in each of the Departments in which the Project will intervene, integrated into already existing public rural development structures, be this at the local –municipality or department level. The LEUs shall be in charge of the technical assistance and coordination of interventions that will be implemented by the RDAs at the community level. Each LEU will be staffed with three people financed by the loan and additional staff financed by other sources. Staff of the LEU is expected to include one Coordinator, one Participatory Planning Facilitator, one M&E person, one Tenure and Land Rights Adviser, one Value Chain and Market Development Adviser, as also one Administrative Assistant and Office Assistant.

34. Financed activities would include consultants, operational costs, training and equipment.

Annex 3: Implementation Arrangements

Institutional Context

1. The project will be implemented by the Secretariat of Environment and Sustainable Development of the Chief of Cabinet of the Nation (SAyDS), which is the agency in charge of implementing Law 26.331 (*Ley de Presupuestos Mínimos de Protección Ambiental de los Bosques Nativos*) at the national level. According to this law and its regulation, the SAyDS shall have the competency to: (a) Approve the National Forest Land Use Zoning (OTBN); (b) Develop the National Program for the Protection of Natural Forests in coordination with the Federal Environmental Council (COFEMA); (c) Promote the implementation of plans that include the association between universities, academy, municipalities, cooperatives, community organizations, NGO's, associations of indigenous people, small producers and *campesino* communities; in coordination with the provinces; (d) Update the National Forest Inventory; (e) Set up a monitoring system to track forest management and land use change, and; (f) Control reports submitted by the provinces on compliance with forest conservation and management plans, as also land use change. (*Art. 11; Anexo Decreto Nacional 91/2009*).

2. The Provincial authorities in charge of implementing provisions of Law 26.331 and regulating natural forestry issues in their jurisdictions are: for the Province of Chaco: the Directorate of Forestry of the Ministry of Production and Environment; for the Province of Misiones the Under-secretariat for Ecology and Sustainable Development of the Ministry of Ecology and Natural Resources; for the Province of Salta: the Secretary of Environment of the Ministry of Environment and Sustainable Production; for the Province of Santiago del Estero: the General Directorate of Forests and Fauna of the Ministry of Production, Natural Resources, Forestry and Land. The institutional anchor, capacities, field presence and structure for the public administration and regulation of natural forestry varies a lot amongst provinces. Although these capacities have been strengthened considerably by specific funding provided through Law 26.331 public provincial institutional capacity and presence at territorial and community level is still very weak.

3. Other National Agencies with a Rural Development mandate (National RDAs) executing programs and projects in the project area include: (a) *Secretaría de Agricultura Familiar* (SAF) of the Ministry of Agriculture (MAGyP); (b) the *Instituto Nacional de Tecnología Agropecuaria* (INTA) working on agricultural research and extension, family farming (PROHUERTA), silvopastoral systems, commercialization, among others; (c) the *Instituto Nacional de Tecnología Industrial* (INTI) active in the region in small scale technology solutions for water harvesting, supply and micro-irrigation, alternative energies, small enterprise development – (like beekeeping and fruit conservation) - amongst various other; (d) the *Registro Nacional de Trabajadores y Empleadores Agrarios* (RENATEA / MTESS – Ministerio de Trabajo, Empleo y Seguridad Social), active in capacity building and asociativity of small producers; (e) Ministerio de Industria de la Nación (PNUD ARG/12/005, working on strengthen local productive capacities, provision of services and value chains; (f) Ministerio de Desarrollo Social – (Plan Manos a la Obra) working in support of, inclusive entrepreneurial development; and (g) *Instituto Nacional de Asuntos Indígenas* (INAI) supporting indigenous peoples to exercise their full

citizenship rights and ensuring compliance with constitutional rights), among others.

4. The Provincial Governments execute rural development programs in their territory on issues relevant to the project objective, as also do regional/local universities, NGOs and provincial organizations. The array of provincial RDAs, its capacities, institutional linkages and cooperation with private and non-governmental actors varies considerably between provinces. During project preparation an extensive report has been prepared characterizing policy instruments and programs executed by national and provincial agencies that are present in the project area and that could qualify as partners for project implementation. (Lucas Nicolás 2014: *Políticas públicas que inciden sobre el desarrollo sostenible en la Ecoregión del Chaco. Informe preparado para la FAO en el marco del Programa Cooperativo Banco Mundial/FAO.*)

5. At the local level (department, municipality and community) there are base community organizations and local NGOs working mainly on issues of land tenure, water, communications and livelihood alternatives (including handicrafts, beekeeping, and family farming).

6. *RDA and NGO Participation.* RDAs from national and provincial levels and NGOs will be invited to participate in the project. RDA selection will be based on the agencies comparative advantage and their role defined by their founding charter. National and Provincial RDAs will be considered service providers and will be eligible to receive reimbursement for operating and material costs incurred delivering service packages (which may include training, equipment, and services). Local NGOs will be selected competitively (following Bank procurement rules) and will be eligible to receive salaries in addition to operating and material costs incurred delivering service packages.

7. **Intervention Rationale** The array of national, provincial, local; public, non-public – NGO - and church agencies working and impacting at the level of the individual community with higher or lower intensity, but with very low levels of coordination and programmatic guidance. A main intervention of the project is to support communities to organize themselves better to manage and use the territory and its resources in a sustainable way through participatory land use zoning within the forest landscape; and to subsequently facilitate the formulation of community action plans (PICs). The alignment and the coordination of these various RDAs and NGOs within the PICs will be a major step towards demand-driven development, community ownership, logic sequencing and coherence of the development process. Therefore big effort will be invested to support the communities in formulating their PICs in a participatory and meaningful way. Competent RDAs and NGOs that already have a good working relation and the trust of the communities to undertake this task will be contracted by the project to support these participatory grass root planning and organizational strengthening processes.

8. Community Action Plans (PICs) are expected to be developed and implemented by the LEU with the assistance of national and provincial RDAs and locally based NGOs. In eligible communities demands articulated by through the PIC preparation may include requests for financing sub-projects. Sub-projects will be small grants implemented by the communities themselves. These grants will (i) not exceed US\$10,000 and (ii) be governed by Sub-Project Agreements between the LEU and the community or common interest group of beneficiaries.

Figure 3.1: Basic demand driven intervention rationale for the project



9. **Implementation Framework.** The Undersecretary of Planning and Environmental Policy of the S AyDS, and its Forestry Director will act as National Project Director and National Project Coordinator, respectively. They will provide the political and strategic guidance to the project, as also chair the National Project Consultative Committee (NPCC). The NPCC should include all high level representatives of RDA, including a representative of the Forest

Commission of COFEMA, Jefatura de Gabinete de Ministros (JGM), the Ministry of Economy and Finance, the SAF of the MAGyP, INTA, INTI, INAI, and others. It will provide general oversight and guidance, review the annual work plan, facilitate inter-institutional coordination and the participation and cooperation of involved ministries, line departments and other relevant RDA/NGO. (Organizational structure shown in Figure 3.2 below.)

10. Preparatory activity (P100806) has established a NEU integrated into SAYDS line functions, which is familiar with the technical and institutional requirements of the proposed project. By utilizing established human capacity, systems, and procedures initial training and costs required to correctly implement the project will be greatly reduced and will assure much higher quality administration and management. The NEU will be headed by an Executive Project Director and supported by thematic specialists acting as managers for each of the four technical components. The NEU would be in charge of project management at the national level, inter-institutional coordination, supervision and monitoring, cumulative procurement processes, liaise and report to the World Bank, amongst other tasks at the national level. The Executive Project Director would also act as the Secretary of the NPCC. The team of the NEU will be completed by accounting and procurement specialists, support officers and administrative assistants. Functions within the Organogram may be shared/centered in one person, depending on capacities, workload and geographic circumstances.

11. Initially the Project will be executed through LEUs in six departments of the Chaco Ecoregion: in the Province of Santiago del Estero in (i) Alberdi, (ii) Pellegrini, and (iii) Copo; in the Province of Salta in (i) San Martín and (ii) *Rivadavia*; and in the Province of Chaco in the Department *General Güemes*. Once the project intervention concept has proved to be successful, additional two LEU will be established in the *Selva-Tucumana* and the *Selva Misionera* Ecoregions.

12. LEUs will be established under the guidance and direction of the NEU (Ministry of Environment) and shall be integrated into already existing public rural development structures, be this at the local –municipality or department level. The LEUs shall be in charge of the technical coordination of the interventions that will be implemented by the RDAs at the community level. Only technical capacity that is not already present and that can't be seconded to the project by partnering RDA or other local institutions would be contracted directly to staff the LEUs. Each LEU should be staffed with seven people: five technical/legal/M&E; and two financial/administrative staff. LEUs technical staff professional profiles should be complementary to neighboring LEUs. LEUs should be able to operate with the highest level of administrative decentralization possible to make sure that operative decisions are taken as near as possible to the beneficiaries (subsidiarity). Inversely, procurement and contracting processes should be dealt with cumulatively by the central level (NEU) to benefit from specialization and scale.

13. Each LEU will have to work closely together with the provincial public institutions in charge of natural forest, tenure, rural social development, and indigenous people issues, among others. For that purpose a Local Project Consultation Committee (LPCC) will be set up in each of the Departments in which the project will intervene, through which coordinated and collaborative intervention at community level will be sought in order to show coherent and

unified public presence on the territory, create synergies, and work towards the institutionalization of project activities at provincial and local level. Although coordination between the national and the provincial government may be challenging, experience with prior projects has shown that dialogue and collaboration at the technical levels has facilitated collaboration later between provinces and with the national government at higher level. Local Project Consultation Committee should include IP and *Campesinos* organization representatives.²⁰

²⁰ Based on results from MIC consultations Organization representatives asked to be included in decision making processes.

Figure 3.2: Forests and Communities Project Main Organizational Chart

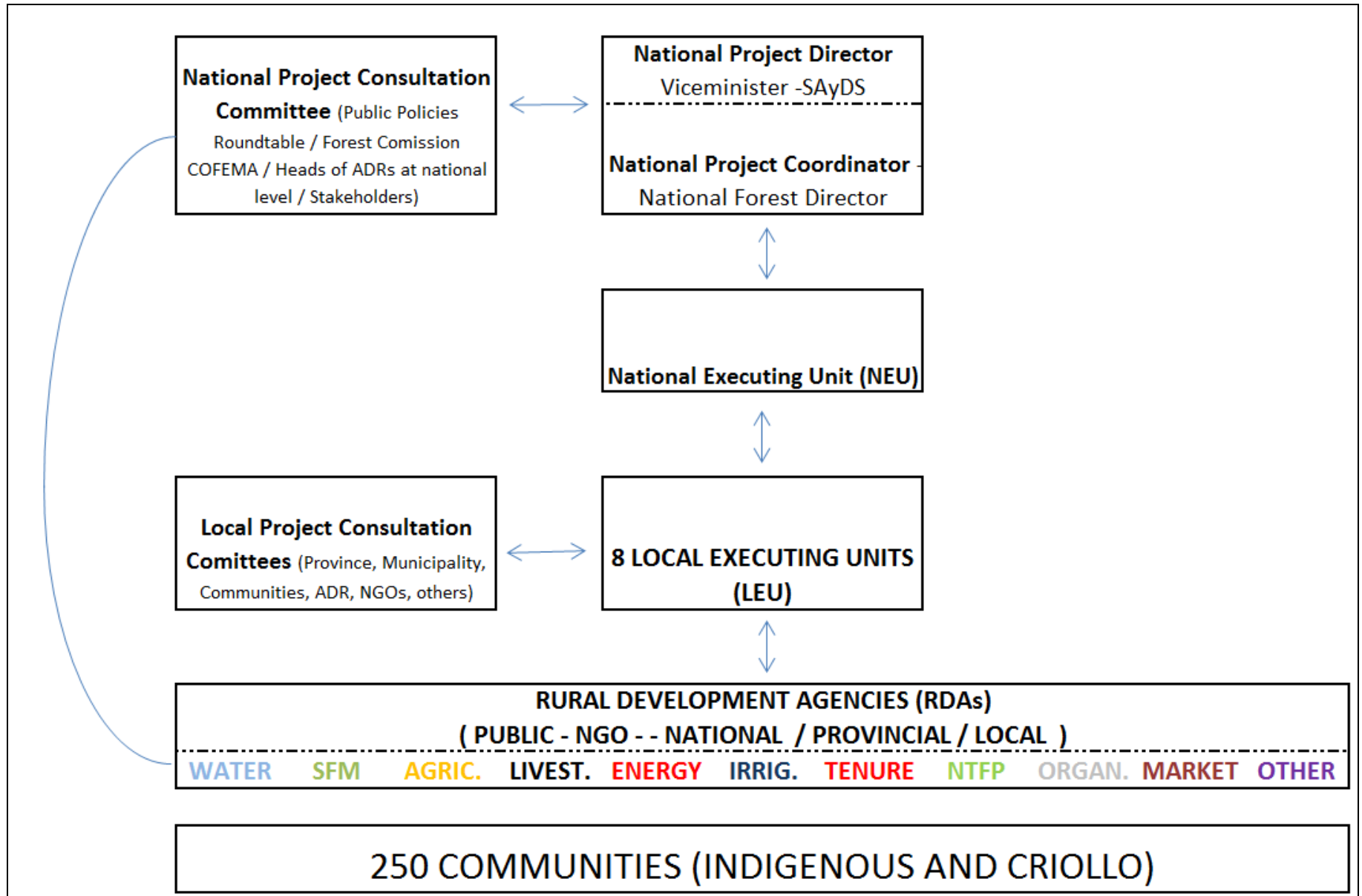


Figure 3.3: Organogram of the National Executing Unit

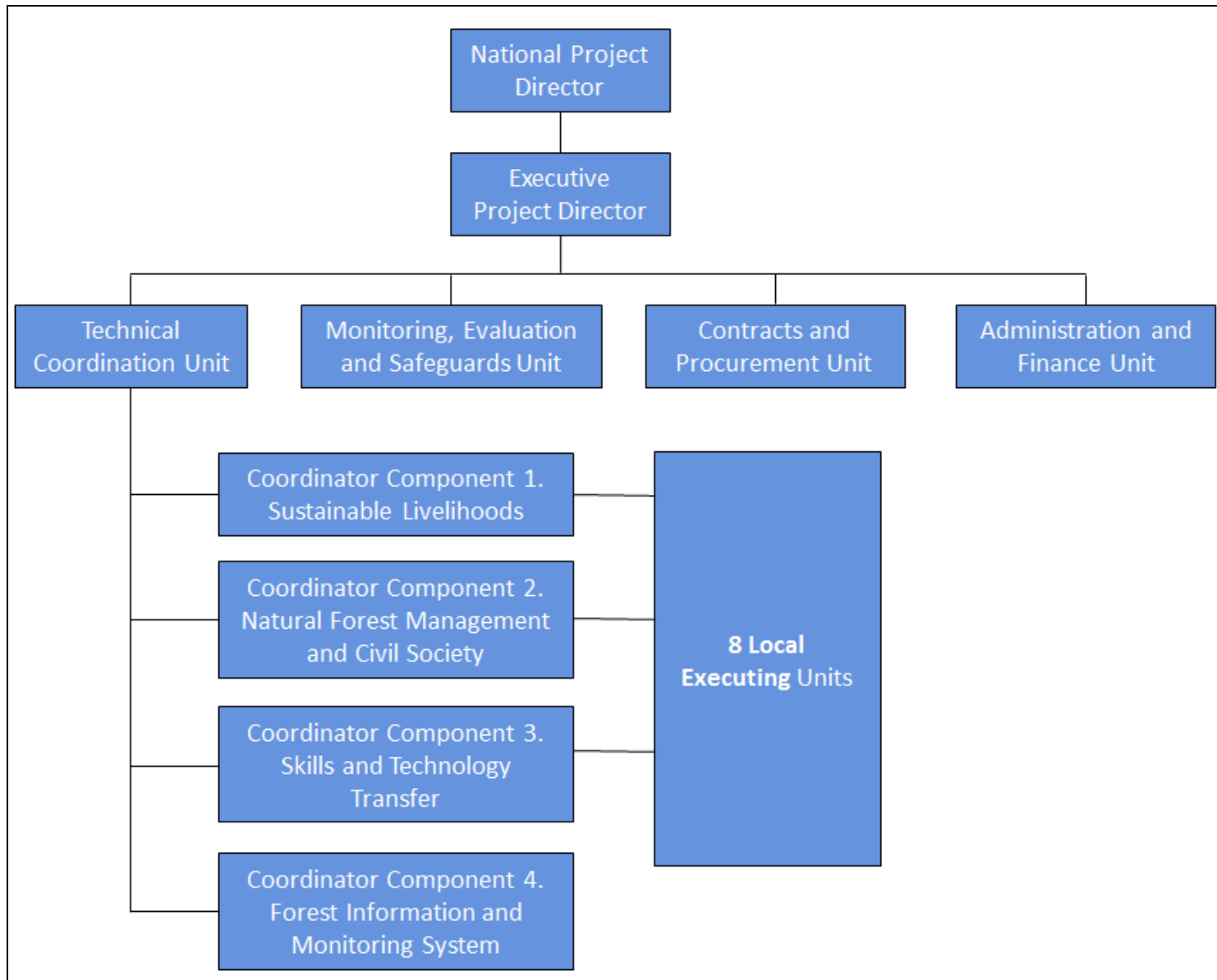
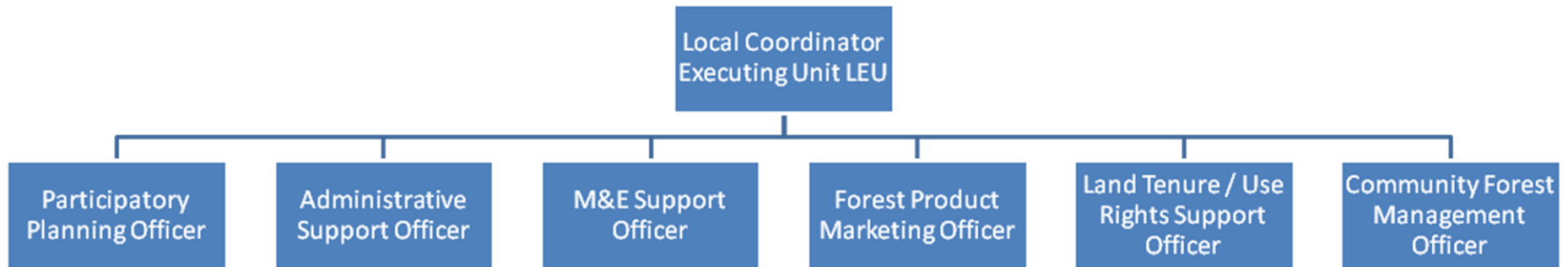


Figure 3.4: Forests and Community Project. Organogram of the LEUs



Procurement Plan and Procurement Arrangements

General

14. Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011, revised July 2014; and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits Grants by World Bank Borrowers" dated January 2011, revised July 2014, and the provisions stipulated in the Legal Agreement. The various items under different expenditure categories are described in general below. For each contract to be financed by the Loan, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least twice a year or as required to reflect the actual project implementation needs.

Procurement Implementation

15. The National Executing Unit (NEU, SAyDS) will be responsible for carrying out the procurement and contract management for all components, including works, goods, and non-consultant services, and consultant firms and individuals. Procurement documents will be kept in files located in the procurement area.

Assessment of the Agency's Capacity to Implement Procurement

16. The National Executing Unit (NEU; SAyDS) is familiar with Procurement requirements of the Bank, due to its previous experience in executing Project P100806. A Bank assessment of SAyDS capacity was carried out in February 2015. The assessment exercise identified risk factors that may potentially affect project implementation and proposed mitigation measures.

17. The assessments reviewed the organizational structure, the staff responsible for procurement, the relationship between the procurement, technical, administrative and financial offices and the systems used for supervising and monitoring the Project.

18. The analysis concluded that the NEU has an overall installed capacity suitable to successfully carry out the procurement function. The Unit is prepared to carry out processes with Bank' financing and has an experienced procurement specialist. However, in order to mitigate the main identified risks, it was determined the need to strengthen the Unit's staff and to enhance the interaction with regional level to better coordinate their procurement requests. The overall project risk for procurement is determined as Substantial.

Procurement Plan

19. The implementing agency developed a detailed Procurement Plan for the first eighteen months for each of the Project components' implementation; said Plan would provide the basis for the use of different procurement methods and for the Bank's review process. As soon as the Project is declared effective, the aforementioned Procurement Plan should be available in the SEPA portal.

Goods and works and non-consulting services

20. **Procurement of works:** The procurement of civil works would consist of the construction of small buildings under Components 1, 2 and 5. The use of ICB is not foreseen. Contracts for works would be procured through NCB procedures, using standard documents satisfactory to the Bank. When the estimated cost is less than US\$350,000, works may be procured using Shopping procedures.

21. **Procurement of Goods:** Goods procured under this project would include equipment, tools, low consumption cooking stoves and charcoal kilns, equipment to operate broadcasting stations, office furniture, hardware and software, vehicles and other items. The procurement will be done using the Bank's SBD for all ICB and National SBD and standard Requests for Quotations agreed with the Bank. Goods estimated to cost less than US\$100,000 per contract may be procured using Shopping procedures.

22. **Procurement of Non-consulting services:** All contracts for services not related to consultant services (such as logistics, organization of seminars, workshops, printing services, etc.) may be procured under the same methodologies and thresholds specified for goods.

23. **Advertisement:** All procurement notices shall be advertised in the ONC web page or in at least one local newspaper of national circulation. In addition, ICB procurement notices and contract award information shall be advertised in the UN Development Business online (UNDB online). The ONC shall also be used to publish information on awarded contracts in accordance with provisions of paragraphs 2.60 of the Procurement Guidelines and as mandated by local legislation.

Selection of consultants

24. **Selection of Consultants.** Consultant services procured under this contract are expected to include studies to prepare participatory forest landscape management plans (PICs), studies on land tenure, legal assistance, media campaign contents design; training institution; manuals development and software design for SACVEFOR; and studies to verify Project's impacts, among others. All contracts will be procured using Bank's Guidelines for the selection of consultants.

25. Short lists of consultants for services estimated to cost less than US\$1,000,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

26. **Individual Consultants:** Specialized advisory services would be provided by individual consultants selected by comparison of qualifications of at least three candidates and hired in accordance with the provisions of paragraph 5.1 to 5.4 of the Consultant Guidelines. Individual consultants may be selected sole-source with prior approval of the Bank in accordance with provision of paragraphs 5.6 of the Consultants Guidelines.

27. **Advertisement:** The ONC or a national newspaper shall also be used to advertise the Requests for Expression of Interest for consulting firms or individuals, and to publish

information on the award of contracts in accordance with provisions of paragraphs 2.31 of the Consultants Guidelines and as mandated by local legislation. Information for contracts expected to cost more than US\$300,000 shall be also advertised in UNDB online.

Others

28. In addition to procurement of works, goods, non-consultant services and consultant services to be conducted by SAyDS, the following will be financed by the project:

29. **Scholarships:** Scholarships will be financed under Component 3 according to the provisions of the Operational Manual.

30. **CDD Procurement:** subprojects would be financed under Subcomponent 1.1. Subprojects include the purchase of goods, works and services procured in accordance with Community Participation in Procurement procedures acceptable to the Bank, and set forth in the Operational Manual and in the Subproject Manual.

31. **Operating Costs:** Operating costs would be procured using the implementing agency's administrative procedures, which were reviewed and found acceptable. This includes expenditures for the operation and maintenance of facilities required for the implementation of the project, rental of office space included; transportation fares, combustible, rental car, travel expenses and per diem of Project's staff related to supervision activities, based on an annual budget previously approved by the Bank.

32. **Training:** The Project will finance expenditures (other than those for consultants services) incurred by the Recipient and/or staff at national and regional level, as approved by the Bank on the basis of an annual plan, to finance reasonable transportation costs, per-diem and training registration fees; which would be procured using the implementing agency's administrative procedures that were reviewed and found acceptable to the Bank.

Rural Development Agency

33. Component 1 will be implemented in close collaboration with national, provincial and local Rural Development Agencies (RDA) that already work with targeted indigenous and campesino communities in the Project area. RDAs include public agencies, non-governmental organization and academic institutions.

34. Public agencies will not carry out procurement activities. However, incremental costs for their services will be financed by the Project. The draft of the inter-institutional agreements to be signed between the Borrower and this type of institutions should be included in the OM. F&C clauses should be included in those agreements.

35. Non-profit organizations, as far as possible, will be selected by competitive methods. When the participation of certain institutions is critical to Project implementation, the Borrower may select them on a single-source basis. The justification will be examined by the Bank in the context of the overall interest of the client and the Project, but should be framed under the provisions given in para. 3.7 of the Procurement Guidelines.

Frequency of Procurement Supervision

36. In addition to the prior review supervision, the Bank will carry out one supervision mission per year to visit the field and to carry out post review of procurement actions. The Bank's ex post review shall cover no less than one of five contracts signed.

Details of the Procurement arrangements involving methods and Bank's review

37. Thresholds for the use the different procurement methods and recommended thresholds for Bank's prior review are given in Table 3.1.

Table 3.1: Thresholds for Procurement Methods and for Recommended Bank Review

Estimated Value Contract Threshold	Procurement Method	Bank Prior Review
<u>Works:</u> >=US\$15,000,000 <US\$15,000,000 and >=US\$350,000 <US\$350,000 Any Estimated Cost	ICB NCB Shopping Direct Contracting	All First Two First Two All
<u>Goods and Non-consulting Services:</u> >=US\$500,000 <US\$500,000 and >= US\$100,000 <US\$100,000 Any estimated Cost	ICB NCB Shopping Direct Contracting	All First Two First Two All
<u>Consulting Firms:</u> Any Estimated Cost >=US\$300,000 <US\$300,000	SS QCBS, QBS, FBS, LCS, CQS QCBS, QBS, FBS, LCS, CQS	All All First two
<u>Individual Consultants:</u> Any Estimated Cost >=US\$50,000 <US\$50,000	SS IC IC	All All First Two

ICB = International Competitive Bidding.

SS = Sole Source.

QCS = Quality-Based Selection

LCS = Least-Cost Selection

IC = Individual Consultant.

NCB = National Competitive Bidding.

QCBS = Quality- and Cost-Based Selection

FBS = Selection under Fixed Budget

CQS = Selection Based on the Consultant's Qualifications

38. **Procurement records:** Detailed procurement records, reflecting the Project's supply of goods, civil works construction/rehabilitation, and consultant services, including records of time taken to complete key steps in the process and procurement activities related to supervision,

review, and audits, would be maintained by the NEU. These records would be maintained for at least two years after the Project's closing date. The records for civil works and goods would include public notices, bidding documents and addenda, bid opening information, bid evaluation reports, formal appeals by bidders and outcomes, signed contracts with related addenda and amendments, records on claims and dispute resolutions, and any other useful information. The records for consultant services would include public notices for expression of interest, request for proposals and addenda, technical and financial reports, formal appeals by consultants and outcomes, signed contracts, addenda and amendments, records on claims and dispute resolution, and any other useful information. The NEU would retain all invoices, price comparisons, bids received, bid evaluation reports, and all of the documentation required under the law and ensure that it is readily available. The filing, record keeping, auditing, reporting, post-review, and monitoring of the smaller procurement activities are crucial for the successful application of the funds for ensuring economy, efficiency, and transparency.

Special Procurement Provisions

39. The following shall apply to procurement under the project:

- a. procurement of goods, works, Non-consultant Services and consultants' services (in respect of firms) shall be carried out using: (i) (A) standard bidding documents (which bidding documents in respect of works shall include, if applicable, a provision whereby the pertinent contractor must comply with the pertinent provisions of: (I) the Environmental and Social Management Framework; and (II) the corresponding environmental management and/or indigenous peoples' plan (including the provisions of any updated/adjusted version) or similar safeguards instrument referred to in the Loan Agreement); and (B) standard requests for quotations/proposals (as the case may be), all acceptable to the Bank, which shall all include, *inter alia*, a settlement of dispute provision and the pertinent provisions of the Anti-Corruption Guidelines; (ii) model bid evaluation forms, and model quotations/proposals evaluation forms (as the case may be); and (iii) model contract forms, all acceptable to the Bank;
- b. all contracts for works to be procured under the Project shall contain a methodology, acceptable to the Bank, whereby the price of each said contracts shall be adjusted through the use of price adjustment formulas, in a manner acceptable to the Bank;
- c. a two-envelope bidding procedure shall not be allowed in the procurement of goods, works and Non-consultant Services;
- d. after the public opening of bids for goods, works and Non-consultant Services, information relating to the examination, clarification and evaluation of bids and recommendations concerning awards, shall not be disclosed to bidders or other persons not officially concerned with this process until the publication of contract award. In addition, bidders and/or other persons not officially concerned with said process shall not be allowed to review or make copies of other bidders' bids;
- e. after the public opening of consultants' proposals, information relating to the examination, clarification and evaluation of proposals and recommendations concerning awards, shall not be disclosed to consultants or other persons not officially concerned with this process until the publication of contract award (except as provided in paragraphs 2.23 and 2.30 of the Consultant Guidelines). In addition, consultants and/or other persons not officially concerned with said process shall not be allowed to review or make copies of other consultants' proposals; foreign bidders or foreign consultants shall not, as a condition for submitting bids or proposals and/or for contract award: (i) be

required to be registered in Argentina (except as provided in the standard bidding documents referred to in paragraph 4 (a) (i) (A) above); (ii) be required to have a representative in Argentina; and (iii) be required to be associated or subcontract with Argentine suppliers, contractors or consultants;

- f. the invitations to bid, bidding documents, minutes of bid openings, requests for expressions of interest and the pertinent summary of the evaluation reports of bids and proposals of all goods, works, Non-consultant Services and consultants' services procured by the Borrower shall be published in the web page of the Borrower's Office of National Procurement (*Oficina Nacional de Contrataciones*), and in a manner acceptable to the Bank. The bidding period shall be counted from the date of publication of the invitation to bid or the date of the availability of the bidding documents, whichever is later, to the date of bid opening;
- g. the provisions set forth in paragraphs 2.49, 2.50, 2.52, 2.53, 2.54 and 2.59 of the Procurement Guidelines shall also be applicable to contracts for goods, works and Non-Consultant Services to be procured under National Competitive Bidding procedures;
- h. references to bidders in one or more specialized magazines shall not be used by the Borrower, in determining if the bidder in respect of goods whose bid has been determined to be the lowest evaluated bid has the capability and resources to effectively carry out the contract as offered in the bid, as referred to in the provision set forth in paragraph 2.58 of the Procurement Guidelines. The provision set forth in paragraph 2.58 of the Procurement Guidelines (including the limitation set forth herein) shall also be applicable to contracts for goods to be procured under National Competitive Bidding procedures;
- i. witness prices shall not be used as a parameter for bid evaluation, bid rejection or contract award;
- j. the Borrower shall: (i) supply the SEPA with the information contained in the initial Procurement Plan within 30 days after the Project has been approved by the Bank; and (ii) update the Procurement Plan at least every three months, or as required by the Bank, to reflect the actual Project implementation needs and progress and shall supply the SEPA with the information contained in the updated Procurement Plan immediately thereafter;
- k. the provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines providing for domestic preference in the evaluation of bids shall apply to goods manufactured in the territory of the Borrower in respect of contracts for goods to be procured under International Competitive Bidding procedures;
- l. compliance by bidders with the norms issued by ISO with respect to any given good procured under the Project shall not be used as parameter for contract award;
- m. consultants shall not be required to submit bid or performance securities;
- n. contracts of goods, works and Non-consultant Services shall not be awarded to the "most convenient" bid, but rather to the bidder whose bid has been determined: (i) to be substantially responsive; and (ii) to offer the lowest evaluated bid, provided that said bidder has demonstrated to the Borrower to be qualified to perform the contract satisfactorily; and
- o. the types of contracts described in Section IV of the Consultant Guidelines shall be the only types of contracts to be used by the Borrower, in connection with the contracting of consultants' services provided by a firm and to be financed with the proceeds of the Loan.

40. **Procurement related Covenants:** (a) In order to disseminate project implementation requirements and procedures, and define roles, responsibilities, mechanisms, schedules and

accountability arrangements, the Borrower has prepared a Project Operational Manual (OM). It includes the project's institutional arrangements and operational, accounting, procurement and disbursement procedures. All standard documents to be used for each procurement method for works, non-consulting services, goods and consultants procured, as well as model contracts, should be included in the OM; (b) The National Executing Unit (NEU; SAYDS) will be staffed at all times by a Procurement Specialist acceptable to the Bank and assistants in quantity and quality enough to support the procurement strategy demanded by the Project and contract management.

Financial Management

41. As noted earlier the FM risk for this operation is deemed Substantial. The main FM arrangements that will operate under the project are described below:

42. **Executing Agency.** SAYDS will be in charge of the overall project implementation including FM activities. This entails among others: managing the project's designated account, coordinating supervision missions, overseeing budgeting formulation, controlling the allocation of resources, following upon budget execution, transferring funds assuring adequate and timely financing of eligible expenses, preparing project's accounting records and issuing financial reports required by the Bank, and coordinating the project's external audit. SAYDS has previous experience in implementing Bank's projects as it is in charge of implementing one component of P100806.

43. Within SAYDS a National Executing Unit (NEU) will be in charge of managing project's activities. The NEU has a FM Specialist working for the above referenced loan; however, it may need to hire an additional specialist to absorb the incremental workload derived from this project.

44. In addition to the coordinating role of SAYDS, the following entities will have in intervention in the project:

45. The United Nations Development Program will act as the project's financial agent. This implies: (i) receiving and managing Bank's funds, and making payments to providers of goods and services for expenditures exceeding a threshold of US\$10,000, (ii) transferring funds to the operational bank account opened by SAYDS which will be used to pay for expenditures below US\$10,000.

- (a) National Agencies with a Rural Development mandate (National RDAs) who will implement some of the project activities.
- (b) Local Executing Units (LEU)²¹ who will use the funds for the payment of small administrative expenditures. SAYDS will prepare specific guidelines that should be followed by LEUs when incurring in these expenditures.
- (c) Communities which will implement sub-projects²² under component 1.

46. The SAYDS will sign implementation agreements with the recipient of funds which will include specific clauses aimed at ensuring that the resources are managed under sound financial

²¹ The LEUs are located in the eight departments in which the project is expected to operate.

²² The amount of these sub-projects will be under US\$10,000.

management practices. SAyDS will report on the use of funds consolidating all financial information following norms and documentation standards specified in the Operational Manual.

47. **Budgeting.** Budget execution in Argentina is recorded in the Federal Government integrated budget and accounting system SIDIF, *Sistema Integrado de Información Financiera*. SIDIF integrates budget accounting and treasury functions and is also linked to the debt management (SIGADE) Secretariat of Finance which manages SIDIF controls and consolidates budget execution decentralized to spending units. A separate budgetary line in the SAyDS annual budget will be created in order to allow for tracking of budget resources from different sources and project expenditures.

48. **Accounting and Reporting.** The Project will apply the Government system specially designed for the execution of multilateral financed operations, which is legally required (UEPEX). This system is compliant with Bank requirements, provides a good ex-ante internal control framework and is integrated and in line with the national budget execution process. The Bank has recommended the adoption of UEPEX for this loan.

49. **Internal Control and Internal Audit.** The Project Operational Manual (OM) incorporates the project's internal controls including those aimed at controlling the program budget, accounting of transactions ensuring the accuracy of financial information, flow of funds process including payments to beneficiaries, and specific controls applicable to subprojects.

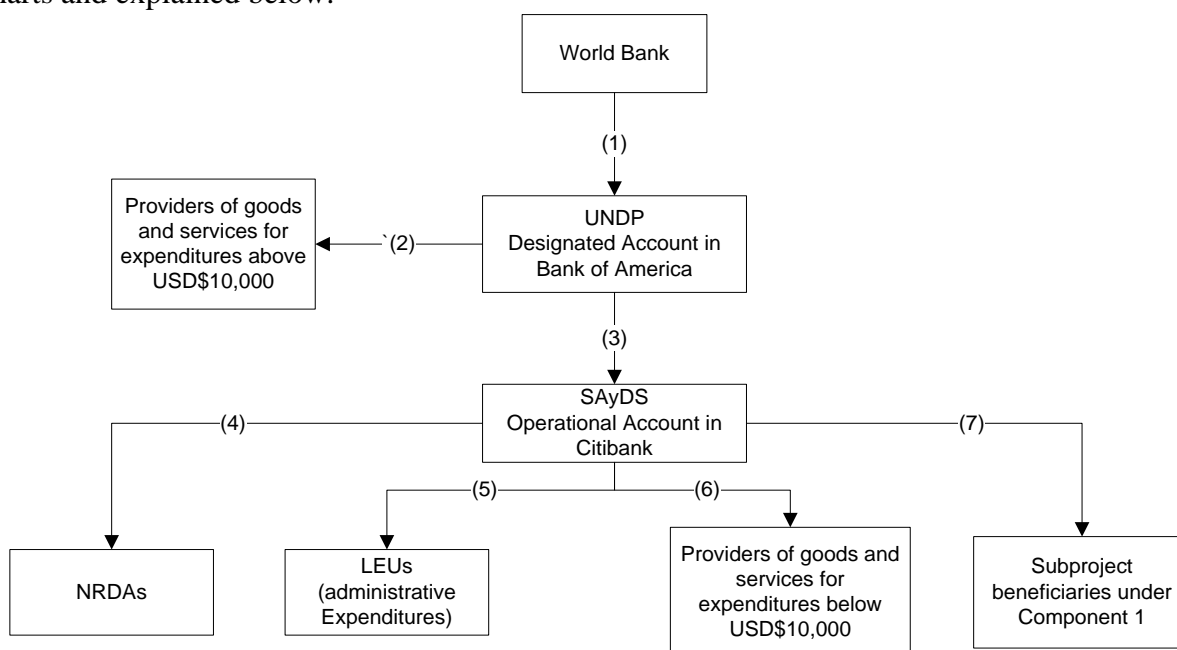
50. As for internal audit, SAyDS is subject to internal audit of the General Syndicate of the Nation (SIGEN), which is the Federal Government's internal audit agency under the jurisdiction of the executive branch. SIGEN supervises and coordinates the actions of the Internal Audit Units (IAUs) in all agencies, approves their audit plans, conducts research and independent audits, systematizes the information from its own reports and those produced by the IAUs. If necessary, the internal audit reports on the Project performance will be reviewed during Project supervision.

51. **External Audit Arrangements.** Annual Project financial statements will be audited based on Terms of Reference (ToRs), complying with auditing standards and employing an auditor acceptable to the Bank. The audit report shall be submitted to the Bank within six months of each Fiscal Year (FY). Annual audits would cover all funding and expenditures reported in the Project financial statements. For audit purposes the FY will be the calendar year. The Project has proposed that the Argentine Supreme Audit Institution, Auditoría General de la Nación (AGN) be the external auditor for the Project.

52. **Financial reporting.** SAyDS will use its accounting system, as described earlier, to prepare the semi-annual project unaudited Interim Financial Reports (IFRs) and the annual audited project financial statements. These will be prepared on a cash basis using the standard formats. After loan effectiveness, the following financial reports will be presented by SAyDS to the Bank:

Report	Due date
Semi-annual unaudited project IFRs reflecting the sources and uses of funds for each semester and cumulative uses by category, including beginning and ending cash balances. Draft format of Annual and Interim Financial Statements has been prepared by the Project and reviewed by the Bank.	Within 45 days after the end of each calendar semester
Annual audit report on project financial statements and eligibility of expenditures	Within six months after the end of each calendar year of loan disbursements (or other period agreed with the Bank).
Special opinions on SOEs and Designated Account	

53. **Flow of funds.** The general flow of funds arrangements are described in the following charts and explained below:



- 1.- The World Bank will provide advances to the Project's Designated Account in United Nations Development Programme (UNDP), who will act as financial agent for SAyDS.
- 2.- Per requests from SAyDS, the UNDP will make direct payments to providers of goods and services for expenditures above US\$10,000 under every component of the project.
- 3.- Based on quarterly forecasts of funding needs prepared by SAyDS, the UNDP will transfer funds to the project's operational account held in Citibank.
- 4.- SAyDS will transfer funds to the NRDA for the implementation of some of the projects activities.
- 5.- SAyDS will transfer funds to LEUs so that they can pay small operational expenses (normally below US\$1,000).

6.- SAyDS will pay directly from the operational account expensed under every project component as long as they are below a threshold of US\$10,000 (otherwise, they would have been paid by UNDP).

7,- SAyDS will transfer funds to communities to execute sub-projects under component 1 (sub-project value is expected to be below US\$10,000).

54. **Disbursement Arrangements.** The following disbursement methods may be used under the loan:

- (a) Advance (as primary method)
- (b) Reimbursement
- (c) Direct Payment

55. The World Bank will deposit project's advances in the UNDP's designated account held in Bank of America. The ceiling for advances to be made into the DA would be US\$2 million, estimated to be sufficient for Project execution.

56. Disbursement arrangements²³ are summarized as follows:

Retroactive expenditures ²⁴	<p>Eligible payments</p> <ul style="list-style-type: none"> ▪ Are paid during the year or twelve months prior to the date of loan signing; ▪ Do not exceed 20 percent of the loan amount; and ▪ For items procured in accordance with applicable Bank procurement procedures.
Reimbursement of eligible expenditures pre financed by the GOA after the date of grant signing	<ul style="list-style-type: none"> ▪ Reimbursement of eligible expenditures into a bank account controlled by SAyDS through the Project Implementation Unit. The minimum application size for reimbursement requests will be US\$100,000.
Other Disbursement Methods	<ul style="list-style-type: none"> ▪ Direct payments to suppliers. The minimum application size for direct payment requests will be US\$100,000. ▪ Advance to a segregated designated account in USD managed by UNDP.
Supporting documentation	<ul style="list-style-type: none"> ▪ Statement of Expenditures (SOEs) ▪ Records (supplier contracts, invoices and receipts).

²³ For details, please see the Disbursement Handbook for World Bank clients.

²⁴ During negotiations retroactive financing not to exceed US\$1,600,000 for eligible payments was agreed.

Disbursement Categories

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be financed (inclusive of Taxes)</u>
(1) Works	10,900,000	100%
(2) Goods	24,333,100	100%
(3) Consultant's services	2,820,000	100%
(4) Non-consultant services	7,520,000	100%
(5) Training and Scholarships	7,970,000	100%
(6) Subprojects under Part A.3 of the Project	2,000,000	100%
(7) Operating Costs	3,070,000	100%
(8) Front-end Fee	146,900	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(9) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.08(c) of this Agreement
TOTAL AMOUNT	58,760,000	

57. **Supervision strategy.** The scope of project supervision will review the implementation of FM arrangements and FM performance, identify corrective actions if necessary, and monitor fiduciary risk. It will include: (a) reviewing of IFRs; (b) reviewing of the auditors' reports and follow-up of any issues raised by auditors in the management letter, as appropriate; (c) participation in project supervision, including at least one on site-visit and one desk review per year, and (d) updating the FM rating in the Implementation Status Report (ISR).

Annex 4: Implementation Support Plan

A. Strategy and approach

1. The Implementation Support Strategy has been designed based on the following considerations:

- (a) The design is based in part on the experience with Project P100806 which was also managed by SAyDS. Within the Ministry of Environment, SAyDS has a strong implementation record and is also responsible for the coordination of the REDD+ program co-financed with international donors, including UNREDD, UNDP, FAO, and the Forest Carbon Partnership Facility managed by the World Bank.
- (b) All subprojects need to comply with eligibility criteria and safeguard policies in order to be selected for financing.
- (c) Since the Project area is large, extensive travel will be needed during supervision.
- (d) Frequency of supervision missions will likely be higher at the beginning (three-four per year) to decrease to two per year once LEUs in Chaco, Salta and Santiago del Estero are established and functioning.
- (e) Complexity of implementation arrangements will be addressed by drawing on Global Practice to transfer knowledge and experience from countries such as Mexico and Indonesia that have included multiple service providers.

2. The Implementation Plan will be revised during implementation on the basis of project progress and continuous risk assessment.

B. Planning

3. Technical Support

- (i) *Component 1* requires expertise in the areas of procurement, financial management, social and environmental safeguards, and community development. Activities under this component will be carried out by technical specialists in the team, supported as appropriate by Bank consultants.
- (ii) *Component 2* requires expertise in the areas of capacity development, with emphasis in community organization and rural development. Activities under this component will be carried out by sector and technical specialists in the team, supported as needed by Bank consultants.
- (iii) *Component 3* requires expertise in the areas of agricultural development, agribusiness, contract management, procurement, financial management, as well as social and environmental safeguards. Activities under this component will be carried out by technical and fiduciary specialists in the team, supported as appropriate by Bank consultants.
- (iv) *Component 4* requires IT, forest inventory, geographic information system (GIS) and GEO processing. Activities under this component will be carried out by technical and fiduciary specialists in the team, supported as appropriate by Bank consultants.

4. **Fiduciary support.** As stated in Annex 3, SAYDS has experience implementing Bank-financed programs and the staff includes individuals with specialized FM and Procurement training and experience. Additional measures to be taken during implementation to strengthen SAYDS for the specific management and supervision of the Project include:

- (i) *Procurement:* Implementation support will include: (i) providing training to members of SAYDS; (ii) reviewing procurement documents and providing timely feedback to the procurement units/specialists; (iii) providing detailed guidance on the Bank's Procurement Guidelines; (iv) monitoring of procurement progress against the Procurement Plan, and (v) ex-post procurement review of community and alliance subprojects.
- (ii) *Financial Management.* Implementation support will include review of the Project's financial management system, including but not limited to, accounting, reporting and internal controls. Supervision will also cover sub-projects on a random sample basis.

5. **Safeguards support.** To support the management of social and environmental issues at the subproject level a special focus will be placed on safeguards supervision. The Bank's team will include an Environmental Specialist and a Social Development Specialist. Post-review of EMF and ICF screening of subprojects will be undertaken at least annually.

6. **Thematic support.** Specific support from other sector specialists might be needed at certain times of project implementation:

- (i) Land Tenure Strengthening
- (ii) Communications
- (iii) Agricultural marketing

7. **Focus of support.** The following summary table presents the main focus in terms of support to implementation during the different phases of the Project.

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	Social and Environmental Safeguards Baseline studies / Monitoring Interagency MoU / IRR Indigenous Peoples Plans Land tenure Capacity building Community Procurement Forest Plans & Monitoring Water harvest/storage Charcoal kilns	Safeguards Sociologist Statistician Economist Anthropologist Land Policy Trainer Procurement Forester Engineer Agronomist	150 percent of supervision norm	

	Climate Resilience			
12-48 months	Monitoring and Evaluation Indigenous Peoples Plans Land tenure Capacity building Community Procurement Forest Plans & Monitoring Water harvest/storage Charcoal kilns Climate Resilience Community Radio Awareness Campaign	Sociologist/Statistician Anthropologist Land Policy Trainer Procurement Forester Engineer Engineer Agronomist Communications Communications	Supervision budget based on norm	

Skills Mix Required

Skills Needed	Number of Weeks First year / 2+	Number of Trips
Baseline studies / M&E	4/2	one per year
Interagency MoU / IRR	2	one
Indigenous Peoples Plans	4/2	one per year
Land Tenure	4/4	two per year
Capacity Building	4/2	one per year
Community Procurement	3/2	one per year
Forest Plans & Monitoring	3/2	one per year
Water Harvest/Storage	3/2	one per year
Charcoal Kilns	2/1	one per year
Climate Resilience	2/1	one per year
Community Radio	4/2	two per year
Awareness Campaign	4/2	one per year

Partners

Name	Institution/Country	Role
Ana Gonzalez	PROSOBO / Argentina	Land Tenure; Forest Plans; Capacity Building
Hans Thiel	FAO CP / Italy	SACVEFOR; Forest Plans
Dino Francescutti	FAO CP / Italy	Economist
TBD	INTA / Argentina	Climate Smart Agriculture
TBD	INTI / Argentina	Water harvest/storage; Community Radio
TBD	INAI / Argentina	Indigenous Peoples Plans
TBD	Agricultura Familiar / Argentina	Capacity building; Extension

Annex 5: Environmental and Social Issues

A. Social Aspects

1. All necessary steps have been taken to comply with the requirements of OP/BP 4.10 Indigenous Peoples and OP/BP 4.36 Forests. In the case of the former, indigenous people will comprise a significant percentage of beneficiaries, and widespread consultations took place with them during preparation to ensure that their needs were fully reflected in the project. An Indigenous Peoples Management Plan has also been prepared. Where necessary, the medium of communication with indigenous people will be their natural tongue. Social impacts are closely aligned with project indicators and outcomes, and supervision missions will include a sociologist who will meet with indigenous communities (and others) to ensure that its social impacts are being realized and that the project is having no unexpected negative impacts on them. Further backup will be provided by the in-house sociologist in the Project Management Unit.

2. The primary beneficiaries of Component 1 would be forest users including indigenous and *campesino* communities, and small and medium producers with or without land titles of which 70 percent live under the poverty line. More than three quarters of the beneficiaries are indigenous, belonging to nine different indigenous people (including: Qom, Wichí, Mocoy, Vilela, Tonocté, Mbyá guaraní, Ava guaraní, Tupi Guaraní and Kolla). The area covered by the project for component 1 was selected based on a social and environmental assessment of the Chaco region. The following table shows the ten departments to be included in the project:

Table 5.1. Unsatisfied Basic Needs in the departments included in the project

Province	Departments	Forest region	Unsatisfied Basic Needs index*
Chaco	General Güemes	Parque Chaqueño	35%
Santiago del Estero	Copo	Parque Chaqueño	32%
	Pellegrini	Parque Chaqueño	28%
	Alberdi	Parque Chaqueño	31%
Salta	Rivadavia	Parque Chaqueño	49%
	San Martín	Parque Chaqueño	26%
	Orán	Selva Tucumano Boliviana	30%
Jujuy	Santa Bárbara	Selva Tucumano Boliviana	26%
Misiones	General Belgrano	Selva Misionera	20%
	San Pedro	Selva Misionera	22%

National Census 2010. National average of unsatisfied basic need is 13.8 percent.

* at least one unsatisfied basic need

3. A preliminary estimation of direct beneficiaries from component 1 is 50,000 belonging to approximately 250 communities. Including the training and communication activities from other components direct beneficiaries are estimated to be approximately 150,000 which may include public officials at a federal and provincial level.

4. The Social Assessment was prepared based on: previous experience and lessons learned from other projects in Argentina and other client countries; available secondary information at provincial and national level; experience from the Social Forest Program (PROSOBO by the acronym in Spanish), information collected from a field visit to Indigenous and *Campesinos* communities in Salta Province; a socio-economic study prepared for this project that analyzed information from surveys done in the field to 20 Communities (both *Campesinos* and Indigenous); and a particular study on Land Tenure in the provinces included in the project.

Table 5.2: Small Forest Producers including Indigenous People and *Campesinos*

Province/ Department	Communities		Beneficiaries			Ethnic Group
	Indigenous Peoples	<i>Campesinos</i>	Indigenous Peoples	<i>Campesinos</i>	Total	
Chaco/Gral Güemes	8	20	2,670	2,105	4,775	Qom
Chaco/Gral Güemes	10	15	5,000	1,000	6,000	Wichí Qom
Salta/Rivadavia	30	30	6,000	500	6,500	Wichí
Salta/San Martín	30	20	6,300	200	6,500	Wichí
Santiago del Estero/Copo, Alberdi, Pellegrini	18	5	2,500	900	3,400	Lule-Vilela Tonocoté
Misiones/Gral. Belgrano y San Pedro	20	25	2,000	900	2,900	Mbyá Guaraní
Jujuy/ Santa Bárbara Salta/Orán	10	5	1,200	800	2,000	Ava Guaraní Tupi Guaraní Kolla
Total 5/8	126	120	25,576 (80%)	6,405 (20%)	32,075 (100%)	

5. **Indigenous Peoples.** The social analysis undertaken during preparation has identified that several indigenous people and ethnic minorities live in the provinces of the Chaco, including, *Wichí*, *Lule-Vilela*, *Tonocoté*, *Mbyá guaraní*, *Ava guaraní*, *Tupi Guaraní* and *Kolla* people.

- (i) Wichí: Wichis are a hunting and gathering group some of which also include apiculture into their productive activities. According to the indigenous survey, in 2005 the population of Wichis was estimated as 40,000 of which 36,149 live in Chaco, Formosa and Salta provinces
- (ii) Lule-Vilela: Lule-Vilela people live in Santiago del Estero province specifically in the departments of Copo, Alberdi and Pellegrini. Data from the Indigenous National Institute (INAI for its acronym in Spanish) there are two Lule-Vilela groups registered in the national registry of indigenous communities: the community Vilela of Santo Domingo with 70 families and community Vilela Tres Leones de Pampa Charquina with 30 families.
- (iii) Mbyá Guaraní: Mbyás is a Guaraní people that live in Paraguay, Brazil and Argentina (in Misiones Province). In 2005 the indigenous peoples survey reported a population size of 4,083 for Misiones Province clustered in 54 communities.

- (iv) Avá Guaraní: Avá Guaraní are a Guaraní group living mainly in Bolivia, west Paraguay and north-west Argentina. The indigenous peoples survey in 2005 reported a population size of 17,592 living in Salta and Jujuy Provinces.
- (v) Tupí Guaraní: The group Tupí Guaraní or chané/chiriguano in Quechua language belongs to the Arawak linguistic family of the Amazon, Orinoco, Antillas, and north Colombia. In Argentina they settled approximately 2,500 years ago in the west of Gran Chaco territory and in some parts of Salta and Jujuy province. The indigenous survey of 2005 reported a population size of 16,365 of which 6,444 live in Salta and Jujuy Provinces.
- (vi) Kolla: Kolla is the word used for people of Quechua and Aymara origin living in Argentina. There are 164 communities living in Jujuy Province. According to the last data 70,505 people identified themselves as Kollas or descendants of them of which 53,106 live in Salta and Jujuy Provinces. Most of Kolla groups do not own land. Most of them are occupants of public land or livestock keeper. Some groups live also in the periphery of cities.

6. In many cases, indigenous group location overlaps with *Campesinos* settlements and both may share the use of natural resources in the same territory. *Campesinos* are categorized as small producers by the Ministry of Agriculture in what they call “family agriculture”. The secretary of family agriculture designs and implements projects aiming at benefiting small producers.

7. The Law of family agriculture enacted recently (December 2014) defines land as a social good and stipulates the guidelines for small producers (including indigenous populations) to have access to land. The Law also includes productivity and commercialization aspects as creation of subsidized credit lines. The Law recognizes the need to preserve natural goods for future generations by supporting an integral productive development in harmony with natural resources which conserves biodiversity, cultural practices and family traditions.

8. In Argentina, Family agriculture accounts for 20 percent of the GDP of the national agriculture sector, covers more than 31 million hectares and represents 65 percent of the total producers in the country. The main productive activities of the small producers include agriculture, forestry, aquiculture, hunting, handicrafts or tourism among others. These activities can be commercialized, exchanged or used for household consumption. A survey done in 2014 reports that 60 percent of the family agriculture units (NAF for the acronym in Spanish) are located in the North West of Argentina (NOA) (32 percent) and North East of Argentina (NEA) (28 percent) regions. The number of NAFs for the provinces included in the project is: 12.485 in Santiago del Estero, 5.021 in Salta, 2.180 in Jujuy, 10.852 in Misiones and 4.259 in Chaco.

9. NAFs are a vulnerable section of the population especially in NOA and NEA regions where the percentage of overcrowding reaching 87 percent and 81 percent respectively. These regions also have low road access (68 percent and 64 percent respectively), land tenure is 25 percent in NOA and 39 percent in NEA and have low percentage of commercialization (close to 30 percent).

10. **Land Tenure.** In the project area land tenure is an important topic. The land tenure situation reflects a complex dynamic as a result of historical events as well as the different interest of the many stakeholders present (including Indigenous communities and *Campesinos*). A specific study on land tenure of the project area revealed diverse land tenure cases among local populations and showed heterogeneous responses from different provinces regarding regularization processes. According to the study, the main issues in the area are: overlap of many stakeholders with different interest on the land, extension of the agricultural frontier and extraction of forest resources in an area with unclear tenure, unclear tenure and boundaries (especially for Indigenous communities), lack of land titles, land invasion, land grabbing and inter-ethnic conflicts. In 2012 the general audit office produced a report on the “*programa de relevamiento territorial de comunidades indígenas*” that showed that only 4.22 percent had been delimited (*relevadas*) by 2011.

11. Land tenure conflicts also affect *Campesinos* regardless of the existing legislation contained in the Civil Code, many cases of displacement have occurred in the last fifteen years. In response to this problematic, some instruments have been created at a provincial level such as the registry of possessors in Santiago del Estero or a Law in Salta that prohibits displacement of *Campesinos* and mandates the delimitation of their lands in order to clarify Land tenure issues.

12. SFP have been displaced by agro-industrial planting and land speculators. This situation led to the issuance of Law 26.160 in 2006, to suspended administrative or judicial displacement of indigenous people from the territory they occupy. This Law ordered a land inventory to be led by the National Indigenous Affairs Institute (INAI). Unfortunately the land inventory provision has been implemented very slowly and has been extended twice, most recently in October 2013 until November 2017 (Equipo Nacional de Pastoral Aborígen 2011, ENDePA2013; Auditoría General de la Nación 2013, in Di Paola M. and Ramirez S., 2014, WB-FAO CP). The tenure situation of SFP in the Chaco Ecoregion has been poorly documented and varies significantly between provinces and departments: in Department San Martín, Province of Salta, for example, 83.6 percent of land occupied by indigenous people is titled to the church or to private owners (Buliubasich C. y González A., in Camalli E. 2014). In Santiago del Estero the situation of land tenure is also bleak: 55, 6 percent of tenure falls under the category of “precarious” (meaning without defined limits, encroached, informal use regime, amongst others.), caused mainly by forceful displacement of SFP by expansion of agroindustrial (soybean) production (Camalli E. 2014, WB-FAO CP). Support for these communities to better organize, improve and sustainably use of the forest landscape in order to legitimize and stabilize their situation with a view to legalize their land tenure claims is therefore urgently needed. Land tenure strengthening activities under the project will initially be piloted in a more limited area, with possible expansion considered during the mid-term review, taking into consideration implementation results and lessons generated from a parallel Policy and Human Resources Development Fund (PHRD) financed Land Governance Dialogue.

13. Social assessment. Based on the Social Assessment, the Project is triggering the

following social safeguard policies: Indigenous Peoples OP/BP 4.10 and Involuntary Resettlement OP/BP 4.12. Project activities are going to be implemented through demand driven integrated community plans that will be design and developed by beneficiaries during implementation. As potential impacts can only be identified once the project is running an ICF was prepared as a guideline to detect negative impacts of project activities and to make sure that mitigation actions are taken into account based on the safeguards policies of the Bank. The ICF includes an IPPF, a RPF and a Process Framework.

14. The Social Assessment was prepared based on: previous experience and lessons learned from other projects in Argentina and other client countries; available secondary information at provincial and national level; experience from the Social Forest Program (PROSOBO by the acronym in Spanish), information collected from a field visit to Indigenous and *Campesino* communities in Salta Province; a socio-economic study prepared for this project that analyzed information from surveys done in the field to 20 Communities (both *Campesinos* and Indigenous); and a particular study on Land Tenure in the provinces included in the project.

15. Participatory planning. The Social Assessment and the ICF preparation included appropriate consultations with both Indigenous and *Campesino* communities. The consultation process started by PROSOBO in Salta province where the program had already established a trust relationship with *Campesino* and Indigenous communities. The engagement strategy with Indigenous communities builds on experience gained during the implementation of a previous Learning and Innovation Loan (P057473) and includes the selection of partner agencies known to IP communities to act as interlocutors both during project design and implementation. The project design is in line with the national constitution (1994) that supports recognition of indigenous land claims. Investments at the community level are based on sub-projects developed by the communities themselves.

16. The draft ICF was distributed for public consultation in January 2015. Consultation participants included members of the *Consejo de Participación Indígena* of the five Project provinces and the *Instituto Nacional de Asuntos Indígenas* (INAI). Indigenous Peoples' organizations representing the different forest regions (Parque Chaqueño, Selva Tucumano – Boliviana and Selva Misionera) also participated in the consultation process. The IP consultation took into consideration cultural IP diversity and included, as necessary, communication in distinct IP languages (*inter alia*, Wichí, Mby'a Guaraní, Avá Guaraní). Consultations were also held with *Campesinos* from ten departments across the five project provinces. Consultation results will be integrated in the ICF, including IP suggestions, modifications and observations. The final ICF incorporating consultation comments was published in Argentina and on the World Bank's external website on February 23, 2015.

17. The IPPF details the consultations carried out during preparation and the framework itself is based on community consultations in order to ensure broad support under a free, prior and informed consultation process. In activities in which the majority

of the beneficiaries are indigenous peoples, the IPPF will serve as a guideline to design and implement subprojects that contain the requirements of an Indigenous Peoples Plan (IPP). The same procedure will apply for activities involving *Campesinos*.

18. Mainstreaming gender. The ICF includes a gender analysis, of both *Campesinos* and Indigenous communities. Water shortage affects the entire population however women are specially impacted as they are in charge of providing water to the family²⁵. Other difficulties that are present in the area and that affect especially women due to the division of work in the house, are a lack of rural roads, family health and education, and restricted participation in decision making processes. Possibilities of women involvement in decision making processes include three topics: jobs, access to institutions and due processes and land access. Activities implemented by PROSOBO have already included these topics and have brought lessons learnt that were considered in the social assessment and the design of project's preparation activities contained in the ICF.

19. In the majority of the families, women contribute to the economy of the household by commercializing handicrafts, cheese, candy, and bread, among other products. In some cases women also work outside the house. Even in this cases in which women contribute with cash to the household economy they may not be able to decide on the use of the money. This demonstrates the low participation that women have in the decisions of the Land mainly; livestock care is in charge of women. Generally when women are employees their job conditions are basic and do not include social security or pension. In addition, their salary is generally lower than that of men.

20. Regarding forest related activities, women participate in the collection of wood and twigs for cooking. They are also in charge of firing the stove and its general maintenance. The cooking in some cases is on open fire and in some other cases is on wood stoves located in small rooms generally without ventilation that can be part of the common areas of the house or as a separate space. Women may also be in charge of tree nurseries.

21. One of the main productive activities of women is handicraft production that reflects their culture. This task rarely gives them a stable economic income. However it their preferred activity as it can be done in their free time when they are at home. The raw materials that they use generally come from things produced at home. Problems related with this activity are related with the commercialization as the sales are uncertain and unstable, and there are few connections to markets. In response to this problem PROSOBO has started to target efforts towards improving the links to markets of handicrafts by supporting fairs, strengthening and creating producer associations and providing training to women in market prices and finances, among others.

22. Project design includes lessons learnt from PROSOBO and includes different participation methods for women based on the traditions of each of the indigenous groups

²⁵ Biaggi, C., Canevari, C., y Tasso, A. (2007). Mujeres que trabajan la tierra. Un estudio sobre las mujeres rurales en la Argentina. SAGPyA. Serie Estudios e Investigación, 11, 19-36.

and the role of women in decision making processes. The degree of participation of women in decision making varies among different indigenous groups. This situation may also occur in *Campesino* communities. Some *Campesino* women have requested meetings in which men are not included in order to feel free to talk about their opportunities without the fear of being judge by men.

B. Environmental Aspects

23. On OP/BP 4.36 Forests, the project is fully compliant in that primary forests are not involved and full consultation with communities and provinces have taken place. The aim of the project will be to arrest deforestation and degradation through the introduction of sustainable forest management; this will improve forest cover and have strong positive environmental impacts. The preparation and implementation of sustainable forest management plans will be supervised by provincial forest administrations which will be strengthened to undertake this task. A robust and state-of-the-art forest cover monitoring and early warning system, coupled with an electronic verification system for forest products in transit will serve to detect any unexpected increases in deforestation and help minimize any illegal harvesting and transport of forest produce. Supervision mission will include subject matter specialists to ensure that environmental safeguards are being respected, and to ensure that any negative impacts are identified early and dealt with.

24. The project is expected to have a positive environmental impact by replacing forest degradation and deforestation with sustainable forest management, consequently, rates of deforestation and forest degradation are expected to fall. Reductions in forest degradation and deforestation will improve biodiversity conservation, reduce soil erosion, improve hydrology, reduce carbon emissions in areas normally cleared by burning, and improve carbon sequestration through tree growth. Improving the efficiency of wood energy systems (stoves, ovens and kilns) will also have a positive impact by reducing fuel wood consumption and thereby relieving pressure on critical forest areas; reducing smoke emissions in the home will have a positive impact on the home environment. In addition, moving from fossil fuels to renewables for heating (fuel wood from sustainable sources) will result in a reduction in carbon emissions.

25. An average avoided loss of commercial wood of 0.32 ton/ha/year was valued at US\$33.1/ton of CO₂eq or US\$10.6/ha/year (2013 prices). Based on the guidance note on Social Value of Carbon (SVC), the estimated environmental benefits are slightly above the initial SVC for the base path but below the 20-year projected base value.²⁶ Ex-ACT analysis will be used to refine these initial calculations.

26. This Project does not include irrigation or water supply activities which depend on the storage or operation of any existing dam for their supply of water, and that could not function if such dams failed.

27. In line with the Operational Policy 4.76, this Project will not support any activity

²⁶ SDNCE/CCGCE. Guidance note on social value of carbon in project appraisal. July 14, 2014.

related to tobacco production, processing or marketing.

C. Triggered Safeguard Policies

28. **Environmental Assessment OP/BP 4.01.** The project is expected to generate mostly positive environmental impacts, given that its objective is to improve forest management, conservation, and resilience to climate change based on participatory community management models. No substantial negative environmental impacts are expected from the project investments and activities. As part of the EA development, an Environmental Management Framework based on a category B-type project (EMF), was developed by the borrower during the course of project preparation. This framework will ensure the prior screening of the environmental risks and impacts of any investment to be made through preparation of site specific Environmental Management Plans (EMP) especially activities identified in the PICs (Integrated Community Plans under Component 1), as well as the availability of specific guidelines to minimize their environmental impacts.

29. Considering the high concentration of arsenic present in a large portion of the Project area's underground waters, the Project activities aimed at supplying water for human consumption might have indirect or long term impacts on human health, so specific water quality assessments will be required, which should be identified through a Preliminary Environmental Assessment Form (*Formulario Ambiental Preliminar*) and conducted before the execution of such activities.

30. **Natural Habitats OP/BP 4.04.** The ecosystems covered by the project area include the Chaco dry forests, the Atlantic rainforest, and the Yungas cloud forests. The Project area also includes many sites that are important and critical natural habitats (National Parks, Provincial Reserves, Biosphere Reserves, as well as different priority areas for biodiversity conservation, identified by public and private institutions). The project impacts with regard to critical natural habitats are expected to be mostly positive or neutral, since it will support improvements in the management of the forest landscapes where those critical natural habitats are immersed. Guidelines were developed as an annex to the EMF to identify, manage and monitor possible negative impacts on critical natural habitats.

31. **Forests OP/BP 4.36.** The project will focus on forest ecosystems and their improved management. Those PICs addressing the implementation of forest management or harvesting by small scale holders will be subject to the development of Forest Management Plans acceptable to the Bank and coherent with the local standards required to access the Forest Fund. In addition to natural forests management, it is expected that reforestation activities will also be supported. No large-scale commercial plantations will be supported by the project. Plantation activities will be community-based for reforestation, of relatively limited size, and primarily focused on native species. Certification will be promoted and increased areas under improved management or certification would be secured by completion. Through the implementation of a preparatory activity (P100806), the borrower has identified and documented a set of

technical guidelines and eligible management practices for the specific Ecoregions where the Project is going to be executed.

32. A possible negative impact may occur if sustainable forest management reduces the availability of forest products over the short term. This could serve to shift pressure on natural forests from the project area to other areas where controls are weaker (so called leakage). This possible negative impact will be mitigated by having in place the Deforestation and Forest Degradation Early Warning System which will detect this so that remedial actions can be taken. A further negative impact could be encountered if the project becomes a victim of its own success, for example, raising the profitability of charcoal making with improved kilns could encourage a rapid expansion of this activity in areas where harvesting is poorly controlled. Once again, the monitoring and early warning system, backed up by the Control and Verification System will detect this so that licensing and control can be intensified in the affected areas. This potential issue will be also addressed during the screening of the sub-projects (PICs), when considering their indirect impacts area and the mitigation measures related to each Forest Management Plan.

33. **Pest Management OP 4.09.** The small scale agriculture investments planned in this Project will use biological pest management methods and/or non-synthetic chemical pesticides. The Project might include small scale reforestation, as well as other agroforestry activities, which could possibly require the use of pesticides, herbicides, and fungicides in some stages. The EMF addresses pest management issues and the subsequent use of these substances within the specific activities and sub-projects (PICs) since its “Preliminary Environmental Assessment” stage. Should any activity or sub-subproject require so, the EMF guides the preparation of specific pest management studies and/or plans to be implemented along with those specific interventions. The EMF has clearly established which chemicals are not eligible for financing.

34. **Physical Cultural Resources OP/BP 4.11.** Although no physical cultural resources have been identified in relation to the Project activities, some Project areas may have physical cultural resources. The EMF includes procedures and generic terms of reference for the development of physical cultural resources protection plans in case of chance findings in the project area.

35. **Indigenous Peoples OP/BP 4.10.** The project beneficiaries (partners) involve both Indigenous Peoples and small producers (*Campesinos*) in the five provinces in North Argentina that are included in the project. An IPPF was prepared and it contains details of the consultations carried out during preparation and the framework itself is based on community consultations in order to ensure broad support under a free, prior and informed consultation process. In activities in which the majority of the beneficiaries are indigenous peoples, the IPPF will serve as a guideline to design and implement subprojects that contain the requirements of an Indigenous Peoples Plan (IPP). The same procedure will apply for activities involving *Campesinos*.

36. **Involuntary Resettlement OP/BP 4.12.** Project activities are not expected to

cause displacement however activities related mainly with land regularization and subprojects designed by communities may include actions that limit the access to natural resources. It is not expected the project to limit the access of any of the protected areas within the project area. To address OP 4.12 requirements, the Borrower prepared a Resettlement Policy Framework (RPF), built from past rural projects in Argentina. The RPF establishes process by which members of potentially affected communities participate in the design of project components, selection of options to achieve resettlement policy objectives, and implementation and monitoring of relevant project activities. In order to address possible restrictions to resources, a Process Framework was also prepared as part of the ICF.

D. Monitoring and Evaluation

37. The results framework defines performance indicators for each component and sub-component. Bank M&E guidelines were consulted for the design of the indicators and result matrix to ensure that best practices were applied. As required the result matrix includes core indicators and citizen engagement indicators. In addition the team has worked with forest specialists in the Anchor to include pilot predictive proxy indicators for the forest sector.

38. SAyDS has gained experience reporting on progress during the ongoing operation (P100806) however with a greater number of field activities and a larger number of implementation partners, SAyDS will need to rely more on Local Executing Units (LEU) and ensure that they follow established methodologies for reporting progress. The NEU of the project would be responsible for overall monitoring and evaluation (M&E) and for meeting the agreed reporting requirements. The team will include an M&E officer that would support project supervision by ensuring that baseline and follow-up surveys and data collection for the key performance indicators are available regularly. At the provincial level, the LEU Field Teams will include an M&E officer in charge of monitoring the implementation of subprojects, collect data and transmit them to the NEU. LEUs team members will also report to the NEU on the compliance of the social and environmental safeguards.

39. M&E reports, including environmental and social monitoring results, will be produced quarterly at the LEU level, and every six months at the NEU level. The data collected at the field level would be consolidated and analyzed at the LEU level and consolidated by the NEU for reporting and feedback. To make sure that the staff involved in M&E activities both at a national and a local level are clear about the monitoring and reporting activities, an M&E strategy will be designed and communicated to staff early in the implementation. Bi annuals reports will include project implementation and progress, detailing progress made for each component, explanation of implementation delays and actions to solve them, and recommendations when needed. This report would be an input to the bi annual supervision mission of the Bank and should provide the necessary information to produce the internal report of the Bank. Annual evaluation and impact monitoring reports will facilitate adaptive management, allowing for the identification of issues and lessons that could help adjusting the operational strategy. The format and

content of the annual monitoring report are defined in the Project Operational Manual. The mid-term review of the Project would occur no later than 30 months after effectiveness.

40. Shortly after the declaration of project effectiveness, data will be collected for baseline values through a survey. This survey will be also used for the mid-term progress evaluation and project closure to report on the progress and performance of indicators

41. In addition to the results framework, this project also plans to use impact evaluation methods to assess project outcomes. The design of this evaluation was discussed and agreed with the client during a workshop organized by the Development Impact Evaluation (DIME) program on impact evaluations. The project design will enable the use of advanced statistical techniques to control for confounding factors and isolate the impacts of the project. The impact evaluation is focused on understanding factors that influence access to Forest Fund under the Forest Law (26.331) by small producers and indigenous communities. Funding to carry out this evaluation is being sought through the Impact Evaluation to Development Impact (i2i) fund managed by the DIME group. A proposal was prepared and submitted in collaboration with DIME team members.

42. *Environmental and Social monitoring (Indigenous People, Gender and Youth)* M&E officers will report on the compliance of environmental safeguards of the subproject. Lessons learnt from the implementation of subprojects (DAS) under component 3 of the ongoing project (P100806) will be considered for assessing compliance of the subprojects of this project. Elements to be considered are: (i) environmental screening for subprojects and investments; (ii) the effectiveness of environmental mitigation measures implemented; and (iii) the extent to which subprojects are maintained in an environmentally and socially sustainable manner.

43. Indicators allow disaggregating indicators gender, ethnicity, and type of beneficiary (category of producers, indigenous peoples, and *campesinos*). Attention will be given to regularly monitor the share of project resources benefitting women-only or youth-only producer groups, as well as activities designed to specifically target indigenous people.

44. As part of the new World Bank Group Environment Strategy (2012), all World Bank (WB) investment projects must undertake greenhouse gas (GHG) emissions accounting ('carbon footprinting'). This project will report on the GHG accounting based on the guidance note about Social Value of Carbon in project appraisal and using the Ex-ACT analytical tool. The Economic analysis already includes initial estimates however they will be refined using the Ex-ACT analysis.

Annex 6: Financial and Economic Analysis

1. The project is expected to generate significant tangible and intangible economic benefits, including: (i) additional income from forest products such as timber, poles, firewood, charcoal and non-timber forest products, as well as other productive activities such as cattle and goat production; (ii) improved ecosystem services in form of biodiversity conservation, landscape integrity and the conservation of cultural identities, (iii) improved micro-climate and carbon sequestration. Based on available quantitative information, a Financial and Economic Analysis was carried out for typical productive activities identified in the project area. This base-line assessment included six types of small producers, each with its own distinctive production characteristics and land area (200-850 ha). The most significant product outputs for each type of small producer is cattle, small livestock, honey, handicrafts, charcoal and wood products. The product mix varies between categories. The financial assessment of these typologies showed positive results driven by consumption of forest resources. None of the six types of small producers is financially viable when including environmental costs.

2. Five multiple-use forest management models were developed and evaluated. The without project situation reflects current land use practice where uncontrolled land use and forest exploitation bears no relation to the sustainable productive capacity of the forest. By contrast, in the with-project situation, harvesting is conducted within the confines of a management plan which limits harvesting to the annual sustainable productive capacity of the forest and aims to diversify production. The five models included a range of situations where wood products (fuel-wood, poles, and charcoal) are the main output, to situations where multiple products and services are produced (including livestock, handicrafts).

3. In the with-project situation, the environmental benefit of avoiding forest degradation was included. This environmental benefit was estimated using prices of commercial products. An average avoided loss of commercial wood of 0.32 ton/ha/year was valued at US\$33.1/ton or US\$10.6/ha/year (at 2013 prices). Considering that one ton of commercial wood represents two tons of total biomass (surface and underground) or one ton of total CO₂-equivalent (surface and underground)²⁷, the estimated environmental benefit (US\$33.1/ton of CO₂-equivalent) is higher than the value based on carbon markets (currently around one USD/ton of CO₂-equivalent). Considering the Social Value of Carbon (SVC) suggested for WB projects at appraisal, the estimated environmental benefits are slightly above the initial SVC for the base value but definitely below the 20-year projected base value (US\$30/ton of CO₂-equivalent for 2015 to US\$50 for 2035/ton of CO₂-equivalent).²⁸ The GHG accounting analysis using Ex-ACT analytical tool, will provide more precise estimates on this matter. However, it is likely

²⁷ Biomass and carbon estimates come from: *Estimación de volumen, biomasa y contenido de carbono de las regiones forestales Argentinas*. SAyDS, 2004. Ratio between total surface biomass and commercial Wood is based on data of local preparation team.

²⁸ SDNCE/CCGCE. Guidance note on social value of carbon in project appraisal. July 14, 2014.

that economic analysis would yield higher feasibility indicators, once the results of the GHG accounting analysis are incorporated.

4. With an annual discount rate of 15 percent (the opportunity cost of capital), an evaluation period of 20 years, and using 2013 costs and prices, four of the five models produced substantial returns. The only exception is the forest management model which involves wood-fired electricity generation, which yields an IRR close to the annual discount rate. The highest returns were obtained from the forest management model that produces dried firewood, sorted and packaged for retail and supermarkets. All models included family farm investments for increased production of cattle and goats (essentially improved water availability, improved pastures or cattle management infrastructure). Similarly, all models included improved cook-stoves which significantly reduces the need for labor for wood gathering.

3. In summary,²⁹ the Economic IRR for the project as a whole was 31 percent including the benefits of avoided deforestation, and the Financial IRR was 23 percent, excluding avoided deforestation. The expected Economic NPV would be around US\$44 million. The financial analysis shows that an investment of US\$43/ha over 5 years could raise annual net income from US\$6/ha without project to US\$31/ha with project. The NPV of increased tax revenues would be US\$14 million which partially compensates the public investment of GOA on this project (around 22 percent of project cost). Employment increased (mainly family labor) by 490 person-years equivalent.

4. A sensitivity analysis showed that returns were sensitive to environmental benefits. In the event that the environmental benefit of avoided forest over exploitation is not achieved, the Economic IRR would be around 7 percent.³⁰ Leaving aside environmental benefits, with project production levels of wood products could be reduced by 30 percent while the overall project Economic IRR would still be around 18 percent. This analysis confirms that the project is both economically attractive for Society as a whole and financially viable for the beneficiaries.

5. At project start-up, baseline income and costs would be re-assessed from a first batch of beneficiaries applying the models through participatory workshops. Expected with-project income and costs would also be re-visited to increase awareness of potential benefits and efforts expected, but also to train producer groups and forest managers in basic and simple schemes for assessing their costs and benefits. An M&E system would be implemented to capture the information gathered during this initial exercise. During project implementation, randomly selected producer groups benefited by the project would be visited to assess actual results achieved. It is expected that a significant proportion of producer groups would be assessed more than once during project implementation. Captured information would be incorporated in the M&E system to

²⁹ In project files, there is a Farmod file BNC_T14F.Mod containing the detailed analysis. The results of this analysis are contained in the Excel file: BNC Análisis Económico y Financiero – Escenario Final – 2014.xlsx.

³⁰ Such scenario is presented in Excel file: BNC Análisis Económico y Financiero - Escenario Final – 2014 – Sin Beneficio Ambiental.xlsx.

facilitate comparisons through the project life, across geographic areas, productive activities and typology of beneficiaries. Major efforts to assess results would be conducted previous to Mid-Term Review and Final Evaluation at project end.

Argentina Forests and Community Project Map

