

Document of
The World Bank

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Report No: 57359-AR

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$52.5 MILLION

TO THE

ARGENTINE REPUBLIC

FOR THE

SOCIO-ECONOMIC INCLUSION IN RURAL AREAS PROJECT

May 4, 2015

Agriculture Global Practice
Latin America and the Caribbean Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective September 30, 2014)

Currency Unit	=	Argentine Peso (ARS)
ARS8.43	=	US\$1.00
AR\$1.00	=	US\$0.12

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AGN	<i>Auditoría General de la Nación</i> (National Auditing Board)
BNA	<i>Banco de la Nación Argentina</i> [a commercial bank]
CEP	<i>Comité de Evaluación Provincial</i> (Provincial Evaluation Committee)
CPS	Country Partnership Strategy
ESMF	Environmental and Social Management Framework
FM	Financial Management
FMA	Financial Management Assessment
FONAF	<i>Foro Nacional de Agricultura Familiar</i> (National Family Farming Forum)
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IP	Indigenous People
IPPF	Indigenous People Planning Framework
MAGyP	<i>Ministerio de Agricultura, Ganadería y Pesca</i> (Ministry of Agriculture, Livestock, and Fisheries)
M&E	Monitoring and Evaluation
MIS	Monitoring and Information System
NBI	<i>Necesidad Básica Insatisfecha</i> (Unsatisfied Basic Need)
NCB	National Competitive Bidding
NEA	<i>Noreste Argentino</i> (North East of Argentina)
NOA	<i>Noroeste Argentino</i> (North West of Argentina)
POM	Project Operational Manual
OP	Operational Policy
ORAF	Operational Risk Assessment Framework
PEAA	<i>Programa Estratégico Agroalimentario y Agroindustrial</i> (Agri-food and Agribusiness Strategic Plan)
PERMER	<i>Proyecto de Energías Renovables en Mercados Rurales</i> (Renewable Energy Project for Rural Areas)
PO	Producers' Organization
PRODEAR	<i>Proyecto de Desarrollo de Áreas Rurales</i> (Rural Areas Development Project)
PRODER	Rural Education Improvement Project
PRODERI	<i>Proyecto de Desarrollo Rural Incluyente</i> (Inclusive Rural Development Project)
PROINDER	Small Farmer Development Project
PROMER	<i>Proyecto de Mejoramiento de la Educación Rural</i> (Rural Education Quality Improvement Project)
RPF	Resettlement Policy Framework

SBD	Standard Bidding Document
SEPA	<i>Sistema de Ejecución de Planes de Adquisición</i> (Procurement Plan Execution System)
SIDIF	<i>Sistema Integrado de Información Financiera</i> (Integrated Financial Information System)
SIGEN	<i>Sindicatura General de la Nación</i> (National Audit Institution)
SOE	Statement of Expenditures
TCU	Technical Coordination Unit
TOR	Terms of Reference
UCAR	<i>Unidad para el Cambio Rural</i> (Rural Sector Coordination Unit)
UEP	<i>Unidad de Ejecución Provincial</i> (Provincial Implementation Unit)

Regional Vice President:	Jorge Familiar
Country Director:	Jesko Hentschel
Senior Practice Director:	Juergen Voegele
Practice Manager:	Laurent Msellati
Task Team Leader:	Renato Nardello

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PAD DATA SHEET

Argentina

Socio-Economic Inclusion in Rural Areas Project (P106685)

PROJECT APPRAISAL DOCUMENT

Latin America and Caribbean Region

Agriculture Global Practice

Report No.: 57359-AR

Basic Information			
Project ID P106685	EA Category B - Partial Assessment	Team Leader Renato Nardello	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date June 11, 2015	Project Implementation End Date October 30, 2020		
Expected Effectiveness Date October 20, 2015	Expected Closing Date February 28, 2021		
Joint IFC No			
Practice Manager/Manager Laurent Msellati	Senior Global Practice Director Juergen Voegele	Country Director Jesko Hentschel	Regional Vice President Jorge Familiar
Borrower: Argentine Republic			
Responsible Agency: Ministry of Agriculture, Livestock, and Fisheries (<i>Ministerio de Agricultura, Ganadería y Pesca de la Nación</i>)			
Contact: Telephone No.:	Jorge Neme +54 (11) 4349-1301	Title: Email:	Coordinador Ejecutivo, UCAR coordinacion@prosap.gov.ar
Project Financing Data(in USD Million)			
[X] Loan	[] IDA Grant	[] Guarantee	
[] Credit	[] Grant	[] Other	
Total Project Cost:	76.50	Total Bank Financing:	52.50
Financing Gap:	0.00		

Financing Source	Amount
IBRD	52.50
BORROWER/RECIPIENT	16.60
LOCAL BENEFICIARIES	7.40
Total	76.50

Expected Disbursements (in USD Million)

Fiscal Year	2016	2017	2018	2019	2020
Annual	5.00	10.00	16.00	16.00	5.50
Cumulative	5.00	15.00	31.00	47.00	52.50

Proposed Development Objective(s)

To increase the socio-economic inclusion of rural poor (small producers, indigenous people, and rural workers) by: (a) strengthening their organizational, planning and management capacity to achieve poverty-reduction goals; (b) improving their access to community infrastructure and services and (c) piloting a new model for developing sustainable access to markets.

Components

Component Name	Cost (USD Millions)
Component 1: Capacity Development	13.83
Component 2: Rural Livelihood	43.00
Component 3: Access to Markets	16.27
Component 4: Project Management	3.27

Institutional Data

Practice Area / Cross Cutting Solution Area

Agriculture

Cross Cutting Areas

- Climate Change
- Fragile, Conflict & Violence
- Gender
- Jobs
- Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Agriculture, fishing, and forestry	General agriculture, fishing and forestry sector	80		
Agriculture, fishing, and forestry	Other social services	20		

Total	100		
<input checked="" 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 % must equal 100)			
Major theme	Theme	%	
Rural development	Rural services and infrastructure	33	
Rural development	Other rural development	33	
Rural development	Rural non-farm income generation	17	
Rural development	Indigenous peoples	17	
Total	100		
Compliance			
Policy			
Does the project depart from the CPS 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
Terms of Reference for Consultancies under Part 1(b) (Schedule 2, Section I.F)	X		CONTINUOUS

Description of Covenant			
Ensure that terms of reference for any consultancy in respect of any Project activity under Part 1(b) of the Project shall be satisfactory to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the Bank Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance.			
Name	Recurrent	Due Date	Frequency
Specific Budget Line in the National Budget (Schedule 2, Section II.B.4)	X		Yearly
Description of Covenant			
Create, prior to the commencement of each calendar year during Project implementation, and thereafter maintain throughout each said calendar year of Project implementation, a specific budget line entry in the national annual budget in order to keep track of the corresponding expenditures incurred during Project implementation.			
Name	Recurrent	Due Date	Frequency
Technical and Fiduciary Audits (Schedule 2, Section II.B.5)	X		Semiannual
Description of Covenant			
Carry out, through independent auditors, technical and fiduciary audits of subprojects covering the period of one semester (or any other period agreed with the Bank) and provided to the Bank no later than 45 days after the end of such period.			
Conditions			
Source of Fund	Name		Type
IBRD	Adoption of Operational Manual (Article IV, Section 4.01)		Effectiveness
Description of Condition			
The Operational Manual has been duly adopted by the Borrower.			
Source of Fund	Name		Type
IBRD	Retroactive Financing (Schedule II, Section IV.B.1)		Disbursement
Description of Condition			
No withdrawal shall be made for payments made prior to the Signature Date of the Legal Agreement, except that withdrawals up to an aggregate amount not to exceed \$10,500,000 equivalent may be made for payments made prior to this date but on or after October 23, 2014 (but in no case more than one year prior to the Signature Date), for Eligible Expenditures if the pertinent obligations set forth in the Legal Agreement, as applicable to each Eligible Expenditure, have been complied with.			
Team Composition			
Bank Staff			
Name	Title	Specialization	Unit
Renato Nardello	Task Team Leader	Rural Development	GFADR
David Tuchsneider	Sr. Rur. Dev. Specialist	Productive Alliances	GFADR

Raquel Orejas	Jr. Professional	Agriculture	GFADR
Daniel Chalupowicz	FM Specialist	Financial Management	GGODR
Ana Grofsmacht	Procurement Specialist	Procurement	GGODR
Elena Segura	Senior Counsel	Legal	LEGLE
Victor Ordonez	Senior Finance Officer	Disbursements	CTRLN
Lilian Pedersen	Consultant	Social Development	GSURR
Claudio Daniele	Consultant	Environment	GENDR
Alfonso Grana Jonas	Consultant	Agric. Development	GFADR
Maria Emilia Sparks	Team Assistant		LCC7C

Non-Bank Staff

Name	Title	City

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
ARGENTINA	Catamarca, Jujuy, Salta, Santiago del Estero y Tucumán Misiones, Corrientes, Chaco, Formosa	TBC	X		Northern Provinces of Argentina
ARGENTINA	Neuquén, Chubut	TBC	X		Patagonian Provinces

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-a-day) declined from 31.0 percent in 2004 to 10.8 percent in 2013, while extreme poverty (measured at \$2.50-a-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. Regarding non-monetary poverty, according to the census figures,³ the proportion of the population with at least one unsatisfied basic need fell from 17.7 percent in 2001 to 12.5 percent in 2010.

2. ***However, 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 Northeast and Northwest regions (see Figure A2.2 in Annex 2). The less well developed and less integrated northern 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. In addition, disparities exist among and within provinces in terms of levels of economic and social development and access to high-quality basic services, such as education, health, roads, and water, which in turns limit the ability of the poor to participate in economic activities, particularly in rural areas. 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, as well as in Mendoza and in the Patagonian provinces of Chubut, Neuquén, Río Negro, and Tierra del Fuego (see figure A2.3 In Annex 2). In access to services, 23.5 percent of indigenous households have unsatisfied basic needs, compared to 13.8 percent for the rest of the population.

4. ***Today, more than 40 percent of the Argentine population remains at risk of falling into poverty.***⁴ 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.

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-a-day declined from 6.3 percent in 2004 to 1.3 percent in 2012.

³ *Instituto Nacional de Estadística y Censos (INDEC)*

⁴ Those considered “vulnerable” to falling into poverty in the event of an adverse shock constitute those living on \$4 to-\$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.

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 the most dependent on these resources.

5. ***Strong economic growth over the last decade was accompanied by rising macro-imbances.*** 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 (GDP). 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 Government of Argentina 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. ***Argentina is one of the world's top food producers and with more than 32 million hectares of productive land and countercyclical seasonal advantages, it has significant productive potential.*** Between 2010 and 2013 agriculture averaged 7.5 percent of GDP and in 2013, 23.2 percent of exports were commodity-based and 36.2 percent were agro-industrial.⁵ Agriculture is also a major source of employment, generating approximately 12 percent in direct employment and over 20 percent when including its forward and backward linkages.

7. ***Despite the economic importance of agriculture, one third of the rural population is poor.*** A substantial segment of the rural population is comprised of poor people who share the rural space with larger landowners and producers of export commodities. Of Argentina's population of 41 million, about 11 percent⁶ (4.5 million) is classified as rural, a third of which -or almost 1.5 million- live in poverty, defined as having at least one unsatisfied basic need.⁷ Poverty is even more deeply entrenched among rural people living in dispersed settlements. The rural poor, scattered across Argentina's vast territory, consists of small family producers,⁸ indigenous

⁵ World Bank, 2014. Country Partnership Strategy for the Argentine Republic FY15-FY18.

⁶ By official definition, Argentina's rural population consists of those who live in dispersed rural areas and in localities of up to 2,000 inhabitants. Applying OECD criteria, which define as rural those communities where population density is less than 150 inhabitants per square kilometer and located at less than one hour from the nearest city, this figure could reach up to 44 percent. Source: "The Invisible Poor. A Portrait of Rural Poverty in Argentina", World Bank, 2010.

⁷ Although imperfect, the NBI (which measures poverty in relation to satisfaction of basic needs such as shelter, sanitation, education, and minimum income) is the best available measure of poverty for rural areas of Argentina (WB 2010, *op. cit.*).

⁸ "Family producers" are defined by the Government as agricultural production units (*explotaciones agropecuarias*) characterized by: (a) permanent workforce provided exclusively by its family members (with the exception of up to two seasonal hired workers) and (b) limited economic dimension, as defined by the cultivated area and/or number of animals (variable by region). Family producers are divided in four categories based on their capital assets. More details are provided in in Annex 2.

peoples, and rural workers.

8. ***Supporting the livelihood of small family producers is key in reducing rural poverty.*** Within the general policy framework for the agricultural sector, the Government recognizes that family farms play an important role in agricultural and rural development and that small family producers are key actors in the national food system. Access to information, empowerment, and capacity building are among the measures implemented to reduce inequities and asymmetries between small and large producers and between them and other actors in the agricultural value chains, which in turn would contribute to employment and incomes in rural areas.

9. ***Rationale for the Bank's Involvement.*** The Bank has maintained a partnership with the Argentine Government to support agricultural and rural development since at least 1997, when both the Small Farmers Development Project (PROINDER) and the Provincial Agricultural Development Project (PROSAP) were approved.⁹ Both projects achieved good results on the ground and showed strong Borrower ownership (for more details on PROINDER's results and lessons learned see Annex 6). While satisfied with the results of PROINDER, the Government requested the Bank's continued support to incorporate lessons learned from its implementation and to pilot an approach to increase market access of small family producers based on Bank-financed models proven successful in other countries.

C. Higher Level Objectives to which the Project Contributes

10. ***The proposed Project supports the World Bank Group's (WBG) twin goals of reducing extreme poverty and increasing shared prosperity.*** It will contribute reducing rural poverty thanks to its geographical focus on the poorest rural areas and its targeting of groups that are among the poorest Argentines: indigenous populations, lower income producers, and rural workers. Additionally, by piloting sustainable linkages between vulnerable agricultural producers and markets, the Project would also provide a notable contribution to the shared prosperity goal, which could have a significant demonstration effect for future activities in the sector.

11. ***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 CPS comprises nine results areas set within three broad strategic themes. The proposed Project is aligned with the CPS' strategic themes of "Employment Creation in Firms and Farms" and "Asset Availability of Households and People" and is expected to contribute to the following CPS Result Areas: "Raising the productivity of small and medium producers in lower income regions" and "Increasing access to basic services for the bottom 40 percent in low-income provinces and areas." The proposed Project is also aligned with CPS cross-sectoral portfolio management indicators related to monitoring and evaluation (contributing to the CPS indicator of increasing productivity for smallholder farms), governance (use of independent concurrent auditor and open procurement initiative), and gender (gender mainstreaming and disaggregated data collection).

⁹ Both PROINDER (P006041, closed on June 30, 2011) and PROSAP (P006010 closed on May 30, 2010 and its ongoing successor, P106684) were initially proposed under the Bank 1998-2000 Country Assistance Strategy for Argentina (Report 16505-AR), discussed by the Executive Directors on April 26, 1997.

12. ***The Project would complement other WBG's operations supporting the CPS' focus on the need to expand social inclusion and economic development in rural areas of Argentina.*** In particular, the Project would complement: (i) the ongoing PROSAP (P106684, closing date September 30, 2016), financed in parallel by the World Bank Group and the Inter-American Development Bank (IADB), aimed to improve agricultural productivity by strengthening productive infrastructure and services in rural areas; (ii) the Second Rural Education Improvement Project (PROMER2, P133195 now effective) aimed to improve coverage and quality of education in rural areas; and (iii) the Renewable Energy Project (PERMER, P133288) aimed to provide rural homes with access to modern energy services.

13. ***The proposed Project aims to improve the productivity of small-scale producers and their access to markets, in line with the Government's commitment to promote growth with equity and inclusion.*** Argentina's goals for the agricultural sector are included in its Agri-food and Agribusiness Strategic Plan (*Programa Estratégico Agroalimentario y Agro-industrial 2020, PEAA*) which emphasizes support for small producers, increasing productivity through investment in basic rural infrastructure, technical assistance, the use of appropriate technologies, and increasing access to markets. The Project was initially designed in 2011, when Argentina prepared a series of projects¹⁰ to improve the livelihood of the rural poor and increase the productivity and market access of family producers. In this framework, the proposed Project would complement and create synergies with other non-Bank financed projects implemented by the Ministry of Agriculture, by improving territorial coverage and avoiding overlapping, or by financing complementary activities such as: small-scale public infrastructure to eliminate bottlenecks for small producers groups or community, linking small producers to agribusinesses and more formalized farms (see Annex 7 on coordination and synergy with other projects).

II. PROJECT DEVELOPMENT OBJECTIVE

A. PDO

14. The Project Development Objective is to increase the socio-economic inclusion of rural poor (small producers, indigenous people, and rural workers) by: (a) strengthening their organizational, planning and management capacity to achieve poverty-reduction goals; (b) improving their access to community infrastructure and services; and (c) piloting a new model for developing sustainable access to markets.

B. Project Beneficiaries

15. ***Target groups.*** The Project's main target group consists of rural population groups with high levels of poverty and/or vulnerability to poverty, which include small family producers, rural workers, and indigenous peoples. These groups generally lack capacity and access to technology and finance that would allow them to escape the poverty trap caused by, among other factors, poor assets, limited resource endowment, isolation, limited access to services and markets, food insecurity, insecurity of land tenure, as well as low levels of education and organization. Less poor

¹⁰ These include: the Rural Areas Development Project (PRODEAR) and the Inclusive Rural Development Project (PRODERI), both financed by the International Fund for Agricultural Development; and the IADB-financed Family Agriculture Development Project (PRODEAF).

but still vulnerable family producers (“transitional family producers”) would also be eligible under Component 3 (Access to Markets) in order to facilitate the socio-economic inclusion of the main target groups.

16. The Project is expected to benefit approximately 10,000 families (i.e. 50,000 estimated beneficiaries) distributed as follows: (a) 6,000 families (30,000 beneficiaries) of small family producers and rural workers participating in Community Subprojects; (b) 3,000 families (15,000 beneficiaries) of indigenous origin participating in Indigenous Peoples Community Subprojects; and (c) 1,000 families (5,000 beneficiaries) of small and intermediate family producers participating in Productive Alliances Subprojects.¹¹ Beneficiaries will be organized either as (a) rural communities (with a special attention to indigenous communities), or (b) associations or groups of family producers and/or rural workers. As further defined in the Operational Manual, in order to be eligible for assistance under the Project, communities and/or groups of beneficiaries would comprise at least 75 percent of their main target group.

17. *Project Area.*¹² Consistent with the CPS, the Project area will include regions characterized by both high levels of rural poverty and strong concentration of smallholder producers and/or indigenous peoples. Accordingly, the initial area of intervention will comprise the regions of North-East Argentina (*Noreste Argentino* -NEA) and North-West Argentina (*Noroeste Argentino* – NOA).¹³ Component 3, because of its pilot nature, would be carried out only in NEA, based on the higher concentration of transitional family producers as well as the variety and importance of the agricultural value chains in which they are involved.

18. For components 1 and 2, Project resources would be allocated to participating provinces based on their relative distribution of small producers and indigenous communities. Within each Participating Province, Project resources would be allocated in priority to micro-regions that demonstrate above-average presence (both in relative and absolute value) of target beneficiaries.¹⁴ The criteria for allocation of resources by provinces and areas are spelled out in the Operational Manual.

C. PDO Level Results Indicators

19. Key results would include:

- (a) Number of community organizations functional 12 months after completing their subproject;
- (b) Level of results¹⁵ achievement for Rural Investment Subprojects;
- (c) Increase in gross value (Quantity x Price) of sales for Productive Alliances;

¹¹ For a definition of the typology of family producers see Annex 2.

¹² More details are provided in Annex 2.

¹³ Argentina is traditionally divided in five economic regions: North-East, North-West, Center, Chaco, and Patagonia

¹⁴ I.e.: number of poorest small family producers and percentage of this group over the total number of small family producers in the province; concentration of indigenous communities, etc.

¹⁵ Results will vary with the nature of the subproject (for instance: number of people with access to drinkable water, increase in amount of food storage available, reduction in post-harvest losses, etc.). The indicator will be generated by the project MIS through comparison of expected vs. achieved results.

- (d) Share of Rural Investment Subprojects operational and/or maintained 12 months after their completion;
- (e) Number of beneficiaries, of which percentage female.

III. PROJECT DESCRIPTION

A. Project Components

20. The proposed Project would comprise the following four components:

21. **Component 1: Capacity Development** (US\$13.83 million, of which: Government US\$11.73 million and IBRD US\$2.10 million). This component would finance carrying out of capacity-building activities for purposes of increasing the impact of development actions on targeted rural groups, consisting of: (a) the provision of technical support to communities and organizations of small producers, indigenous peoples and rural workers, aimed at improving their organizational, planning, and management capacity; and (b) the provision of technical support to strengthen the capacity of targeted rural groups through the preparation of studies, strategies and planning instruments for local development.

22. **Component 2: Rural Livelihood** (US\$43.0 million, of which: Beneficiaries US\$4.00 million; and IBRD US\$39.00 million). This component would finance the carrying out of demand-driven investments/activities (Rural Investment Subprojects)¹⁶ aimed at improving the living conditions of the targeted poor rural communities and consisting of, *inter alia*, small-scale investments such as the rehabilitation or construction of rural community infrastructures, the provision of support aimed at improving agricultural production and marketing, the carrying out of food-security activities and natural resources management, and the construction or improvement of household water and sanitation systems.

23. Financing would include both on-farm and household investments as well as infrastructure, goods, and services for the community. Rural Investment Subprojects would be ranked based on social, environmental and technical evaluations and be prioritized accordingly.¹⁷ Participating communities would be expected to co-finance subprojects in cash, kind or labor for at least 10 percent of their total cost. Financing for Rural Investment Subprojects would be limited to a maximum amount of US\$250,000, with a maximum of US\$5,000 per beneficiary family. Thirty percent of the component's allocation will be earmarked for Indigenous People Subprojects.

24. **Component 3: Access to Markets** (US\$16.27 million, of which: Government US\$1.87 million; Beneficiaries US\$3.40 million; and IBRD US\$11.00 million). This component would finance the provision of support for the identification, formulation and implementation of business ventures (Productive Alliances) between producer groups and market agents buyers through (a) the carrying out of activities for the promotion and preparation of Productive Alliance Subprojects, and (b) the carrying out of alliance-driven investments/activities (such as small-scale civil works,

¹⁶ The term "Rural Investment Subprojects" refers to both "Community Subprojects" and "Indigenous Peoples Community Subprojects" financed under Component 2.

¹⁷ Scoring criteria and mechanisms will be specified in the Operational Manual. Criteria include, *inter alia*: number of women beneficiaries, number of youth beneficiaries, impact on food security, share of co-financing, and sustainability.

improvement of the production processes and quality standards of Producers' Organizations) for the purpose of developing sustainable access to markets for Producers' Organizations. Financing of each Productive Alliance Subproject would be tailored to achieve the specifications (quantity, quality, delivery schedule, etc.) agreed between each producers group and the respective buyer. The focus of this component is on the market opportunities for family producers rather than their needs (as it is for Component 2).

25. Eligible expenses for the producers' groups include goods and equipment, civil works, and technical assistance, all of which could be at the individual farm and/or at the group level. Producer groups would be required to co-finance a minimum of 30 percent of the total cost of each Productive Alliance Subproject. Producers will be assisted in securing access to credit in order to support their co-financing of the subproject. Reimbursement to buyers for technical assistance they provide to producers, if any, would be limited to a maximum of 50 percent of the incremental operating costs incurred by each buyer.¹⁸ Financing for each Productive Alliance Subprojects would be limited to a maximum amount of US\$300,000, with a maximum of US\$10,000 per producer family.

26. **Component 4: Project Management** (US\$3.27 million, of which: Government US\$3.00 million and IBRD US\$0.27 million). This component would finance the provision of operational support to assist the Borrower in the coordination, implementation, administration, monitoring and evaluation of the Project. The component would support the costs of the technical units responsible for Project coordination, administration, monitoring and evaluation, including *inter alia* incremental operating costs; monitoring and evaluation system; technical and financial audits; management and oversight of fiduciary activities; maintenance of offices; acquisition and maintenance of goods and equipment needed for project activities. This component would finance (i) goods and equipment related to the update or improvement of the Management Information System (MIS); as well as (ii) consulting and non-consulting services related to the MIS.

B. Project Financing

27. **Lending Instrument and Terms.** The proposed lending instrument is an Investment Project Financing of US\$52.5 million over a five-year period.

28. **Project Cost and Financing.** The estimated total Project cost is US\$76.5 million and its financing is presented in Table 1.1. As shown, more than 95 percent of the IBRD financing will be dedicated to Rural Investment Subprojects under Component 2 and Productive Alliances Subprojects under Component 3, while almost all operating costs of the Project will be financed by the Government.

¹⁸ Up to a financial ceiling per assisted producer, defined in the Project Operational Manual

Table 1.1: Project Cost and Financing(US\$ million)

Project Component	Total Cost	Government	Beneficiaries	IBRD Financing	
				Amount	% of cost
1: Capacity Development	13.83	11.73	0.00	2.10	15%
2: Rural Livelihood	43.00	0.00	4.00	39.00	91%
3: Access to Markets	16.27	1.87	3.40	11.00	68%
4: Project Management	3.27	3.00	0.00	0.27	8%
<i>Front-end Fee</i>	<i>0.13</i>	--	--	<i>0.13</i>	100%
Totals	76.50	16.60	7.40	52.50	69%

C. Lessons Learned and Reflected in the Project Design

29. The proposed Project takes onboard many lessons learned during the implementation of PROINDER and other rural development projects. While a detailed list of lessons learned from PROINDER and other projects is included in Annex 6, the main lessons incorporated in the Project design include the following:

- a) *Poor rural producers very often lack the capacity or the level of organization needed to access formal markets in a structured way.*¹⁹ The Project would promote a stronger formal group organization than in PROINDER, adopting a two-pronged strategy that would support both: (i) small family producers to increase their organizational capacity and reach a minimum level of formalization and (ii) groups of small family producers with preexisting market linkages that could be further developed into sustainable formal linkages via Productive Alliances.
- b) *Indigenous peoples require specific attention and development tools.* Although in the original PROINDER indigenous peoples (IP) were a specific target group, implementation modalities and financing rules were not tailored in a way that significantly increased their participation. In this respect, the proposed Project departs significantly from PROINDER by (i) earmarking 30 percent of the resources of Component 2 to the exclusive benefit of indigenous peoples, and (ii) incorporating IP representatives in the *Provincial Evaluation Committee* who decides on subproject approval.
- c) *Mechanisms need to be developed for linking the federal and provincial rural poverty reduction efforts and to engage provincial authorities and build their commitment.* While this may increase complexity, the Project will give provinces a greater role in project implementation backed by appropriate financing, which is expected to increase provincial ownership in rural poverty reduction activities.

¹⁹ This is confirmed, *inter alia*, by a vast experience with productive sub-projects in the initial phases of the Northeast Brazil community-driven development program.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

30. **Implementing Agency.** The implementing agency is the Ministry of Agriculture, Livestock, and Fisheries (*Ministerio de Agricultura, Ganadería y Pesca*²⁰, MAGyP), through its *Unidad para el Cambio Rural* (UCAR).²¹

31. **Project management.** Within UCAR: (i) the Executive Coordinator would act as the Executive Director of the Project, coordinating UCAR's general oversight of Project implementation with specific responsibility for fiduciary management at the national level, including approval of annual work plans and budgets (*Planes Operativos Anuales*), as well as review of progress and compliance of activities with the Project's Environmental and Social Management Framework (ESMF); and (ii) a Technical Coordination Unit (TCU) would be responsible for day-to-day technical implementation, in liaison with, in each province of intervention, a Provincial Implementation Team (*Unidad de Ejecución Provincial* – UEP).

32. **Technical implementation.** In each province of intervention, the UEP will be created either by UCAR or, when a province has both interest and adequate capacity, by the provincial administration. In the case of implementation by a province, the Participating Province will enter into a Participation Agreement with the Borrower, through MAGyP, which will transfer to the Participating Province the same responsibilities of UCAR in terms of implementation, including for: signature of Subproject Agreements with each beneficiary community; transfer of funds to eligible beneficiary communities for implementation of Rural Investment Subprojects, and monitoring of fiduciary and safeguard compliance by beneficiary communities. UCAR will retain its responsibility in term of general oversight and monitoring of implementation and compliance for all intervention provinces.

33. Component 3, in each area of intervention, would have a dedicated team comprising a Coordinator (reporting to the National Technical Coordinator), and up to five agribusiness and technical specialists, working in close collaboration with the rest of the Project Team at the field level.

34. In order to prevent high dispersion of project activities and to increase localized impact, activities will be geographically organized by “micro-regions” that present high concentration of eligible beneficiaries. Field agents of the UEPs (and Component 3 technical teams) would work with rural producers and indigenous communities to identify their needs, opportunities and demands, and support them in the formulation of viable and sustainable subproject proposals.

35. **Provincial Evaluation Committee.** In each Participating Province a Provincial Evaluation Committee (*Comité de Evaluación Provincial* - CEP) would be created as a tripartite mechanism to ensure a participatory decision-making process. CEP will comprise representatives of: (i) the National Government, (ii) the Provincial Government, and (iii) organized civil society (representatives of small producers, indigenous peoples, and rural workers). The Project Operational Manual describes participation mechanisms and criteria for the representation of each

²⁰ Executive decrees N° 1.365/09; 1.366/09 and 1.464/09 (*Decretos del Poder Ejecutivo*)

²¹ UCAR was created by MAGyP Resolution N° 45/2009 (*Resolución ministerial*)

of the three parties involved. Among other tasks, the CEP would be responsible for discussing and approving specific subproject proposals.

36. For Component 3, the technical and financial evaluation of the Productive Alliances would be the responsibility of an independent entity, to be recruited competitively at the beginning of the Project based on terms of reference, qualifications, and selection process acceptable to the Bank and specified in the Operational Manual.

B. Results Monitoring and Evaluation

37. The results framework (Annex 1) details performance indicators for each component and sub-component. Monitoring of project progress would be recorded in the Project's Management Information System (MIS), which is based on the experience of PROSAP, PRODEAR, and PRODERI and is designed to link technical and financial data on project progress and impact. The MIS, hosted and maintained by UCAR, would work as both a mechanism for assessing project results and a day-to-day management tool. It would support supervision by ensuring that baseline and follow-up surveys and data collection for the key performance indicators are available regularly. All project indicators would be disaggregated by target group, gender, ethnicity, and poverty level.

38. At the provincial level, the Project field teams would monitor the implementation of subprojects, collect data and transmit them to the coordination units in each province. Financing agreements for every subproject financed under Components 2 and 3 would include provisions on the submission of monitoring and evaluation (M&E) data by beneficiary communities and producer groups, respectively.

39. M&E reports, including environmental and social monitoring results, would be produced quarterly at the provincial level, and every six months at the central level. The data collected at the field level would be consolidated and analyzed at the provincial level and consolidated at UCAR for reporting and feedback. Annual evaluation reports for Component 3 would allow for the identification of issues and lessons that could help adjusting the operational strategy of the Component. The format and content of the progress 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

40. Subprojects would be designed to be sustainable from several points of view, including social and environmental. One of the main factors of sustainability would be through increasing social capital at the community level. Training and capacity building activities would aim to ensure that community members have adequate capacity to continue the activities financed by the Project once this is closed. Capacity strengthening activities would include training on financial management, procurement, needs assessment, local development planning, monitoring and evaluation, as well as operation and maintenance. Subproject financing would also include support for the design and implementation of operation and maintenance plans, whenever relevant (including training for community members responsible for these aspects).

41. Productive Alliances Subprojects will be subject to an independent technical and financial evaluation to ensure that only alliances that are financially viable and environmentally and socially sound are supported. Co-financing by beneficiaries is to increase ownership and sustainability.

The institutional sustainability of the Productive Alliances would be ensured by supporting “win-win” arrangements between producers and viable buyers. Producers’ Organization would be strengthened to improve their management, implementation, and negotiation skills. Finally, piloting the Productive Alliances approach in a limited area and using well established implementation arrangements for its subprojects are additional measures intended to ensure the sustainability of these investments.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

Risk Category	Rating
Stakeholder Risk	Moderate
Implementing Agency Risk	
- Capacity	Moderate
- Governance	Substantial
Project Risk	
- Design	Moderate
- Social and Environmental	Moderate
- Program and Donor	Moderate
- Delivery Monitoring and Sustainability	Moderate
Overall Risk	Moderate

B. Overall Risk Rating Explanation

42. Potential risks are summarized in the Operational Risk Assessment Framework (Annex 4). The overall project risk is assessed as **Moderate**. The main risks identified are the following: (a) participation and consultation mechanisms with indigenous peoples might not be adequately activated during implementation; (b) fiduciary risks linked to the dispersion and large number of subprojects; and (c) reduction in the flow of counterpart funds at provincial level may slow down project implementation.

43. Measures agreed with the Borrower to help manage the above mentioned risks include, respectively: (a) representative of indigenous people participate in the Provincial Evaluation Committee that decides on Indigenous People Community Subprojects; (b) managing fiduciary risks includes: (i) undertaking independent technical and fiduciary audits of subprojects; (ii) requiring that all transfers of funds to communities be realized through wire transfers, avoiding the use of checks or cash; (iii) capacity building of both beneficiary groups and project personnel on fiduciary guidelines and procedures; and (iv) inclusion in the Project Operational Manual of a code of ethical conduct, including rules on conflicts of interest; and (c) National Government would support project implementation at provincial level when a given province lacks capacity or funds to support the Project.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis²²

44. *Economic Analysis.* As project investments would be demand-driven, precise forecasts of how project resources would be applied by the beneficiaries are not feasible. Drawing from the experience of PROINDER and other projects in Argentina, as well as from the experience of Productive Alliances in other countries, the analysis simulated possible subprojects likely to be proposed by beneficiaries in different provinces of the country. Being a pilot initiative, the analysis of Productive Alliances Subprojects was based on illustrative models for small-scale producers in the NEA Region. The simulations concluded that the marginal economic return on investment would range between 31 percent and 50 percent for Rural Investment Subprojects and between 24 percent and 41 percent for Productive Alliance Subprojects. The expected economic benefits are primarily associated with increased agricultural production and producers' income, estimated based on 11 production models (corn, cumin, orange, pepper, potato, pumpkin, soybean, sugar cane, sunflower, tomato, and livestock) and the current structure of small-scale production systems by province. The models also show a significant increase in the demand for labor associated with the improved technologies that are highly labor-intensive.

45. *Financial Analysis.* The 11 production models analyzed are all viable, based on the assumption that producers can access markets with remunerative prices. Subprojects are assumed to be financially feasible based on the subsidized investments made under the Project. The beneficiary's provision of working capital would assure the sustainability of capital asset investments.

46. *Fiscal Impact.* Even though most of the project incremental production is subject to taxation, most beneficiaries fall below the taxable minimum income and level of patrimony. Most targeted beneficiaries are not registered with the Revenue Service and therefore are not able to recover any of the Value Added Tax paid on inputs purchased. On this basis, it can be concluded that the Project would have some neutral to positive effect over public accounts.

47. *Rationale for public sector financing.* The bulk of the Project's funds will finance Rural Investment and Productive Alliances subprojects aimed to improve livelihoods and market linkages in the intervention areas. While private investments are generally financed by the producers themselves, support through non-reimbursable contributions for on-farm investments is justified on the basis of positive externalities it creates and also aims to address the limited access to credit for small producers and indigenous communities.

48. *Value added of the Bank's support.* The World Bank has accompanied Argentina's support to small rural producers for almost two decades and recognizes its relevance in the pursuit of the institution's twin goals of eradicating extreme poverty and achieving shared prosperity. The Borrower values the Bank's support to implementation, through both its technical and fiduciary teams, which have contributed to strengthen the Borrower's own implementation capacity.

²² A detailed economic and financial analysis annex is available (in Spanish) in the project files.

B. Technical

49. The technical viability of proposed subprojects will be ensured through standardized designs²³ (including engineering aspects, technical, financial and economic feasibility, O&M, environmental and social guidelines and cost parameters) that can cover a large percentage of possible subprojects most likely to be demanded by communities.

50. Productive Alliance Subprojects will be formulated on the basis of business plans agreed in the alliances between producer groups and qualified buyers. Their technical and financial feasibility will be evaluated by an independent entity.

51. Rural Investment Subprojects will be screened by qualified field staff and communities would be able to contract technical assistance, including *idóneos*²⁴, to assist in subproject design and implementation (up to 8 percent of a subproject financing). Training programs will aim to develop community capacity to prepare, implement, operate and maintain subprojects, as well as familiarize beneficiaries with existing environmental guidelines and regulations at the provincial and/or national levels.

C. Financial Management

52. A Financial Management Assessment (FMA) of the proposed Project concluded that the proposed Financial Management (FM) arrangements are acceptable to the Bank. The FMA concluded that UCAR, responsible for the FM functions of the Project, has staff qualified and experienced in World Bank-financed activities, and capable of undertaking the financial management functions for the Project. The accounting and financial reporting, budgeting, and treasury operations of the Project would follow procedures similar to those applied to other Bank-financed operations implemented by UCAR²⁵ and are acceptable to the Bank. At the provincial level, when implementation is to be entrusted to a provincial UEP, UCAR will be responsible for assessing the FM arrangements and capacity of the relevant Participating Province in a manner satisfactory to the Bank, including review of internal controls, accounting, budgeting, treasury operations and external oversight and following norms and documentation standards specified in the Operational Manual.

D. Procurement

53. UCAR would be responsible for procurement activities at the central level and, through the UPEs, coordination and supervision of procurement activities to be carried out by communities and producer groups in the implementation of Rural Investment and Productive Alliances subprojects, including works, goods, non-consultant services, and consultant firms and

²³ Standardized designs will be progressively included in the Operational Manual, based on demand.

²⁴ The term *Idóneo*, literary “suitable” in English, means technical staff with adequate knowledge and experience but without academic qualification. In this case it refers to facilitators that may be proposed by beneficiary indigenous people communities.

²⁵ The unit manages/has managed the following World Bank-financed projects: P006041, Small Farmers Development Project; Loan 7478 AR for US\$45 million (closed on June 30, 2011); P106684, Second Provincial Agricultural Development Project, Loan 7597 AR for US\$300 million (active); Component 2 of P100806, Sustainable Natural Resources Management Project Loan 7520 AR for US\$60 million; and P039787, Biodiversity Conservation Project (GEF) TF 28372 AR, for US\$10.1 million (closed on March 31, 2008).

individuals. UCAR has satisfactory project implementation experience from successive Bank-financed projects and includes personnel with sufficient capacity and experience in procurement under Bank's relevant guidelines.

54. The procurement assessment exercise identified one factor that could potentially affect project implementation: the difficulty of performing internal controls to monitor procurement processes because of the large number of parties and transactions involved in, as well as the geographical dispersion of, subprojects under Component 2 and Component 3.

55. The procurement plan for the Project was reviewed during negotiations. It will be made available in the Project's webpage and in the Procurement Plan Execution System (SEPA – from *Sistema de Ejecución de Planes de Adquisición*) within 30 days of Loan Effectiveness and updated twice a year or as otherwise required, in a form acceptable to the Bank. Procurement will also be implemented in accordance with the CPS implementation of the Open Procurement initiative (see Annex 3, Section C.c, for more details).

E. Social (including safeguards)

56. The social assessment of the Project is based on an assessment of PROINDER's experience, consultations with, and relevant documents about small producers, indigenous peoples, and rural workers. Based on the principle of free, prior, and informed consultation, project documents were made available and presented to organizations representative of: (i) indigenous peoples, namely: the Indigenous Participative Council (*Consejo de Participación Indígena*) and the Meeting of Indigenous People Territorial Organizations (*Encuentro de las Organizaciones Territoriales de Pueblos Originarios*), and (ii) small family producers and rural workers, and the National Family Agriculture Forum (*Foro Nacional de Agricultura Familiar* - FONAF). These organizations advised on the project documents and expressed their broad support to the Project, formally recorded in the minutes of the respective consultation meetings. These and/or other organizations will be consulted again before the start of Project implementation.

57. It is anticipated that project implementation would achieve mostly positive social development outcomes and impacts. Limited adverse social impacts could be caused by the implementation of small infrastructure under Rural Investment and/or Productive Alliances subprojects (such as storage areas, rural buildings, and small water distribution systems), which could cause involuntary economic displacement and/or loss of assets. For this reason, and given the demand-driven nature of project activities, the Borrower prepared a Resettlement Policy Framework (RPF) that would provide the overarching strategy by which potential resettlement issues would be addressed.

58. To address activities that would involve or affect indigenous peoples, the Borrower also prepared an Indigenous People Planning Framework (IPPF). Both frameworks are included in the Environmental and Social Management Framework, dated October 21, 2014, which is part of the Operation Manual and that was disclosed in Argentina and on the World Bank Group's external website. In cases in which resettlement issues were to affect indigenous people, the RPF would address them in a form consistent with the IPPF.

59. As a crosscutting concern in all of its activities, the Project would pay particular attention to social inclusion, with specific attention to the most vulnerable groups, identified as indigenous peoples, women, and youth. Accordingly, specific mechanisms include: (i) earmarking 30 percent of Component 2 for Indigenous Peoples Community Subprojects; (ii) reserving at least 20 percent

of Component 1 to capacity building activities specifically dedicated to women and youth; and (iii) adopting positive discrimination criteria in the prioritization of subprojects.

60. The Project triggers the following social safeguards: **Involuntary Resettlement** (OP/BP 4.12) and **Indigenous Peoples** (OP/BP 4.10)

F. Environment (including safeguards)

61. The Project has been classified as Category B following the Environmental Assessment safeguard policy (OP4.01), based on the type, location, as well as scale and magnitude of its potential environmental impacts, which can be considered as localized and small-scale. These may include localized negative impacts near forest ecosystems or wetlands, if specific mitigation measures are not taken when implementing infrastructure (such as storage areas, rural buildings, and small water distribution systems) under Rural Investment and/or Productive Alliances subprojects

62. Based on the type of activities that it could finance, the Project triggers the following environmental safeguard policies: **Environmental Assessment** (OP/BP/GP 4.01), **Natural Habitats** (OP/BP 4.04), **Pest Management** (OP 4.09), **Physical Cultural Resources** (OP/BP 4.11), **Forests** (OP/BP 4.36), and **Safety of Dams** (OP/BP 4.37). In most cases the safeguard policies would have a preventive effect, influencing the design or the implementation plans of subprojects submitted for financing. In subprojects affecting sensitive and/or large areas, it is expected that the potential negative effects could be mitigated with very simple measures.

63. The Borrower and the implementing agency have substantial and satisfactory experience with Bank safeguard policies, as evidenced under ongoing Bank-financed operations. As the location and type of subprojects, because of their demand-driven nature, will not be known before the beginning of Project implementation, the Borrower prepared an Environmental and Social Management Framework, dated October 21, 2014 and disclosed in Argentina and on the World Bank Group's external website, which includes a formal system for screening all subproject proposals for potential impacts.

G. World Bank Grievance Redress Service

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 WB's corporate Grievance Redress Service, 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

ARGENTINA: Socio-Economic Inclusion in Rural Areas Project

Project Development Objective (PDO): To increase the socio-economic inclusion of rural poor (small producers, indigenous people, and rural workers) by: (a) strengthening their organizational, planning and management capacity to achieve poverty-reduction goals; (b) improving their access to community infrastructure and services; and (c) piloting a new model for developing sustainable access to markets.												
PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR 5				
Indicator One: (a) Community organizations functional 12 months after subproject completion.	<input type="checkbox"/>	Unit	0	n.a.	30	75	160	250	Bi-annual	Community Report, training reports	Project field teams, UPEs, UCAR	
Indicator Two: (b) Share of results ²⁶ achieved for Rural Investment Subprojects	<input type="checkbox"/>	Percent	0	n.a.	65	70	70	70	Bi-annual	Beneficiaries MIS, subproject agreements	Project field teams, UPEs, UCAR	Generated by MIS: expected vs. achieved results
Indicator Three: (c) Increase in gross value (Quantity x Price) of sales for Productive Alliance Subprojects.	<input type="checkbox"/>	Percent	0	n.a.	n.a.	20	25	30	Bi-annual	Alliances reports, MIS	Project field teams, UPEs, UCAR	Percent increase in value of products that are the object of the alliances
Indicator Four: (a-b-c) Rural Investment and Productive Alliance subprojects operational and/or maintained 12 months after their completion.	<input type="checkbox"/>	Percent	0	n.a.	n.a.	60	70	70	Annual	Field reports, MIS	Project field teams, UPEs, UCAR	“Operational” to be defined in POM. Percent with respect to total S/P completed
Indicator Five Number of beneficiaries, of which female (percentage)	<input checked="" type="checkbox"/>	Unit (percent)	0	3,000 (50%)	17,250 (50%)	38,125 (50%)	50,000 (50%)	50,000 (50%)	Annual	Field reports, MIS	Project field teams, UPEs, UCAR	

²⁶ Results will vary with the nature of the subproject (for instance: number of people with access to drinkable water, increase in amount of food storage available, reduction in post-harvest losses, etc.). The indicator will be generated by the project MIS through comparison of expected vs. achieved results

INTERMEDIATE RESULTS												
PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
Intermediate Result (Component One): Organization and management capacity of community groups is strengthened												
<i>Intermediate Result indicator 1:</i> Community organizations created or strengthened by the Project	<input type="checkbox"/>	Unit	0	40	100	220	300	300	Bi-annual	Field reports, MIS	Project field teams, UCAR	
<i>Intermediate Result indicator 3:</i> Subproject proposals considered eligible for financing (over total of proposals presented)	<input type="checkbox"/>	Percent	0	50	80	80	80	80	Bi-annual	Field reports, MIS	Project field teams, UCAR	
Intermediate Result (Component Two): Rural Investment Subprojects financed												
<i>Intermediate Result indicator 1:</i> Community Subprojects completed	<input type="checkbox"/>	Unit	0	20	80	160	200	200	Bi-annual	Field reports, MIS	Project field teams, UCAR	Calculated on an average amount of USD135k/s.p.
<i>Intermediate Result indicator 2:</i> Indigenous Peoples Community Subprojects completed	<input type="checkbox"/>	Unit	0	0	20	55	75	75	Bi-annual	Field reports, MIS	Project field teams, UCAR	Calculated on an average amount of USD150k/s.p.
<i>Intermediate Result indicator 3:</i> Families benefited with at least one Rural Investment Subproject (of which % of female-headed family and youth-headed families)	<input checked="" type="checkbox"/>	Unit	0	600	3,200	7,000	9,000	9,000	Bi-annual	Field reports, MIS. To be disaggregated by type of S.P., family (female headed, IP, etc.)	Project field teams, UCAR	Based on average of 30 families per Rural Investment s.p. and 40 fam. for I.P s.p.
Intermediate Result (Component Three): Productive Alliances established												
<i>Intermediate Result indicator 1:</i> Productive Alliances financed	<input type="checkbox"/>	Unit	0	0	10	25	40	40	Bi-annual	MIS, subproject agreements	Project field teams, UCAR	Calculated on an average amount of USD250k/s.p.
<i>Intermediate Result indicator 2:</i> Producer families linked to markets through productive alliances	<input type="checkbox"/>	Unit	0	0	250	625	1,000	1,000	Bi-annual	MIS, subproject agreements	Project field teams, UCAR	Based on average of 25 fam. per Productive Alliance s.p.
<i>Intermediate Result indicator 3:</i> Productive Alliances capable of starting a second productive cycle without financial support	<input type="checkbox"/>	Percent	0	50	60	65	70	75	Bi-annual	MIS, field reports	Project field teams, UCAR	

Annex 2: Detailed Project Description

ARGENTINA: Socio-Economic Inclusion in Rural Areas Project (P106685)

A. Target Population

1. **Family Producers.**²⁷ A family producer is defined as having specific limitations on the assets owned and using exclusively family-based permanent labor force (see Table A2.1). There are four categories or type of family producers in Argentina, based on the classification realized under PROINDER.

Table A2.1: Characterization of Family Producers in Argentina

Type	Tractor Ownership	Livestock Units ⁽¹⁾	Irrigated Surface (ha)	Orchard surface (ha)	Remunerated labor (excluding family) Permanent workers
A	n.a.	<=50	< 2	n.a.	None
B	Older than 15 years	51 - 100	2-5	<= 0.5	None, or seasonal
C	Newer than 15 years	101-500	> 5	> 0.5	None, or seasonal
D	same as "C"				Up to 2 permanent

Source: Based on Scheinkerman, 2009, *op. cit.*
 (1): 1 Livestock Unit = 1 cattle = 5 sheep or goats = 2 llamas

2. Family producers represent about 75 percent of the about 330,000 farms in Argentina but occupy only 18 percent of the country's agricultural land (see Table A2.2) a disparity which has translated over time into a difference in access to key factors of production.

Table A2.2: Number and Land Area of Family Producers in Argentina

Type of producers	Farms*	% of total (#)		Area (000ha)	% of Area	
Family Producer A	113,000	45%	34%	5,886	19%	3%
Family Producer B	59,000	23%	18%	6,269	20%	4%
Family Producer C	47,000	19%	14%	11,365	37%	7%
Family Producer D	32,000	13%	10%	7,401	24%	4%
Total Family producers	251,000	100%	75%	30,921	100%	18%
Non-family Producers	82,000		25%	143,887		82%
Total Producers	334,000		100%	174,809		100%

Source: Scheinkerman, 2009, *op. cit.* (* numbers rounded up to closest thousand)

3. The 251,000 families of small agricultural producers include: (a) about 172,000 families of small agricultural producers (Type "A" and "B") whose resource endowment (land and capital) may not permit a sustainable livelihood from agricultural production alone (as they need other sources of income to complement their revenues, many of these producers overlap with the definition of "rural workers"); (b) about 47,000 families of producers (Type "C") who are considered transitional producers with limited resource endowments but potential to evolve towards higher-income groups of producers if they were sustainably linked to dynamic markets;

²⁷ Based on "Las Explotaciones Agropecuarias Familiares en la República Argentina". Edith Scheinkerman de Obschatko, Serie estudios e investigaciones PROINDER N° 23. IICA/MAGyP, Buenos Aires, 2009.

and (c) about 32,000 families of more capitalized producers (Type “D”), who also hire up to two seasonal non-family workers.

4. **Rural workers** include landless rural dwellers who work as sharecroppers, seasonal workers, migrant laborers, and other rural activities. It is estimated that there could be approximately 400,000²⁸ rural workers in Argentina who have a seasonal labor demand and often rely on informal work contracts and are, therefore, not regulated by national and provincial agencies. Like other rural dwellers, particularly those living in dispersed settlements, informal rural workers often lack access to public health facilities, quality education, pensions, and other services and benefits available to other workers in Argentina. Because they are generally not included in the National Rural Labor Registry (RENATRE), they are virtually “invisible.”

5. **Indigenous Peoples.** Data on indigenous peoples vary significantly between sources. Assuming the lowest values of the available estimates as the Project baseline, the universe of the target population can be considered as 600,000 indigenous peoples.²⁹ Rural indigenous communities comprise 25 percent of all indigenous people in Argentina. Based on these data, the project could benefit more than a quarter of the rural indigenous population of Argentina. Education level, access to water and sanitation, and income distribution are the main issues of rural indigenous communities: illiteracy rate in Spanish for age over 10 years varies between 0.8 percent and 14.9 percent³⁰ per province (while the national average for indigenous peoples is 3.7 percent). However, according to the United Nations, this rate can be much higher in areas where indigenous peoples still use their own languages and do not speak much Spanish, such as in the Mbyá Guaraní communities in Misiones province and the Wichí communities in Chaco, Formosa and Salta provinces. The illiteracy rate in Spanish of Mbyá Guaraní and Wichí people over the age of 10 in these provinces is 29.4 per cent and 23.4 per cent respectively.³¹

6. Poverty affects disproportionately households comprising indigenous family members. In regions with a high density of indigenous people, poverty incidence in indigenous households is often twice as high –or even higher— as that of non-indigenous households (see Figure A2.1).

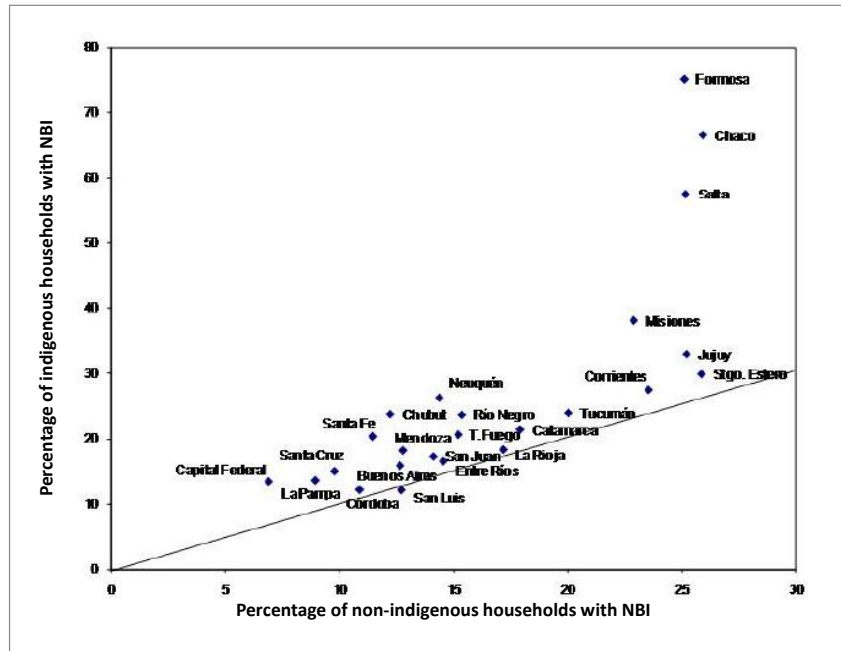
²⁸ Centro de Investigación y Formación de la República de Argentina, Febrero 2011: “Rentabilidad y Empleo y Condiciones de trabajo en el sector agropecuario”.

²⁹ INDEC 2010: National Census of Population (excluding Buenos Aires metropolitan area).

³⁰ Ibidem

³¹ United Nations, 2012: Report of the Special Rapporteur on the Rights of Indigenous Peoples, James Anaya. Human Rights Council, Twenty-first Session.

Figure A2.1: Percentage of NBI in Indigenous and Non-Indigenous Households, by Province



Fuente: Juan Carlos Cid, Situación de los Aborígenes del Norte Argentino, Gacetilla 6 de Agosto 2013, Instituto de Estudios Laborales y del Desarrollo Económico (base don INDEC 2001 Census)

B. Project Beneficiaries

7. The Project would target rural population groups with high levels of poverty or vulnerability, which include poor small family producers (mostly **Types A, B**, without excluding C), rural workers, and indigenous peoples living in rural areas. Indigenous peoples in particular are one of the most vulnerable and large groups of rural poor, present in most provinces of Argentina and very varied in terms of language, ethnicity, socio-economic role and degree of participation in the wider society.

8. The Project is expected to benefit approximately 50,000 beneficiaries, belonging to 10,000 families distributed as follows: (a) 6,000 families of small family producers (mostly A and B) and rural workers participating in Rural Investment Subprojects; (b) 3,000 families of indigenous origin participating in Indigenous Peoples Community Subprojects; and (c) 1,000 families of small and intermediate family producers (mostly B, without excluding C) beneficiaries of Productive Alliances Subprojects.

9. Beneficiaries will be organized either as (a) rural communities (with a special attention to indigenous communities) or (b) associations or groups of family producers:

- (a) Component 1 and 2 (Rural Livelihood) would mainly target **rural communities**. The community focus has a three-fold rationale: (a) communities usually occupy a particular territory and have a degree of organization that provides a convenient unit for a local development project; and (b) poor people in rural areas often lack the information, skills and resources necessary to organize their activities in order to address common issues; and (c) communities are the traditional form of organization of indigenous people in rural areas. Professional technical and

economic advice to community decision-making, accompanied by financial support, can help community take collective action and ensure that investments are sound and sustainable.

- (b) Component 3 (Access to Markets) would mainly target **groups of family producers (type B)** who have the potential to increase their volume of production and meet the requirements of dynamic markets, in order to improve their linkages to formal markets. For these producers, the focus would be on establishing or strengthening Producers' Organizations, where the linkage between members is based more on business affinity than residential cohesion. By pooling their resources and their production, organized producer groups can exercise greater market power, and achieve more lasting results. Buyers also benefit by reducing transaction costs over the medium term by both increasing the scale of purchases and ensuring producers meet quality specifications. Under Component 3, also **type C** family producers would also be eligible for financing.
10. As further defined in the Operational Manual, in order to be eligible for assistance under the Project, communities and/or group of beneficiaries would comprise at least 75 percent of their main target group, i.e.:
- (a) Type A and B Family Producers and rural workers for Rural Investment Subprojects;
 - (b) Members of rural communities of indigenous people for Indigenous People Community Subprojects; and
 - (c) Type B Family Producers for Productive Alliances Subprojects.

11. Funding for indigenous peoples would be specifically earmarked in the Project budget (30 percent of Component 2 and corresponding resources from Component 1). Distribution of funds for indigenous peoples at provincial level would be defined in consultation with INAI, based on national data about the distribution of rural indigenous peoples. Based on the results of IP consultations, it is expected that IP subprojects would result in increased level of social investments with the purpose of improving housing conditions. Investments are also expected to be required to strengthen food security and increase local sales for IP products and services. Indigenous communities are also expected to require technical and financial support to strengthen their organization and supporting the exercise of their rights.

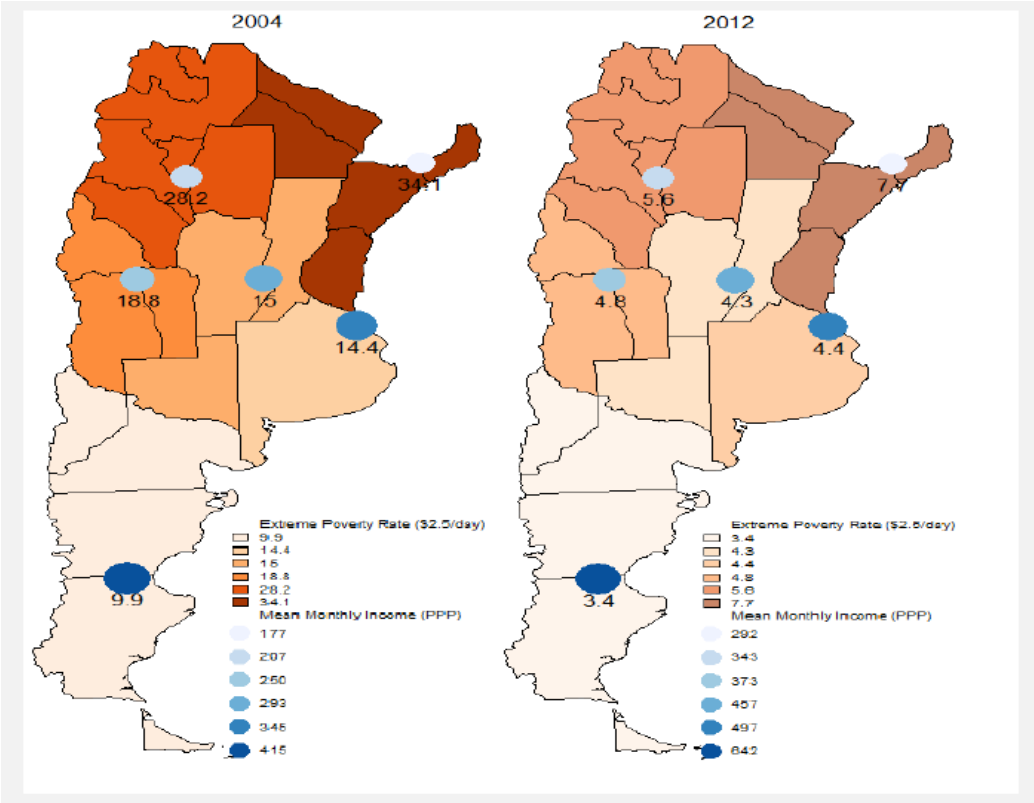
C. Project Area

12. Consistent with the CPS, the Project will intervene in areas characterized by both high levels of rural poverty and strong concentration of smallholder producers and/or indigenous peoples. Accordingly, the initial intervention area will comprise the regions³² of North-East of

³² Argentina is traditionally divided in five economic regions: North-East, North-West, Center or Pampean, Cuyo, and Patagonia: **NOA Region:** Catamarca, Jujuy, La Rioja, Salta, Santiago del Estero, Tucuman; **NEA Region:**

Argentina (*Noreste Argentino* -NEA) and North-West Argentina (*Noroeste Argentina* – NOA), whose 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 (see Figure A2.2).

Figure A2.2: Poverty rates are higher in the Northern regions



Source: World Development Indicators and SEDLAC (CEDLAS and World Bank), quoted in WBG CPS for the Argentine Republic FY15-18

13. These provinces also have the largest concentration of family producers in Argentina, as shown by Table A2.2 below.

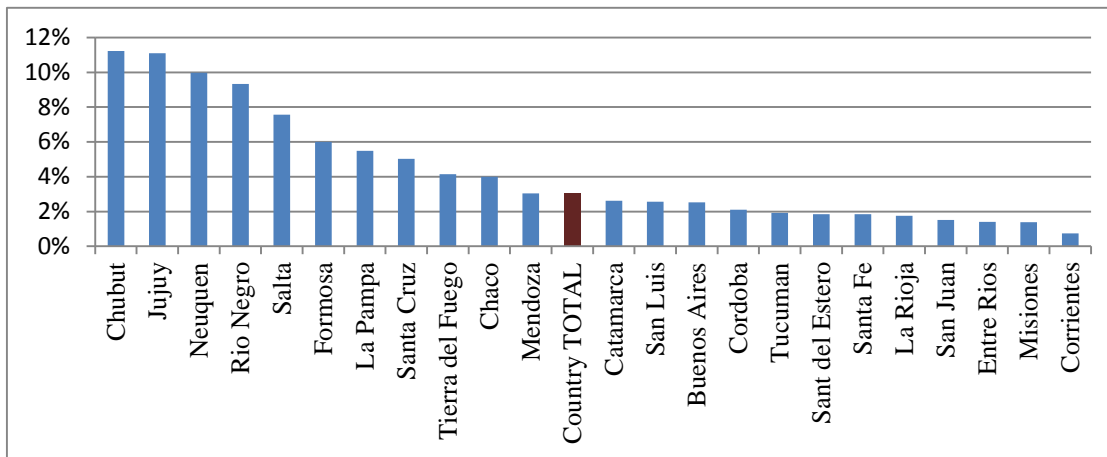
Corriente, Chaco, Formosa, Misiones; **Cuyo Region:** San Juan, Mendoza; **Pampean Region:** (Buenos Aires): Cordoba, Entre Ríos, La Pampa, San Luis, Santa Fe; **Patagonia Region:** Chubut, Neuquen, Río Negro, Santa Cruz, Tierra del Fuego

Table A2.3: Provinces Ranked by Importance of Family Producers

Province	Region	Total of Ag. Producers in Argentina			Of which, Family Ag. Producers				
		AP	AREA	AVER AREA	FAP	FAP/AP	AREA	AREA	Av Area
		NUMBER	HA	HA/EAP	N	%	HA	%	ha/EAP
Jujuy	NEA	9,000	1,282,000	351	8,300	93	485,000	38	153
Misiones	NOA	28,000	2,068,000	77	25,400	91	884,000	43	36
Catamarca	NEA	9,100	1,589,000	267	8,100	89	394,000	25	72
La Rioja	NEA	8,100	3,069,000	553	7,200	89	765,000	25	159
Chaco	NOA	16,900	5,900,000	377	14,700	87	2,209,000	37	162
Sant del Estero	NEA	20,900	5,394,000	504	18,100	86	995,000	18	120
Tucuman	NEA	9,900	137,000	121	8,300	84	264,000	23	33
Entre Rios*	PAMPA	21,600	6,352,000	294	17,700	82	1,923,000	30	108
Corrientes	NOA	15,200	6,861,000	472	12,400	81	781,000	11	66
Formosa	NOA	10,000	5,179,000	581	7,900	79	1,086,000	21	156
Salta	NEA	10,300	4,269,000	903	8,000	78	644,000	15	181
Santa Fe	PAMPA	28,100	11,252,000	402	20,900	74	3,154,000	28	152
San Luis	PAMPA	4,300	5,388,000	1,300	3,100	72	802,000	15	269
Cordoba	PAMPA	26,200	12,244,000	481	17,900	68	3,112,000	25	180
Neuquen	PATAGONIA	5,600	2,146,000	1,055	3,800	68	250,000	12	97
Buenos Aires	(PAMPA)	51,100	25,788,000	505	33,700	66	5,705,000	22	170
Mendoza	CUYO	30,700	6,422,000	225	20,200	66	310,000	5	17
Chubut	PATAGONIA	3,700	19,205,000	5,483	2,400	64	2,443,000	13	1,109
Rio Negro	PATAGONIA	7,500	14,716,000	2,072	4,700	63	3,431,000	23	781
La Pampa	PAMPA	7,800	12,735,000	1,638	4,000	51	1,085,000	9	273
San Juan	CUYO	8,500	756,000	96	4,200	50	60,000	8	15
Tierra del Fuego	PATAGONIA	100	172,000	13,053	-	30	9,000	1	342
Santa Cruz	PATAGONIA	900	19,884,000	21,022	100	10	128,000	1	1,366
Totals		333,500	172,808,000	518.16	251,100	75%	30,919,000	18%	123.13

14. For indigenous peoples, present almost in all provinces of Argentina, the areas of stronger concentration are comprised in the northern provinces of Salta, Jujuy, Salta, Formosa, Chaco, and Tucuman, in the Patagonian provinces of Chubut, Neuquén, Río Negro, and Tierra del Fuego, as well as in Mendoza (see figure A2.3 below). Financing for Indigenous Peoples Community Subprojects would be specifically earmarked in the Project budget at a level of 30 percent of Component 2. In addition to NEA and NOA regions, the concentration areas for Indigenous Peoples Community Subproject **will also include the Patagonia region.**

Figure A2.3: Percentage of households with at least one indigenous person by province



Source: INDEC, Census 2010

15. Component 3, because of its pilot nature, would be carried out only in NEA, based on the higher concentration of “B” producers as well as the variety and gross value of value chains in which they are involved (see Table A2.3 below).

Table A2.3: Criteria for Selection of Priority Area For Component 3

EAP type B	Region ³³				
	NEA	NOA	Cuyo	Pampean	Patagonia
Number of Type B Family Farms	16,420	9,070	8,982	21,902	2,228
Share of Type B producers in Argentina	28.0%	15.5%	15.3%	37.4%	3.8%
Share of Gross Production Value (GPV) of B producers	16.5%	10.2%	7.3%	64.9%	1.1%
Number of value chains where “B” have more than 50% of national GPV	31	20	21	61	11
Rural Regional NBI % ⁽¹⁾	44.7	44.8	28.1	22.3	25.2
Share of Family Producers ⁽²⁾	28%	32%	14%	20%	6%
(1) Rural inhabitants with NBI (Unsatisfied Basic Needs) in the region over total rural population in the region (percent). [INDEC 2001]					
(2) Registered RENAF family producers March, 2014					

16. For components 1 and 2, project resources would be allocated to intervention provinces based on their relative distribution of small producers and indigenous communities. In order to prevent high dispersion of project activities and to increase localized impact, activities will be geographically organized by “micro-regions” that present above-average presence (both in relative and absolute value) of eligible beneficiaries. Project’s field personnel (i.e. field agents of UPEs/UCAR and Technical Teams of Component 3) would work with rural producers and indigenous communities to identify their needs/opportunities and demands and support them in the formulation of viable and sustainable subproject proposals.

17. The Operational Manual describes the criteria for the selection of provinces and areas of intervention within the provinces.

D. Project Development Objective

18. The Project Development Objective is to increase the socio-economic inclusion of rural poor (small producers, indigenous people, and rural workers) by: (a) strengthening their organizational, planning and management capacity to achieve poverty-reduction goals; (b) improving their access to community infrastructure and services; and (c) piloting a new model for developing sustainable access to markets.

19. Key results would include:

- (a) Number of community organizations functional 12 months after completing their subproject
- (b) Level of results achievements for Rural Investment Subprojects
- (c) Increase in gross value (Quantity x Price) of sales for Productive Alliances
- (d) Share of Rural Investment Subprojects operational and/or maintained 12 months after their completion
- (e) Number of beneficiaries of which percentage of female.

³³ **NOA Region:** Catamarca, Jujuy, La Rioja, Salta, Santiago del Estero, Tucuman; **NEA Region:** Corriente, Chaco, Formosa, Misiones; **Cuyo Region:** San Juan, Mendoza; **Pampean Region:** (Buenos Aires): Cordoba, Entre Ríos, La Pampa, San Luis, Santa Fe; **Patagonian Region:** Chubut, Neuquen, Río Negro, Santa Cruz, Tierra del Fuego

E. Project Components

20. The proposed Project would comprise four components:

- (i) Capacity Development
- (ii) Rural Livelihood
- (iii) Access to Markets, and
- (iv) Project Management

Component 1: Capacity Development (US\$13.83 million, of which: Government US\$11.73 million and IBRD US\$2.10 million).

21. This component would finance carrying out of capacity-building activities for purposes of increasing the impact of development actions on targeted rural groups, consisting of: (a) the provision of technical support to communities and organizations of small producers, indigenous peoples and rural workers, aimed at improving their organizational, planning, and management capacity; and (b) the provision of technical support to strengthen the capacity of targeted rural groups through the preparation of studies, strategies and planning instruments aimed at the local level.

22. More specifically, activities under Component 1 would include, *inter alia*:

- (a) **Strengthening communities and organizations** (of small family producers, indigenous peoples, and rural workers) through technical support to, *inter alia*:
 - (i) Development and strengthening of organizational capacity;
 - (ii) Exercise of rights (legal, cultural, property, etc.);
 - (iii) Establishment of a seasonal labor supply information system;
 - (iv) Development of new professional skills in order to improve the labor supply;
 - (v) Undertaking participatory needs assessment;
 - (vi) Prepare subproject proposals; and
 - (vii) Accounting and simplified financial management;
- (b) **Strengthening the capacity of targeted rural groups** through technical support for:
 - (i) Preparing and/or adapting rural development instruments (strategies, development frameworks) at provincial level, with emphasis on small producers, indigenous peoples, rural workers;
 - (ii) Preparing socio-territorial development plans, including consulting with local stakeholders; and
 - (iii) Undertaking studies and applied research that could support and/or orient socio-territorial development plans (e.g., marketing studies, value chain analysis, alternative productions studies, adoption of appropriate technologies, etc.).

23. The Component would provide technical assistance through a combination of: support services from UCAR, technical staff of provincial administrations, specialized technical assistance from local specialized entities (such as universities, INTA), service support through NGOs and other entities with experience working with rural producers and indigenous communities.

24. Bank-financed costs supported by Component 1 would include: consulting services, non-consulting services, operating cost, and training.

Component 2: Rural Livelihood (US\$43.0 million, of which: Beneficiaries US\$4.00 million; and IBRD US\$39.00 million).

25. This component would finance the carrying out of demand-driven investments/activities aimed at improving the living conditions of the targeted poor rural communities and consisting of, *inter alia*, small-scale community investments, the provision of support aimed at improving agricultural production and marketing, natural resources management, the carrying out of food-security activities, and the construction or improvement of household water and sanitation systems identified and implemented by groups, communities, or organizations belonging to the target population. Subprojects would include financing for both (i) infrastructure, goods, and services for the community/group and (ii) complementary on-farm investments.

26. Approval of subprojects would be subject to an economic and technical assessment in order to gauge their viability. Subprojects would be ranked based on social, environmental and technical evaluations and be prioritized accordingly³⁴ The Project would co-finance Rural Investment Subprojects, including goods and equipment, civil works, and technical assistance. Participating communities would be expected to co-finance subprojects to a minimum of 10 percent (mostly in kind or labor). Financing for Rural Investment Subprojects would normally be limited US\$5,000 per family with a maximum amount of US\$150,000 per community. Provision of specialized technical assistance to support subproject implementation will be eligible for financing as part of the subproject costs. Specialized technical assistance eligible for financing will include *idóneos*³⁵, a form of technical assistance often preferred by indigenous people and specifically requested by them during consultations.

27. In Component 2, Bank financing would be limited to Rural Investment Subprojects, with a separate disbursement category for Indigenous People Community Subprojects.

Component 3: Access to Markets (US\$16.27 million, of which: Government US\$1.87 million; Beneficiaries US\$3.40 million; and IBRD US\$11.00 million).

28. This component would finance the provision of support for the identification, formulation and implementation of Productive Alliances Subprojects through:

- (a) the carrying out of activities for the promotion and preparation of Productive Alliances Subprojects, including, *inter alia*: (i) the realization of a promotional campaign targeted at potential Producers' Organizations and Buyers; (ii) the formulation of alliance profiles reflecting joint expressions of interest by Producers' Organizations and potential Buyers; (iii) the provision of support for the process of evaluating, ranking and approving

³⁴ Scoring criteria and mechanisms will be specified in the Project Operational Manual. Criteria include *inter alia*: number of female beneficiaries, number of youth beneficiaries, impact on food security, share of co-financing, sustainability.

³⁵ The term *Idóneo*, literary "suitable" in English, means technical staff with adequate knowledge and experience but without academic qualification. In this case it refers to facilitators that may be proposed by beneficiary indigenous people communities.

Productive Alliances Subprojects; (iv) the provision of training to Producers' Organizations on the design and negotiation of alliance business plans; and (v) the provision of support for the preparation of Productive Alliance Subproject Agreements and related documentation, all acceptable to the Bank; and

(b) the carrying out of alliance-driven investments/activities (such as small-scale civil works and the improvement of the production processes and production quality standards of Producers' Organizations) for purposes of developing sustainable access to markets for Producers' Organizations based on Productive Alliances.

29. The focus of Component 3 is on the market opportunities of family producers rather than their needs. As it constitutes a pilot experience, the component would be implemented in only one Region and have a flexible design in order to support and learn from a variety of experiences. Productive alliances will share some key elements: (i) they will be structured on the basis of an agreement reached by a producer group and a qualified buyer; (ii) the alliance agreement could be defined through a variety of instruments (from a memorandum of understanding to a sales contract) and is the foundation of the investment subproject; and (iii) investment subprojects would be signed by all parties to the agreement, including UCAR, and will define the specific contributions of each actor.

30. The component will have two subcomponents:

(a) *Alliance promotion and preparation*, will support the carrying out of activities for the promotion and preparation of Productive Alliances Subprojects, including, *inter alia*: (i) the carrying out of a promotional campaign targeted at potential Producers' Organizations and Buyers; (ii) the formulation of alliance profiles reflecting joint expressions of interest by Producers' Organizations and potential Buyers; (iii) the provision of support for the process of evaluating, ranking and approving Productive Alliances Subprojects; (iv) the provision of training to Producers' Organizations on the design and negotiation of alliance business plans; (v) the provision of support for the preparation of Productive Alliance Subproject Agreements and related documentation; and (vi) the provision of support to facilitate PO's access to credit providers suitable to finance the PO contribution to the alliance subproject. The subcomponent also covers annual competitive calls to submit viable alliance plans; training for producer groups in design and negotiation of business plans; training for potential service providers; the preparation of all legal documentation and agreements, as well as fees paid to intermediary agents (brokers or "gestores de negocios") for alliance promotion and preparation. Activities under this subcomponent will be financed entirely with IBRD funds.

(b) *Alliance implementation*. This subcomponent would support the carrying out of demand-driven investments/activities (such as small-scale civil works and the improvement of the production processes and production quality standards of Producers' Organizations) for purposes of developing sustainable access to markets for Producers' Organizations based on Productive Alliances. The expected outputs are: (i) the implementation of about 40 alliance subprojects; and (ii) an increase in the gross value of production marketed by Producers' Organizations which meet the agreed technical specifications.

31. The design of a Productive Alliance Subproject would be determined by the requirements of the producer group to achieve specifications (such as quantity, quality, delivery period) agreed between the producer group and the buyer; and by the incremental technical assistance expenses, if any, to be provided by the latter.

32. Producer groups would be required to co-finance a minimum of 30 percent of the total cost of the alliance subproject. Producers will be assisted in securing access to credit in order to support their contribution to the subproject. Reimbursement to buyers for technical assistance they provide to producers, if any, would be limited to a maximum of 50 percent of the incremental operating costs incurred by each buyer. Entrepreneurial needs of producer groups required for managing their end of the Alliance will be covered through tailored technical assistance to be included in the respective subproject. Disbursements would be carried out in tranches, as specified in the subproject agreement. Producers' Organizations would purchase goods, execute minor works, and hire technical assistants. The first tranche would be provided to the producer group as an advance towards agreed expenses; subsequent tranches would require satisfactory completion of previous tranches, approval -by the Producer group as a whole- of the implementation report, and verification through field supervision.

33. For the purposes of the implementation of Component 3, the Project Operational Manual includes, *inter alia*: (i) formats for alliance profiles, business plans, and subprojects; (ii) a model subproject agreement; and (iii) procurement rules for producer groups.

34. **Eligibility criteria.** Producer groups must include at least 20 families living in relative proximity, in order to ensure minimum scale both in the intervention and in production volumes. They would need to have experience in the product that would form the basis of the alliance, or at least show willingness and capacity to invest in the production of a novel product or service. Their resource base (land, water, labor) must permit productive growth. Buyers may be wholesalers, large retailers, agro-processors or exporters. The companies must be viable, linked to dynamic markets, show experience in the product of the alliance, capacity to incorporate new suppliers and increase sales.

35. Productive Alliances eligible for financing would comprise three types: (a) Primary agricultural production (from production to storage); (b) Improvement of primary processing of agricultural products; and (c) Rural (nonagricultural) products and services. Financing would be limited to a maximum of US\$10,000 per producer family, up to a total of US\$300,000 per producer group.

36. Bank-financed costs supported by Component 3 would include: (i) Goods and Equipment needed for the establishment of the Component team; (ii) Consulting Services, including the salaries of the technical team of the Component and specialized technical assistance; (iii) Training and study tours; (iv) Operating costs to support the Component Team, including fees needed for alliance promotion and preparation; and (v) Productive Alliances Subprojects.

Component 4: Project Management (US\$3.27 million, of which: Government US\$3.00 million and IBRD US\$0.27 million).

37. This component would finance the provision of operational support to assist the Borrower in the coordination, implementation, administration, monitoring and evaluation of the Project. The

Component would support the operation of the technical units responsible for Project Coordination, Administration, Monitoring & Evaluation, including: incremental operating costs; monitoring and evaluation system; technical and financial audits; management and oversight of fiduciary activities; incremental operation, and maintenance of offices; acquisition, operation and maintenance of equipment, vehicles, etc. needed for project activities.

38. Bank-financed costs supported by Component 4 would be limited to: (i) Goods and Equipment related to the update or improvement of the Management Information System (MIS); and (ii) Consulting Services related to the MIS.

Annex 3: Implementation Arrangements

ARGENTINA: Socio-Economic Inclusion in Rural Areas Project (P106685)

A. Project Administration Mechanisms

Implementing Agency

1. The implementing agency is the Ministry of Agriculture, Livestock, and Fisheries (*Ministerio de Agricultura, Ganadería y Pesca*³⁶, MAGyP) through its *Unidad para el Cambio Rural (UCAR)*³⁷. Technical implementation of parts of Component 1(a), 1(b) and 3(a) may be undertaken through public Technical Assistance Entities, via a Technical Assistance Agreement, under terms and conditions acceptable to the Bank. In any case, all Project procurement activities (excluding community procurement in subprojects) will be carried out by UCAR.
2. For the purposes of managing the contracting and payment of individual consultants under parts of Component 1(a), 1(b), and 3(a), MAGyP may enter into a Contracting Management Agreement with a Contracting Management Entity, under terms and conditions acceptable to the Bank, and detailed in the Operational Manual (see also paragraph 31 in this Annex).

Project management

3. Within MAGyP: (i) the UCAR, under the responsibility of its Executive Coordinator who would act as Executive Director of the Project, would provide general oversight of the Project and would be specifically responsible for fiduciary management at the central level, including approval of annual work plans and budgets, review of progress activities, monitoring and evaluation, oversight of procurement activities, compliance with the Project's ESMF and World Bank safeguard policies. Within UCAR, a Technical Coordination Unit (TCU) would be responsible for day-to-day technical implementation, in liaison with, in each province of intervention, a field implementation team (*Unidad de Ejecución Provincial – UEP*).

Technical implementation

4. In each province of intervention, the UEP will be created either by UCAR or, when a province has both interest and adequate capacity, by the provincial administration. The Operational Manual defines the criteria for both selecting provinces deciding if the province has adequate capacity. In the case of implementation by a province, the Participating Province will enter into a Participation Agreement with the Borrower, through MAGyP, which will transfer to said Participating Province the same responsibilities of UCAR in terms of implementation, including: signature of Subproject Agreements with beneficiary communities; transfer of funds to eligible beneficiary communities for implementation of Rural Investment Subprojects, monitoring of fiduciary and safeguard compliance by beneficiary communities. UCAR will retain its

³⁶ Decretos N° 1.365/09; 1.366/09 y 1.464/09, del Poder Ejecutivo

³⁷ Created through *Resolución* MAGyP N° 45/2009

responsibility in term of general oversight and monitoring of implementation and compliance for all provinces of intervention.

5. *Evaluation Committee.* In each province of intervention a tripartite mechanism (*Comité Provincial de Evaluación, CPE*), comprising representatives of (i) the National Government, (ii) the Provincial Government, and (iii) organized civil society (representatives of small producers, indigenous peoples, and rural workers) would be established to ensure a participative decision-making process. In the CPE, decisions would be taken by consensus. The Project Operational Manual describes participation mechanisms and criteria for qualifying the representativeness of each party involved. Among other things, the CPE would be responsible for discussing and approving specific subprojects proposals.

6. *Special arrangements for Component 3.* Component 3, in its Pilot area(s), would have a dedicated team comprised of a maximum of two regional Coordinators (reporting to the National Technical Coordinator), and a limited number of agribusiness specialists, all working in close collaboration with the rest of the Project team and UEPs at the field level. Technical and financial evaluation (see subproject cycle below) of the productive alliances would be the responsibility of an independent entity, to be recruited competitively at the beginning of the Project based on terms of reference, qualifications, and selection process acceptable to the Bank.

7. In order to prevent dispersion of project activities and to increase localized impact, activities at field level will be organized by concentration areas (“micro-regions”) that present high concentration of eligible beneficiaries. Field agents of the UPEs (and Component 3 technical teams) would work with rural producers and indigenous communities to identify their needs/opportunities and demands and support them in the formulation of viable and sustainable subproject proposals.

B. Subproject Cycle

8. **Subproject Cycle: Rural Investment Subprojects³⁸ (Component 2).** These are the steps to be followed for the preparation and implementation of Rural Investment Subprojects funded through Component 2 – Rural Livelihood. For Component 2, all steps are decentralized at provincial level:

- a) Promotion and dissemination campaign at national level and within the provinces of intervention, addressed to all stakeholders, culturally appropriate (specific information and communication channels will be used for indigenous peoples);
- b) Within each province, rural communities, supported by the relevant UEP³⁹, will assess their needs and present a subproject profile (*Perfil de Subproyecto*) based on a simple standard format and guidelines specified in the Project Operational Manual;
- c) UEP performs the initial screening of each subproject proposal, to verify eligibility of the producers and of the proposal, including social and environmental compliance;

³⁸ As a reminder, the term “Rural Investment Subprojects” refers to both “Community Subprojects” and “Indigenous Peoples Community Subprojects” financed under Component 2

³⁹ The term “Field Team” defines the team of the Provincial Implementation Entity or

- d) If the profile is deemed eligible, the rural community, supported by the relevant UEP and other service providers if needed, develop a full-fledged subproject proposal, based on simple, standard format and guidelines;
- e) The Subproject proposal is evaluated for technical, environmental and social feasibility by the UEP and assigned an evaluation score based on the criteria defined in the Project Operational Manual;
- f) In each province, the CPE reviews the subproject proposals evaluation reports and recommends approval;
- g) A subproject agreement is signed between the UCAR or the Participating Province⁴⁰ and the Community at provincial level, specifying the use of subproject resources, and the rights and responsibilities of the beneficiary community, as defined in the Project Operational Manual;
- h) The community opens a bank account (savings account or current account) to manage its subproject resources;
- i) Subproject resources are transferred to the community for subproject execution according to the approved proposal and agreement;
- j) The community contracts goods, works and services, in accordance with the norms established in the Project Operational Manual (community procurement);
- k) The UEP supports and supervises subproject implementation;
- l) Subproject closing; and
- m) Ex-post evaluation.

9. **Subproject Cycle: Productive Alliances (Component 3).** These are the steps to be followed for the preparation and implementation of Productive Alliance Subprojects funded through Component 3 – Access to Markets:

- a) Promotion and dissemination campaign in the Pilot Region, differentiated by stakeholder type and culturally appropriate;
- b) Producers' Organizations (POs) and their commercial partner present a business proposal (*Perfil de Alianza*) based on standard simple format and guidelines specified in the Project Operational Manual;
- c) Initial screening of the business opportunity, is performed by the Project technical team⁴¹: eligibility, opportunity (change in market access), credibility of buyer, social and environmental compliance;

⁴⁰ Based on a Participation Agreement between the Borrower and the Participating Province.

⁴¹ Project technical team refers to the specialized team in charge of implementing the Productive Alliance pilot.

- d) POs, supported by the other parties of the proposed alliance and technical services if needed, develop a Business Plan (*Plan de Alianza*) which includes an agreement between parties and a subproject proposal, based on standard format and guidelines;
- e) The Business Plan is screened for environmental and social feasibility as well as for formal requirements by the Project technical team. Approved plans are submitted to the external evaluator;
- f) The independent external evaluator, based on criteria and procedures defined in the Project Operational Manual, undertakes the technical, economic, and financial evaluation and generates a ranked list of all the business plans;
- g) The *Comités de Evaluación* review and approve the evaluation report;
- h) A subproject agreement is signed between the PO and the UCAR/UEP at provincial level, specifying the use of subproject resources, and the rights and responsibilities of the PO (the buyer entity could be a co-signatory to the agreement if resources are transferred to it);
- i) The PO opens a bank account (savings account or current account) to manage the subproject resources;
- j) Subproject resources are transferred to the PO account for alliance subproject execution in tranches, as agreed in the subproject procurement plan, and once corresponding co-financing are verified;
- k) PO contracts goods, works and services, in accordance with the norms established in the Project Operational Manual (community procurement);
- l) The Project team supports and supervises subproject implementation;
- m) Subproject closing; and
- n) Ex-post evaluation.

C. Financial Management, Disbursements and Procurement

a. Financial Management

Risk Assessment

10. A Financial Management Assessment (FMA) of the arrangements for the proposed Project was conducted in accordance with OP/BP 10.00 and in line with Bank specific guidelines⁴². The FMA assessed the UCAR⁴³ (*Unidad para el Cambio Rural*) within the National Ministry of Agriculture, Livestock, and Fisheries (MAGyP), which would be the implementing entity, responsible for the FM and Procurement functions of the Project.

11. The assessment conclusion is that FM arrangements are acceptable to the Bank. The executing agency has staff qualified and experienced in World Bank-financed activities, capable of undertaking the financial management functions for the Project. The accounting and financial reporting, budgeting and treasury operations of the Project would follow the procedures applied to other Bank-financed operations supported by the UCAR.

12. From the financial management perspective, the Project is considered a **moderate** risk operation, as evidenced by past Bank supervision and external audit outcomes.

13. The current CPS for Argentina includes improved fiduciary risk and portfolio monitoring as one of the key elements of the World Bank Group's strategy to strengthen the capacity of the Government to prepare, approve and implement investment projects in Argentina. The following measures would contribute to the Bank's effort to meet the objectives expressed in the CPS:

- a. Enhanced FM supervision to ensure the continuous adequacy of financial management arrangements, evaluate project internal control and update assessed risk. At least one on-site visit integrating the project team is planned for the first year.
- b. Continuous support to AGN (Argentina Supreme Audit Institution) efforts to ensure timely audit compliance for the Project. Upon audit findings, follow up on the Borrower action plans to address the auditors' recommendations.
- c. Involving the Internal Audit Units to carry out review of project financial transactions.
- d. Technical and fiduciary audits of subproject implementation to be carried out at least for each year of implementation.

⁴² *Financial Management Manual for World Bank-Financed Investment Operations*; document issued by Operations Policy and Country Services OPCFM on March 1, 2010.

⁴³ The unit manages/has managed the following World Bank-financed projects: P00604, Small Farmers Development Project; Loan 7478 AR for US\$45 million, closed on June 30, 2011; P106684, Second Provincial Agricultural Development Project, Loan 7597 AR for US\$300 million; Component 2 of P100806, Sustainable Natural Resources Management Project Loan 7520 AR for US\$ 60 million; and P039787, Biodiversity Conservation Project (GEF) TF 28372 AR, for US\$10.1 million closed on March 31, 2008.

Budgeting

14. 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 Ministry of Agriculture, Livestock and Fisheries annual budget would be created in order to allow for tracking of budget resources from different sources and project expenditures.

Accounting

15. The UCAR would be responsible for project accounting and would produce the requisite annual financial statements following the International Accounting Standards (IAS). Key UCAR FM staffs are qualified for the position and capable of fulfilling the accounting and reporting activities. Project transactions would be recorded on a cash basis using a chart of accounts that reflects disbursement categories, program components and sources of funding. Loan withdrawals advanced to the designated account would also be included in UCAR pertinent accounts and would be incorporated in Project financial statements. UCAR would also prepare six month forecasts of project expenditures to request advances supported by calendar semester Interim Unaudited Financial Reports (IFR), as follows: (i) Sources and uses of funds (uses by disbursement category), for each calendar semester and cumulative; and (ii) uses by component accompanied by a statement of movements in the designated account only for reporting purposes.

Internal control

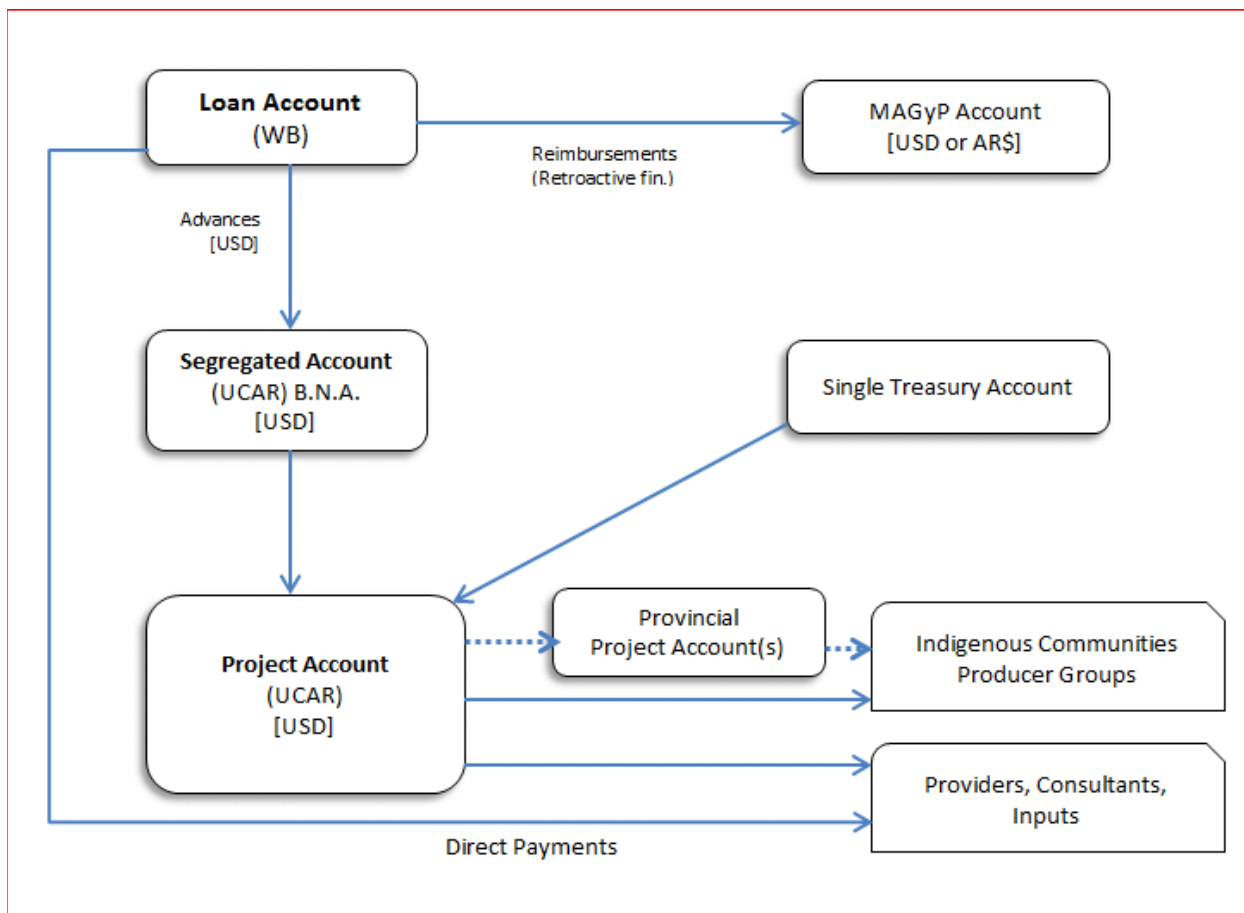
16. The internal control environment to be used for the Project is anchored in Argentina's legal and institutional framework and UCAR operational processes and procedures which provide an adequate internal control framework and proper segregation of duties.

17. During project supervision the Bank would follow-up on the implementation of the Project's Code of Ethical Standards and of a Grievance Redress Mechanism for vendors and beneficiaries, which are part of the Operation Manual.

18. In addition, the operation would be subject to the Internal Control Standards issued by the General Syndicate of the Nation (SIGEN), which is the Federal Government's internal audit agency under the jurisdiction of the executive branch. SIGEN also supervises and coordinates actions of the Internal Audit Units (IAUs) in all agencies including the Ministry of Agriculture, Livestock and Fisheries, approves their audit plans, conducts research and independent audits, and systematizes the information from its own reports and those produced by the IAUs. FM supervision may include the review of internal audit reports related to the Project.

Flow of funds

19. The general arrangements are described in the following chart.



Components 2 and 3

20. As expenditures arise, funds would be transferred from the DA to an operative bank account from which payments for eligible expenditures in local currency would be made by the UCAR or by the relevant Participating Province.

Financing Subprojects to Eligible Beneficiaries

21. On-farm and off-farm complementary investments would be financed with Bank support through subprojects financing to eligible beneficiaries. Under the subprojects expenditure categories, recipients could use, on a non-reimbursable basis, proceeds of the loan to fund works, goods and equipment, consulting services, non-consulting services, and (for Productive Alliances) operating costs. Funds would be transferred to beneficiaries as per provisions included in the subproject agreements, on the basis of physical progress or documented expenditures and following procedures detailed in the Project Operational Manual.

External audit

22. The project annual financial statements would be audited under Terms of Reference (TOR) prepared in line with Bank Guidelines to be performed by independent auditors and following auditing standards acceptable to the Bank. The audit report would be furnished to the Bank, through the UCAR, as soon as available, but in any case no later than six months after the end of each audited year/period. Consistent with the CPS governance indicators, it is expected that the

Project financial audit would be conducted by the Argentine Supreme Audit Institution (*Auditoría General de la Nación* - AGN), as is already the case for ongoing Bank-financed projects managed by MAGyP through UCAR for which acceptable audit reports were received by the Bank for the last two with no substantial internal control weaknesses identified.

Technical and Fiduciary Audit

23. Consistent with the CPS approach to portfolio governance, technical and fiduciary audits of Rural Investment Subprojects financed under Component 2 and Productive Alliances Subprojects under Component 3(b) would be undertaken by an independent auditor acceptable to the Bank and under TORs acceptable to the Bank. The technical and fiduciary audit would give an opinion on the achievement of agreed outputs (physical progress of subprojects) based on UCAR and provincial registries. Technical and fiduciary audit reports would cover a period of up to twelve months and shall be submitted to the Bank for review within 45 days from the end of the respective period. Audit schedule and procedures are incorporated in the Project Operational Manual. It is expected that the technical and fiduciary audits could also be conducted by AGN.

Audit Reports' Schedule

Audit Report	Due Date
1) Project Financial Statements	June 30 of each year or six months after end of period audited.
2) Special Opinion <ul style="list-style-type: none"> • SOE: an opinion on the eligibility of expenditures reported • Designated Account 	June 30 of each year or six months after the end of period audited.
3) Technical and Fiduciary Audit Report	Annual

Supervision Plan

24. The initial supervision planning is presented in the table below. FM supervision scope would be adjusted by the assigned FMS according to the fiduciary performance and updated risk.

Type	Timing	Mechanism	Objective
On-site Visit	General SPN: Once a year.	Integrating supervision missions at least once a year.	<ul style="list-style-type: none"> ◆ Review FM performance. ◆ Follow up on External Audit recommendations/ issues. ◆ Review controls and POM. ◆ Review issues and lessons in pilot component. ◆ Update assigned risk.
Financial Reports Review	With each report	Over the Financial Reports submitted to the Bank.	<ul style="list-style-type: none"> ◆ Review Financial Reports information consistency.

Type	Timing	Mechanism	Objective
			♦ Raise issues disclosed in Financial Reports
Financial Audit Review	Once a Year	Over the Audit Report submitted to the Bank	♦ Review Audit Report. ♦ Raise issues disclosed in Audit
Technical Audit Review	Once a Year	Over the technical and fiduciary audit report	♦ Review issues disclosed by the technical auditor.

Financial Management Action Plan

25. The FM action plan is detailed in the table below.

Action	Responsible Entity	Completion Date
1. Request a specific budgetary line in Ministry of Agriculture, Livestock and Fisheries (MAGyP) annual budget to follow project implementation	UCAR	To be included in 2015 annual budget – Legal Covenant

b. Disbursements

Disbursement arrangements

26. Disbursement arrangements⁴⁴ are summarized as follows:

Retroactive expenditures (exclusive of outputs which are not eligible for retroactive financing)	Eligible payments <ul style="list-style-type: none">▪ Are paid between October 23, 2014 and 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 and outputs pre financed by the GOA after the date of loan signing	<ul style="list-style-type: none">▪ Reimbursement of eligible expenditures into a bank account controlled by UCAR. The minimum application size for reimbursement requests would be US\$2,500,000 for UCAR.
Other Disbursement Methods	<ul style="list-style-type: none">▪ Direct payments to suppliers. The minimum application size for direct payment requests would be US\$2,500,000▪ Advance to a segregated designated account in US\$ managed by UCAR, in BNA, with a ceiling of US\$10,000,000 for outstanding advances.
Supporting documentation	<ul style="list-style-type: none">▪ Statement of Expenditures (SOEs)▪ Records (supplier contracts, invoices and receipts).

(see **Disbursement Table by Expenditure category** on the following page).

⁴⁴ For details, please see the Disbursement Handbook for World Bank Clients.

Disbursement Table by Expenditure Category

Category	Amount of the Loan Allocated (<u>USD</u>)	Percentage of Expenditures to be financed (Taxes incl.)
1 Consultants' services, non-consulting services, Training, and Operating Costs under Component 1	2,100,000	100%
2(a) Works and goods under Community Subprojects under Component 2	25,935,000	100% of the amount disbursed under the pertinent Rural Investment Subproject Agreement
2(b) Non-consulting services and consultants' service under Community Subprojects under Component 2	1,365,000	100% of the amount disbursed under the pertinent Rural Investment Subproject Agreement
3(a) Works and goods under IP Community Subprojects under Component 2	11,115,000	100% of the amount disbursed under the pertinent Rural Investment Subproject Agreement
3(b) Non-consulting services and consultants' services under IP Community Subprojects under Component 2	585,000	100% of the amount disbursed under the pertinent Rural Investment Subproject Agreement
4 Consultants' services, non-consulting services, Goods, Training, and Operating Costs under Component 3(a)	1,000,000	100%
5(a) Works and goods under Productive Alliances Subprojects under Component 3(b)	9,500,000	100% of amount disbursed under the pertinent Productive Alliances Subproject Agreement
5(b) Non-consulting services, consultants' services, and Operating Costs under Productive Alliances Subprojects under Component 3 (b)	500,000	100% of amount disbursed under the pertinent Productive Alliances Subproject Agreement
6 Goods, consultants' services, and non-consulting services under Component 4	268,750	100%
7 Front-end Fee	131,250	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
8 Premia for Interest Rate Caps or Interest Rate Collars	0	Amount due pursuant to Section 2.08(c) of this Agreement
TOTAL AMOUNT	52,500,000	

c. Procurement

General

27. Procurement for the proposed Project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011 and revised in July 2014; the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011 and revised in July 2014; and the provisions stipulated in the Loan Agreement. Procurement will also be implemented in accordance with the CPS implementation of the Open Procurement initiative, through the publishing of all business opportunities (expression of interest and calls for proposals) in the portal of the national procurement agency (*Oficina Nacional de Contrataciones*) and granting public access, through SEPA, of all of the Project's Bank-approved procurement plans.

28. **Goods and non-consulting services.** Goods and non-consultant services of US\$500,000 or more per contract will be procured through International Competitive Bidding (ICB) procedures using Bank standard documents. While contracts for procurement of goods and non-consultant services, with an estimated cost less than US\$500,000 but more than US\$100,000 per contract, will be procured using National Competitive Bidding (NCB) procedures and Project standard documents to be agreed with the Bank.. Contracts for goods and non-consultant services of US\$100,000 or less will be procured through shopping procedures and the provisions of paragraph 3.5 of the Bank Guidelines.

29. **Works.** Small works are expected to be financed in Rural Investment and Productive Alliance Subprojects. The use of ICB is not foreseen. Contracts for works would be procured using NCB and Standard Bidding Documents (SBD) satisfactory to the Bank. Contracts for procurement of works with an estimated cost less than US\$350,000 will be procured through shopping procedures.

30. **Selection of 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 5.5 of the Consultant Guidelines. Individual consultants may be selected sole-source with prior approval of the Bank in accordance with provisions of paragraphs 5.6 of the Consultants Guidelines.

Procurement Arrangements and Capacity Assessment:

31. UCAR would be responsible for procurement activities at the central level and, through the UPEs, coordination and supervision of all procurement activities at community level. Based on the experience of PROSAP (Loans 7520-AR and 7597-AR) and PROINDER (Loan 7478-AR), UCAR has the capacity to implement Bank-financed projects and is adequately staffed with qualified procurement officers. The assessment reviewed the organizational structure for implementing the Project. The Project Operational Manual (POM) would include, in addition to procurement procedures, the SBD to be used for each procurement method and the request for proposal for selection of consultant firms, including model contracts for procurement of works, goods, and non-consultant services, as well as for the hiring of consultant firms and individuals. In cases in which UCAR contracted a Contracting Management Entity for the purposes of managing the contracting and payment of individual consultants under parts of Component 1(a),

1(b) and 3(a), UCAR would maintain responsibility for the preparation of the terms of reference of said consultants and would include the relevant contracts in the Procurement Plan.

32. Most of the procurement issues and risks have been identified. In particular, the Bank identified one factor that could potentially affect project implementation: the large number of parties and transactions involved under Components 2 and partially Component 3, the small value and multiplicity of contracts, as well as the geographical dispersion of the subprojects may make difficult ex-ante controls across all individual sub-projects. Corrective measures have been agreed to mitigate these risks.

33. Three corrective measures are related to Components 2 and Component 3: (i) the POM incorporates procurement procedures and mechanisms of internal controls for the implementation of each type of subproject, including templates of procurement plans and reporting; (ii) procurement supervision would be integrated with technical progress and financial reporting, as a way to support the validity of the expenditures; and (iii) a technical and fiduciary audit would be contracted, both for administrative and physical control, under TORs satisfactory to the Bank.

34. The overall procurement risk level for the Project has been assessed as **Substantial**. This rating results from the decentralized implementation approach that involves a number of entities, with limited knowledge of the procurement regulations and procedures governing project implementation and limited experience in the implementation of Bank-financed projects.

Procurement Plan

35. UCAR prepared a procurement plan for project implementation that provides the basis for the procurement methods. This plan was agreed between the Borrower and the Bank. UCAR will: (i) publish, within 30 days from Loan Effectiveness, the initial Procurement Plan in the publicly accessible Procurement Plans Implementation System (SEPA, from *Sistema de Ejecución de Planes de Adquisición*), and (ii) update the Procurement Plan at least twice a year or as required to reflect the actual project implementation needs and progress; and (iii) update SEPA with the updated Procurement Plan immediately after any change.

Prior Review Threshold for works, goods and non-consultant services

36. Procurement Decisions subject to Prior Review by the Bank as stated in Appendix 1 to the Guidelines for Procurement:

	Procurement Method	Prior Review Threshold US\$	Comments
1.	ICB (Goods)	1 million	And the first process
2.	NCB (Goods) packages	The first two processes	
3.	ICB (Works) packages	All	
4.	NCB (Works) packages	10 million	And the first two processes
5.	(Non-Consultant Services) packages	1 million	And the first process

Proposed Procedures for Rural Investment Subprojects and Productive Alliance Subprojects (as per paragraph. 3.19 of the Procurement Guidelines)

37. Subprojects would be financed through competitive procedures under Component 2 and Component 3. Sub-projects include the purchase of goods, small works, and services procured in

accordance with streamlined procurement procedures set forth in the Operational Manual. The implementation of these subprojects will be subject to oversight by UCAR and UPEs and through a technical and fiduciary audit.

38. **Summary of the Procurement Packages planned during the first 18 months** after project effectiveness (including those that are subject to retroactive financing and advanced procurement)

1	2	3	4	5	6	7
Ref	Description	Estimated Cost (US\$)	Procurement Method	Domestic Preference (yes/no)	Review by Bank (Prior/Post)	Comments
1	2 Regional coordinators (Comp 3)	90,000	IC	N	prior	
2	10 technicians (Comp. 3)	360,000	IC	N	prior	
3	Independent evaluator of productive alliances	200,000	QCBS	N	prior	
4	Study of POs market opportunities	130,000	QCBS	N	prior*	*=only ToR
5	Institutional diagnostic of POs	100,000	QCBS	N	prior*	*=only ToR

Prior Review Threshold for consultant services

39. Selection decisions subject to Prior Review by Bank as stated in Appendix 1 to the Guidelines Selection and Employment of Consultants:

	Selection Method	Prior Review Threshold	Comments
1.	Competitive Methods (Firms)	500,000	And the first process under each selection method
2.	Single Source (Firms)	All	

Short list comprising entirely of national consultants

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

D. Environmental and Social (including safeguards)

Environmental

41. The Project may finance the construction or rehabilitation of small infrastructure (storage areas and facilities, water distribution networks, small irrigated schemes, improvement of rural feeder roads) as well as productive investment through its Component 3. In order to limit the environmental impact of the Project, infrastructure activities are limited small-scale interventions or simple rehabilitation of existing infrastructures.

42. Potential negative environmental impacts of project activities are likely to include: (i) water and soil pollution due to construction activities, increased use of pesticides and herbicides, and agro-processing activities such as milling; (ii) loss of trees and water pollution due to land clearing;

(iii) soil erosion and silting due to the rehabilitation of water management structures for irrigated schemes, as well as to poor agricultural practices; and (iv) loss of flora and fauna due to the use of quarries as sources of construction materials.

43. Furthermore, some activities or investments will be specifically excluded from Project financing, such as: (i) any category A sub-projects, (ii) acquisition or use of Genetically Modified Organisms; (iii) acquisition or use of pesticides that are not approved by the World Health Organization; (iv) activities in Permanent Forest or Marshland areas; (v) activities that would require land acquisition from individual owners or occupiers; and (vi) subprojects involving international waterways.⁴⁵

Social

44. The social assessment of the Project is based on an assessment of PROINDER's experience, consultations with, and relevant documents about small producers, indigenous peoples, and rural workers. Based on the principle of free, prior, and informed consultation, a first draft of the Project preparation documents (including project objectives, approach, activities, mechanisms and draft of the Indigenous People Planning Framework, IPPF) were made available and presented to organizations representative of indigenous peoples, namely: the Indigenous Participative Council (*Consejo de Participación Indígena*) and the Meeting of Indigenous People Territorial Organizations (*Encuentro de las Organizaciones Territoriales de Pueblos Originarios*). Both organizations reviewed the documents in order to provide their advice and inform about their level of support. The Indigenous People Territorial Organizations (*Encuentro de las Organizaciones Territoriales de Pueblos Originarios*) and the National Family Producers Forum (*Foro Nacional de Agricultura Familiar - FONAF*) advised on the project documents and expressed their broad support to the Project, formally recorded in the minutes of the respective consultation meetings. These and/or other organizations will be consulted again before the start of Project implementation.

45. Based on the nature of the Project, it is anticipated that its implementation would achieve mostly positive social development outcomes and impacts. These include: (i) increased access to social opportunities for the three target population groups, through improvements in food security and living conditions; (ii) limiting or avoiding rural migration to urban areas; (iii) strengthening indigenous peoples recognition and inclusion, by promoting respect for their cosmic vision, and by working through legitimate representatives, and community-selected technicians who could act with awareness of indigenous culture and knowledge; and (iv) improving rural workers access to improved economic and social development opportunities.

46. Limited adverse social impacts could be caused by the implementation of community infrastructure subprojects (such as storage areas, rural buildings, small water distribution systems, etc.) which could cause involuntary economic displacement and/or loss of assets. Given the demand-driven nature of project activities, it would be difficult to anticipate the location and the number of people who would be impacted by Project investments. For this reason, the Borrower

⁴⁵ If during Project implementation the Borrower presents to the Bank a subproject proposal with activities that would involve the use or potential pollution of water from an 'international waterway' (as determined by the Bank) and which the Bank is willing to finance, prior to the approval of said subproject, the Bank would require the Borrower to comply with the provisions of OP/BP 7.50 (including pre-subproject riparian notification).

prepared a Resettlement Policy Framework (RPF) that would provide the overarching strategy by which potential resettlement issues would be addressed.

47. For the same reason, and to address activities that would involve or affect indigenous peoples, the Borrower prepared an Indigenous People Planning Framework (IPPF) which includes: (i) social assessment and previous, free and informed consultations for affected IP; (ii) action plan duly budgeted with measures to ensure that IP obtain adequate social and economic benefits generated by the Project as appropriated and/or to prevent, reduce, and mitigate or compensate negative effects; and (iii) monitoring and grievance mechanism. Both the RPF and the IPPF are included in the Environmental and Social Management Framework (ESMF), which is an integrating part of the Operation Manual.

48. During project preparation, relevant social risks (equitable access to opportunities and benefits created by the Project) have been taken into consideration with the effective participation of community and IP leaders throughout the decision-making process. During implementation, the Project would address these issues by systematically mainstreaming participatory methodologies in all Project activities in order to respond to the needs of beneficiaries. The ESMF defines the participatory mechanisms to be adopted.

49. As a crosscutting concern in all of its activities, the Project would pay particular attention to the social inclusion of the most vulnerable groups, identified as indigenous peoples, women, and youth. The Project Operational Manual details the mechanisms and instruments that would translate this concern into practice. These include: (i) earmarking (as a separate disbursement category) 30 percent of the funds of Component 2 for Indigenous Peoples Community Subprojects, including a corresponding share for capacity building activities under Component 1; (ii) reserving at least 20 percent of Component 1 to capacity building activities specifically dedicated to women and youths; and (iii) adopting positive discrimination criteria in the prioritization of subprojects under Component 2 and Component 3 (whereby a number of females and/or youth participating in a given subproject would improve its score compared to a similar subproject). The ESMF includes a Gender Strategy that defines the Project's approach to gender issues.

Safeguards

50. The Project has been assigned the environmental screening category B (partial assessment). The Project has triggered the following Bank Safeguard Policies: **OP 4.01 Environmental Assessment**, **OP 4.04 Natural Habitats**, **OP 4.09 Pest Management**, **OP 4.10 Indigenous Peoples**, **OP 4.11 Physical Cultural Resources**, **OP 4.12 Involuntary Resettlement**, **OP 4.36 Forests**, and **OP 4.37 Safety of Dams**.

51. **OP/BP 4.01 - Environmental Assessment.** The project aims to have an overall highly positive impact and increase the socio-economic inclusion of rural poor including by improving the efficiency of agricultural production systems. The physical interventions resulting from the implementation of Components 2 and 3 could have negative, if small-scale and localized, impacts on the environment. Expected Investment Subprojects activities may include: rehabilitation of small sections of existing rural feeder roads; irrigation systems; water systems; and other small-scale infrastructure; land use change; and improving agricultural production (with an increased pressure over natural resources). Because these investment subprojects involve mostly small-scale activities, the incremental environmental impacts are expected to be low. Since the type, scale and localization of specific subprojects will only be known during implementation, the Borrower

prepared an Environmental and Social Management Framework (ESMF), detailing the environmental screening process and a negative list that would exclude any sensitive environmental sites from being financed by the Project. The ESMF includes guidelines for the mitigation of social and environmental impacts of each specific subproject. The Project will not finance any subproject that would be considered as a Category A under the World Bank definition.

52. **OP/BP 4.04 - Natural Habitats.** Most project activities would be implemented in areas already under agricultural production. However, the potential impacts on critical natural habitats would be explored as part of the subproject screening process. Subprojects could be located in areas close to critical natural habitats or protected areas but subprojects which imply significant degradation or conversion of natural habitats would not be financed. Subprojects within protected areas would not be eligible for funding. Areas with other conservation statuses (Ramsar sites, Birdlife IBAS, etc.) would be considered ineligible unless compatible with the ESMF.

53. **OP 4.09 - Pest Management.** Integrated pest management would be a part of subproject activities under Component 2 and Component 3. Any procurement of pesticides would comply with the requirements of OP 4.09 which specifies pesticides ineligible for Bank financing. A positive list has been prepared to identify pesticides that can be used and is included in the ESMF. In addition, the ESMF requires the preparation of Pest Management Plans and includes guidelines for Integrated Pest Management.

54. **OP/BP 4.10 - Indigenous Peoples.** The policy is triggered because IP are present in many of the targeted provinces and a specific part of the Project is expected to benefit IP communities. For this reason, and given that the exact location of subprojects is not known before implementation, the Borrower prepared an Indigenous Peoples Planning Framework (IPPF), including a Social Assessment, which is part of the ESMF.

55. **OP/BP 4.11 - Physical Cultural Resources.** The project would not finance any subproject with potential negative impacts of physical cultural resources. However, particularly because of intervention in indigenous peoples' areas "chance finds" of cultural artifacts during implementation is considered possible. To handle such findings, Argentina has a well-developed legislative and normative framework which will be applied in such cases and are reflected in the ESMF, which includes screening criteria to evaluate potential impacts on cultural resources and provide guidance on chance finds procedures. The implementing agency also has proven experience and appropriate procedures to address "chance finds" in line with these procedures and rules.

56. **OP/BP 4.12 - Involuntary Resettlement.** Although involuntary resettlement is not foreseen, it is possible that involuntary economic displacement and/or loss of assets may be generated during infrastructure works, including the following: (i) rehabilitation of irrigation or water systems; (ii) rehabilitation of feeder roads; and (iii) construction of small rural infrastructure.

57. Given the demand-driven nature of project activities, it would be difficult to anticipate the number of people that would be impacted by Project investments. For this reason, the Borrower prepared a Resettlement Policy Framework (RPF) in order to minimize and mitigate any potential adverse social impacts resulting from Project investments. The RPF, which is part of the ESMF, provides the overarching framework by which potential resettlement issues would be addressed. In cases in which resettlement issues would affect indigenous peoples, the RPF would address them in a form consistent with the IPPF.

58. **OP 4.36 Forests.** The project screening mechanism would identify subprojects with potential impacts on forests even though it is expected that most project activities would be implemented in areas already under agricultural production. Subprojects impacting forests or involving establishment of plantations would require a deeper environmental analysis.

59. **OP 4.37 Safety of Dams.** This policy is triggered as a precautionary measure. While the project will not finance building of any large dam, it is possible that irrigation or water supply subprojects financed under Component 2 and/or Component 3 might depend on the storage and operation of an existing dam for their supply of water and may cease to function if the dam failed. The ESMF stipulates that financing of such subprojects requires a preliminary specialized safety assessment, including a review and evaluation of the operation and maintenance procedures of the existing dam and the presentation of a written report including finding and recommendations for any remedial work or safety related measures.

60. The implementing entity, UCAR of MAGyP, includes a Social and Environmental Unit (UAS) with good capacity and satisfactory experience in the implementation of safeguard policies and monitoring of compliance with such policies and the ESMF at provincial level., enforcing relevant quality control, The UAS is has also capacity and responsibility for delivering specific training on environmental and social safeguards and the use of the ESMF.

61. The UAS currently comprises eight full-time staff, in addition to short-term consultants who assist with aspects of management oversight, review, and quality control functions. PROSAP has also strengthened its cadre of professionals with technical staff to lead the field supervision of safeguards compliance. During Bank-financed PROSAP (ongoing), the UAS has also considerably matured its role in subproject preparation, evolving from an approach limited to mitigating the impacts of subprojects ready to be implemented in order to satisfy Bank requirements to a multi-disciplinary group that incorporate an integrated social and environmental focus from the initial stages of project formulation. It is expected that this capacity will positively reflect in the implementation of the proposed Project.

E. Monitoring & Evaluation

62. The results framework defines performance indicators for each components and sub-components. UCAR would be responsible for overall monitoring and evaluation (M&E) and for meeting the agreed reporting requirements. The Project Monitoring and Information System (MIS), based on the experience of PROINDER and PROSAP, is designed to link technical and financial data on project progress and impact. It would be updated, hosted and maintained by UCAR.

63. The MIS would work as both a mechanism for assessing project results and as a day-to-day management tool, and would support project supervision by ensuring that baseline and follow-up surveys and data collection for the key performance indicators are available regularly.

64. At the provincial level, the Field Teams (UCAR/UEP) would monitor the implementation of subprojects, collect data and transmit them to the coordination units in each province. Subproject agreement for every subproject financed under Component 2 and 3 would include provisions on the provision of M&E data by beneficiary communities or producers, respectively.

65. Monitoring and evaluation reports, including environmental and social monitoring results, would be produced quarterly at the provincial and field levels, and every six months at the central

level. The data collected at the field level would be consolidated and analyzed at the provincial level and transmitted to UCAR for further consolidation, reporting, and feedback. UCAR would provide semi-annual progress reports (within 45 days from the end of the relevant semester) on Project implementation and progress, detailing progress made for each component, measuring performance against the targets established in the results framework, and providing qualitative analysis and recommendations. The reports should include information on: (i) performance of subprojects, in relation to the different phases of their cycle; (ii) disbursement performance; (iii) procurement performance, including an updated procurement plan; (iv) accounting and financial management performance; (v) progress in the implementation of the ESMF, including documentation of environmental and social impacts in the areas of intervention; and (vi) potential developments that could affect project implementation, including a review of the main risks and the impact of mitigation measures adopted.

66. The format and content of the progress report are defined in the Project Operational Manual. Semi-annual joint implementation-support missions would assess the status of key project outcomes and update legal covenant compliance. The Mid-Term Review would be conducted no later than 30 months after the first disbursement. A final independent evaluation would be conducted in the last semester of project execution to assess overall achievement of expected project results.

67. The Project would also carry out specific results studies, as well as a baseline study before effectiveness and an independent impact assessment for Component 3.

Environmental monitoring

68. The MIS would include environmental monitoring indicators to determine (i) the use of the environmental screening for subprojects and investments; (ii) the effectiveness of environmental mitigation measures implemented; and (iii) the extent to which sub-projects are maintained in an environmentally and socially sustainable manner.

Social monitoring (Indigenous People, Gender and Youth)

69. The MIS will allow disaggregating all indicators by areas of intervention, gender, ethnicity, and type of beneficiary (category of producers, indigenous peoples, and rural workers). 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.

Annex 4: Operational Risk Assessment Framework (ORAF)

ARGENTINA: Socio-Economic Inclusion in Rural Areas Project (P106685)

Risks						
Project Stakeholder Risks						
Stakeholder Risk	Rating	Moderate				
Risk Description: Participation mechanisms may not be adequately activated during implementation, which could create negative perception or rejections, particularly with indigenous communities.	Risk Management: <ul style="list-style-type: none"> (a) Consultations with representative of indigenous peoples and small producers have led to broad support for the Project. Further consultations are planned before the beginning of implementation and would be part of the Project regular activities during implementation. (b) Thirty percent of funds of Component 2 are reserved for Indigenous Peoples Community Subprojects (c) Indigenous people will be represented in the <i>Provincial Evaluation Committee</i> that decides about IP Subprojects. (d) Allocation of funds in each province will be agreed with INAI. 					
	Resp: Borr.	Status:	Stage: Impl.	Recurrent: Y	Due Date:	Frequency:
Implementing Agency (IA) Risks (including Fiduciary Risks)						
Capacity	Rating	Moderate				
Risk Description: <ul style="list-style-type: none"> (a) Provincial administrations may not have adequate capacity or experience to implement the project in their territories. (b) Provincial administrations are not familiar with Bank fiduciary procedures. (c) Community groups (including indigenous communities) have limited capacity to administer funds and follow project procedures. 	Risk Management: <ul style="list-style-type: none"> (a) UCAR has adequate capacity and experience to coach provincial teams and support their implementation activities. (b) Provincial administration will not deal with project-related procurement activities as most procurement is at community level and the few procurement processes (mostly limited at consulting services) to be undertaken at central level will be implemented by UCAR. (c) Capacity of all community groups will be strengthened in respect to management and organization, including fiduciary aspects. (d) FM and procurement processes for all subprojects will be based on simplified procedures reflected in a simplified field-level operational manual for the use of community members. 					
	Resp: Borr.	Status:	Stage: Impl.	Recurrent: Y	Due Date:	Frequency:

Governance	Rating	Substantial				
Risk Description: (a) Decentralized management of funds and large number of transactions may generate governance issues.	Risk Management:					
	(a) Apart from capacity building and strong support, subprojects will be reviewed by an independent technical and fiduciary audit that will ascertain compliance with the Project Operational manual and delivery of adequate value for money. (b) All transfers of money to communities will be done through bank wires, avoiding the use of checks.					
	Resp: Borr.	Status:	Stage: Impl.	Recurrent: Y	Due Date:	Frequency:
Project Risks						
Design	Rating	Moderate				
Risk Description: (a) Implementation by provinces may delay startup and complicate implementation. (b) Productive Alliance is a relatively new concept and can encounter resistance and initial slow uptake.	Risk Management:					
	(a) Implementation by provinces will be based on other, currently ongoing, successful experience with projects financed by IFAD and IADB. In many cases, provinces already have teams in place with adequate capacity and experience. (b) Project staff will receive training and participate in exchange visits to other countries where productive alliances are successfully implemented. (c) Productive Alliance Teams will be strengthened with agribusiness expertise with qualification and expertise satisfactory to the Bank.					
	Resp: Borr.	Status:	Stage: Impl.	Recurrent: Y	Due Date:	Frequency:
Social and Environmental	Rating	Moderate				
Risk Description: (a) There is relatively scarce in-country experience of work with Indigenous peoples, which are among the intended beneficiaries. (b) Rural workers are an elusive category of beneficiary and may be difficult to identify and/or mobilize. (c) Environmental impacts are expected to be small-scale and localized.	Risk Management:					
	(a) Meaningful field-level consultation will be carried out in the specific areas of intervention. (b) At project startup, the project team will carry out a review of recent experience with indigenous people in Argentina. (c) Activities targeting landless rural workers would mostly be limited to capacity development and vocational training and start on a limited scale, to be tested and refined for progressive scale-up during implementation. (d) Sub-project approval will be subject to social and environmental screening as defined in the ESMF and Operational Manual, satisfactory to the Bank.					
	Resp: Borr.	Status:	Stage: Impl.	Recurrent: Y	Due Date:	Frequency:
Program and Donor	Rating	Moderate				

<p>Risk Description:</p> <ul style="list-style-type: none"> (a) Risk of interference or “competition” with other development project intervening in the same areas. (b) Complementary public rural investments to be financed under other projects could not materialize. 	<p>Risk Management:</p> <ul style="list-style-type: none"> (a) UCAR coordinates most externally co-financed projects and will ensure coordination among them. Implementation through or in collaboration with the provinces will ensure coordination with all interventions within a given province. (b) Formalize arrangements with other projects as soon as possible. (c) Define clear procedures to link PROSAP’s small infrastructure investment decisions to the Project (d) Make subprojects independent from infrastructure investments, unless there is certainty of financing. 					
<p>Resp: Borr.</p>		<p>Status:</p>	<p>Stage: Impl.</p>	<p>Recurrent: Y</p>	<p>Due Date:</p>	<p>Frequency:</p>
<p>Delivery Monitoring and Sustainability</p>	<p>Rating</p>	<p>Moderate</p>				
<p>Risk Description:</p> <ul style="list-style-type: none"> (a) Most operating costs, including most field staff, are financed by the central and/or provincial governments: changes in allocation, or interruption, in counterpart funds may disrupt project implementation. 	<p>Risk Management:</p> <ul style="list-style-type: none"> (a) Government would support project implementation at provincial level when a provincial administration lacked capacity and/or funds to support the Project (b) Recent experience showed strong Government commitment and financial capacity to pay for operating costs. (c) Specialized technical assistance is financed with IBRD funds. 					
<p>Resp: Borr.</p>		<p>Status:</p>	<p>Stage: Impl.</p>	<p>Recurrent: Y</p>	<p>Due Date:</p>	<p>Frequency:</p>
<p>Overall Risk</p>						
<p>Implementation Risk Rating: Moderate</p>						
<p>Risk Description: The main risks identified are the following: (a) participation and consultation mechanisms with indigenous peoples might not be adequately activated during implementation; (b) fiduciary risks linked to the dispersion and large number of subprojects; and (c) reduction in the flow of counterpart funds at provincial level may slow down project implementation.</p>						

Annex 5: Implementation Support Plan

ARGENTINA: *Socio-Economic Inclusion in Rural Areas Project (P106685)*

A. Strategy and approach

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

- The project is partially based on the successful experience of PROINDER which was under the responsibility of MAGyP since its inception. Within MAGyP, UCAR has a very solid implementation record and is also responsible for the coordination of most agricultural and rural development project co-financed with international donors, including IADB, IFAD, and the World Bank.
- All Rural Investment and Productive Alliances subprojects will need to comply with the agreed eligibility criteria in order to be selected for financing.
- Since the Project are is large, extensive travel will be needed during supervision.
- Frequency of supervision missions will likely be higher at the beginning (3-4 per year) to decrease to 2 per year after project implementation regularizes.

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

B. Planning

3. Technical Support.

- *Component 1* 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.
- *Component 2* requires expertise in the areas of rural engineering, 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.
- *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.

4. **Fiduciary support.** As stated in Annex 3, UCAR has satisfactory experience in the implementation of Bank-financed programs and already includes specialized units dealing with FM and Procurement aspects of operations. Additional measures to be taken during implementation to strengthen UCAR for the specific management and supervision of the Project include:

- *Procurement:* Implementation support will include: (i) providing training to members of UCAR; (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.

- *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 ESMF 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:

- Private sector development
- Agricultural marketing
- Rural finance

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 12 months	Start-up. Monitoring of initial batch of S.P. Monitoring of initial procurement activities at central level.	Agriculture Rural and Social Governance Environment	150% of supervision norm	
Second year	Continue monitoring of implementation	Agriculture Rural and Social Governance Environment	Supervision budget based on norm	
Third year	Continue monitoring of implementation Mid-term review mission. Mid-term evaluation of Productive Alliances Pilot	Agriculture Rural and Social Governance Environment	150% of supervision norm	
Fourth year to Closing	Keep project implementation on track. Drawing lessons learned and mainstreaming good practices.	Agriculture Rural and Social Governance Environment M&E	Supervision budget based on norm	

C. Skills Mix Required

Skills Needed	Number of Staff-Weeks	Number of Trips	Comments
Rural Dev. Specialist	12	6	Based in HQ
Agric. Dev. Specialist	12	6	Based in HQ
Sector Specialist	4	6	Based in Country Office
Environmental Specialist	6	5	Based in Country Office
Social Specialist	6	4	Based in Country Office
Procurement Specialist	4	4	Based in Country Office
Financial Management Specialist	3	4	Based in Country Office
Disbursement Specialist	1	0	Based in Country Office
Consultant(s) on Productive Alliances	10	6	International and local
Consultant – M&E	6	2	International Consultant
Other consultants	6	4	International and Local

Annex 6: Results and Lessons Learned from PROINDER

Argentina: Socio-Economic Inclusion in Rural Areas Project (P106685)

A. Results from PROINDER

1. The direct predecessor to the proposed Project, the Small Farmers Development Project (PROINDER, P006041) was approved in 1997⁴⁶ and closed on June 30, 2011. PROINDER's PDO was to increase productive and organizational capacity in targeted poor rural communities, supporting the smallest level of family producers through capacity building and small-scale investment subprojects to improve their livelihoods. It financed over 12,000 subprojects benefiting more than 70,000 poor families, almost two thirds of which increased their farm-based income. Considering that the project led to an increased organizational and productive capacity as well as reached out a sizeable number of small farmers to finance sub-projects by exceeding the targets, the Bank's Independent Evaluation Group rated the achievement of this objective as Substantial.⁴⁷

Text Box A6.1: Main Results from PROINDER*

- (a) More than 50 percent of the producers increased their agricultural production, which allowed almost one third of them to sell a marketable surplus.
- (b) Almost two thirds (56 percent) of beneficiary families registered an increase of their net farm income in real terms.
- (c) Almost 90 percent of beneficiary families increased the value of their capital assets.
- (d) PROINDER implemented 12,000 subprojects (100 percent of target), benefiting 70,500 families without repetition or 136 percent of target.
- (e) More than 70 percent of subproject financing were destined to on-farm infrastructure.
- (f) Subproject financing varied based on the type of subproject but the average overall financing amount was AR\$3,500 or US\$854 per family.
- (g) Female-headed households represented about 40 percent all beneficiary families, while young families were about 15 percent of all beneficiary families.
- (h) Of the 19 provinces participating in PROINDER, 15 provinces developed special Rural Development Areas (dedicated to the concerns of small producers) with distinct levels of institutionalization.

* Source: Implementation Completion and Results Report (ICR No.2052) on the Small Farmers Development Project, World Bank, December 2011

⁴⁶ Both PROSAP and PROINDER were initially proposed under the Bank 1998-2000 Country Assistance Strategy for Argentina (Report 16505-AR), discussed by the Executive Directors on April 26, 1997.

⁴⁷ IEG, 2014: Review of ICR2052.

B. Lessons Learned and Reflected in the Project Design

2. The proposed Project, takes onboard many lessons learned during the implementation of PROINDER and other rural development projects. Lessons learned and applied include:

- d) *Poor rural producers very often lack the capacity or the level of organization needed to access formal markets in a structured way.*⁴⁸ The proposed Project would promote a stronger formal group organization than in PROINDER, adopting a two-pronged strategy that would support both: (i) small family producers to increase their organizational capacity and, if appropriate, create producers' organizations and/or acquire the status of *monotributo social* (a fiscal status that allows to collect social security benefits and to issue invoices); and (ii) groups of small family producers with preexisting market linkages to develop formal linkages with formalized markets in a sustainable way, by piloting a Productive Alliances approach.
- e) *Technical assistance is a key element in achieving development objectives at field level.* Under PROINDER, the presence of field staff and the continuous technical assistance and capacity building provided under PROINDER were considered invaluable by beneficiary producers. The proposed Project would benefit from TA provided by provincial and national staff, strengthened by agricultural institutions operating locally (such as the Ministry of Agriculture, universities, the National Institute of Agricultural Technology – INTA, and NGOs) and enhanced coordination with other projects, through UCAR. In Component 3, specialized technical assistance would also be contracted. Community capacity would be strengthened in terms of managerial capacity, including by requesting and supporting the opening of community bank accounts for the purpose of receiving and managing subproject financing (this was not a requirement under PROINDER).
- f) *Indigenous peoples require specific attention and development tools.* Although in the original PROINDER indigenous peoples (IP) were a specific target group, implementation modalities and financing rules were not tailored in a way that would significantly increase their participation. In this respect, the Project departs significantly from PROINDER by earmarking 30 percent of the resources of Component 2 to the exclusive benefit of indigenous peoples. Participation of IPs in the decision-making process would also be stronger than in PROINDER, with the participation of the *Instituto Nacional de Asuntos Indígenas* (INAI) in the selection of IP representatives in the *Provincial Evaluation Committee*, as agreed during consultations.
- g) *Increased social capital is only a first step out of poverty.* In the initial PROINDER, financing actually allocated to communities could be as little as US\$200 per family, reflecting an approach that promoted the creation of social capital around a common if minimal activity. Based on the economic evaluation of possible investment subprojects, the maximum level of investment was raised to US\$5,000 per family during PROINDER

⁴⁸ This is confirmed, *inter alia*, by a vast experience with productive sub-projects in the initial phases of the Northeast Brazil CDD program.

Additional Financing. While this ceiling would be maintained, the Operational Manual will define mechanism to discourage financing of activities unlikely to achieve meaningful results and/or adequate sustainability because of their limited scale, boosting incentives for community investments.

- h) *Family and community investments need to be supported by adequate infrastructure and services.* Rather than including an infrastructure component in the Project, the Ministry of Agriculture through UCAR would link the Project to other projects that can finance complementary small-scale infrastructure investments that could enhance the impact of the Project's Rural Investment Subprojects by further improving communities' access to basic services such as drinking water and rural transportation.
- i) *Demand-driven mechanisms are suitable for respecting the cultural practices of indigenous peoples.* Operations in Ecuador (PRODEPINE, P077257), in Brazil (COOPERAR I, P042565, and Santa Catarina, P043869), and elsewhere have showed that indigenous people groups are clearly capable of administering resources received and managing subprojects. The Argentina Indigenous Community Development LIL Project (P057473) also showed that using appropriate technical support and effective information transmission, indigenous communities have the capacity to manage their own development, including the conservation and recuperation of natural resources.
- j) *Vulnerable populations require differentiated strategies and forms of "affirmative action" to ensure access to project benefits.* Depending on the particular cohort (women, indigenous people, rural laborers, youth), a multi-pronged strategy should include consultative events, mobilization assistance, special training, tailored implementation mechanisms and financing rules. Earmarking is often needed to stimulate action, particularly when the target group may risk having a slower start-up time than other groups.
- k) *Mechanisms need to be developed for linking the federal and provincial rural poverty reduction efforts and to engage provincial authorities and build their commitment.* While this may increase complexity, the Project will give provinces a greater role in project implementation backed by appropriate financing, which is expected to increase provincial ownership in rural poverty reduction activities.

Annex 7: Coordination and Synergy with Other Sectoral Projects of Other Partners

ARGENTINA: *Socio-Economic Inclusion in Rural Areas Project (P106685)*

1. *The proposed Project aims to improve the productivity of small-scale producers and their access to markets, in line with the Government’s program to improve agricultural competitiveness.* Argentina’s goals for the sector in the upcoming years are included in its Agri-food and Agribusiness Strategic Plan (*Programa Estratégico Agroalimentario y Agro-industrial 2020, PEAA*) which emphasizes support for small producers, increasing productivity through investment in basic rural infrastructure, technical assistance, the use of appropriate technologies, and increasing access to markets.

2. The Project was initially designed in 2011, when Argentina prepared a series of projects⁴⁹ to improve the livelihood of rural poor and increase the productivity and market access of family producers. In this framework, the Project would complement and create synergies with other non-Bank-financed implemented by the Ministry of Agriculture, by improving territorial coverage and avoiding overlapping, and by financing complementary activities (such as: small-scale public infrastructure to eliminate bottlenecks for small producers groups or community, linking small producers to agribusinesses and more formalized farms). The fact that all these projects are implemented by UCAR should facilitate the coordination of their activities at field level. The following tables present a list of existing projects and the possible areas of synergy and complementarity with the proposed Project:

Project	Provincial Agricultural Development (PROSAP)		Total amount	US\$800 m
Financier(s)	World Bank Inter-American Development Bank		Of which Financier(s)	US\$511 m
Approval Date	2009	Closing Date:	2016	
Target Pop.	Medium scale farmers			
Areas	Non <i>pampean</i> provinces			
PDO	To increase productivity and sales for small and medium-scale producers supported by project activities			
Short description	PROSAP aims to improve agricultural productivity by strengthening productive infrastructure and services in rural areas of non-Pampean provinces. The project has been co-financed by the Bank and IADB since 1997. The ongoing second phase was financed with an IBRD loan of US\$300 million and an IADB loan of US\$211.			
Coordination with Project	The two projects address different levels of farmers. The proposed Project can support producers “graduation” to access more formalized markets and/or to cooperate with higher-capacity producers.			

⁴⁹ These include: the Rural Areas Development Project (PRODEAR) and the Inclusive Rural Development Project (PRODERI), both financed by the International Fund for Agricultural Development; and the IADB-financed Family Agriculture Development Project (PRODEAF).

Synergy with Project	Small-scale public infrastructure financed by PROSAP can help eliminate structural bottlenecks (transport, energy, water) for small producers groups and indigenous communities, at a scale (up to US\$1 million) larger than the proposed Project would finance.
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Project	Rural Areas Development (PRODEAR)	Total amount	US\$44 m
Financier(s)	International Fund for Ag. Development	Of which Financier(s)	US\$19 m
Approval Date	2008	Closing Date:	2015
Target Pop.	20,000 direct beneficiaries		
Areas	Misiones, Corrientes, Entre Ríos, Santa Fe, Córdoba, Chaco, Formosa, la Pampa, Mendoza and San Juan.		
PDO	To improve the living conditions of low-income households, mainly composed of smallholders and rural workers, women and young people with limited employment opportunities, and aboriginal communities.		
Short description	The project will provide incentives to convert unprofitable activities into sustainable enterprises and to empower associations of small producers to lower their production costs.		
Coordination with Project	Capacity building, institutional strengthening and gender component. Most likely, the proposed Project could take over from PRODEAR		
Synergy with Project	The project includes a Rural Business Development component that provides support in access to markets and financing for small rural businesses, which could be able to promote Productive Alliances under the proposed Project.		

Project	Inclusive Rural Development (PRODERI)	Total amount	US\$150 m
Financier(s)	International Fund for Ag. Development, Spanish Food Security Trust Fund	Of which Financier(s)	US\$58 m
Approval Date	2011	Closing Date:	2017
Target Pop.	37,520 direct beneficiaries		
Areas	Nationwide with priority given to the NOA provinces.		
PDO	To improve the living conditions of low-income households, mainly composed of smallholders and rural workers, women and young people with limited employment opportunities, and aboriginal communities.		

Short description	Poor rural families will improve their quality of life and raise their incomes through: diversification and increases in family farm production; support for small family farmers in accessing markets and value chains in a stable and sustainable way; creation of partnership opportunities among the different economic actors that comprise market networks; efficient financing of investments and working capital to increase production, productivity and income generation; increased income and employment opportunities for women, young people and rural wage earners; strengthening organizations of producers and rural poor people.
Coordination with Project	PRODERI's target group is comparable to the proposed Project's. There is a need to avoid contradictory conditions and overlapping between the two projects
Synergy with Project	The proposed Project and PRODERI will increase territorial coverage, allowing reaching larger population groups.

Project	Family Agriculture Development (PRODAP)	Total amount	US\$41 m
Financier(s)	Inter-American Development Bank	Of which Financier(s)	US\$30 m
Approval Date	2013	Closing Date:	2017
Target Pop.	2000		
Areas	Chaco and Entre Rios		
PDO	The project will help increase the income of family farmers by increasing their productivity.		
Short description	The project will support the introduction of new technologies and provide technical assistance and training in technology, access to financing and commercial partnership management.		
Coordination with Project	The project's target group is comparable to the Project's target for productive alliances but PRODAP adopts a value-chain approach. There is a need to avoid contradictory conditions and overlapping between the two projects.		
Synergy with Project	The experience accumulated by PRODAP will be useful to launch the Productive Alliance approach under the proposed Project.		