

PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: AB4675

Project Name	Socio Economic Inclusion in Rural Areas
Region	LCR
Country	Argentina
Sector	Agriculture and Rural Development
Lending Instrument	SIL
Project ID	P106685
Borrower(s)	Republic of Argentina
Implementing Agency	Ministry of Agriculture, Livestock, and Fisheries
Environmental Screening Category	{ }A { X }B { }C { }FI
Date PID Prepared	03/18/2011
Estimated Date of Appraisal Completion	4/01/2011
Estimated Date of Board Approval	07/12/2011
Decision	Project authorized to proceed to negotiations upon agreement on any pending conditions and/or assessments.

I. Country Context

Argentina's macroeconomic performance in recent years was relatively strong. Between 2002 and 2008, real Gross Domestic Product (GDP) in Argentina grew on average 8.5 percent per year in real terms, enabling to cut poverty and unemployment rates to levels experienced prior to the country's 2001-2002 economic crises. Poverty more than halved from 58 percent in 2003 to 23.4 percent in 2007 and is continuing to decline: according to official statistics, poverty has declined from 13.9 percent in June 2009 to 12.0 percent in June 2010. Economic activity started to slow in the last quarter of 2008 due to the impact of the global financial crisis. Real GDP growth declined to 6.8 percent in 2008 and economic activity declined further in 2009 due to a drop in external demand, declining commodity prices, continued deterioration in investor confidence and a severe drought that weighed on agricultural production. The economy rebounded strongly in 2010, fueled by fast growth in internal absorption and external demand as well as by increasing commodity prices. Real GDP is estimated to have grown by 9.1 percent in 2010.

II. Sectoral and Institutional Context

Despite the sheer importance of agriculture, one third of the rural population is poor. In 2009 the agricultural and agrifood sector contributed about 45 percent of total goods exports (US\$28.6 billion) and 10 percent of Gross Domestic Product. 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. However, 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 40 million, about 11 percent (4.43 million) is classified as rural, a third of which -or almost 1.5 million- live in poverty, defined as having one or more Unsatisfied Basic Needs (*Necesidades Básicas Insatisfechas* –

NBI). 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 rural producers, indigenous peoples and rural workers.

Despite these constraints, the participation of family producers in the gross value of some products is significant, such as for instance 28 percent in horticultural products. In some provinces, their contribution to the total gross value of agricultural products is even higher: 44 percent in Misiones, 25 percent in Catamarca, and 22 percent in Formosa. In many of these cases, access to market was the result of the improved organization of family farmers in Argentina, which has occurred during the last two decades and has led to increased scale of production and commercialization, and increased competitiveness.

The Government has recently placed more emphasis on rural poverty reduction, as evidenced by recent important institutional changes affecting the sector. In 2008 the Government created the Undersecretariat for Family Agriculture and Rural Development within the Agricultural Secretariat (SAGPyA) with the mandate of coordinating the implementation of all rural development and rural poverty reduction projects (both with national and international funding). This was considered as a key step towards the institutionalization of a national policy for small farmer development. Moreover, in December 2009 SAGPyA was elevated to the rank of Ministry (Ministry of Agriculture, Livestock, and Fisheries, MAGyP) for the first time in 50 years, reflecting a renewed interest in and importance of the agricultural and rural development in Argentina. Subsequently, the MAGyP created a unit in charge of coordinating all intervention in the agricultural sector (UCAR, *Unidad para el Cambio Rural*) to ensure coordination among externally-funded interventions and their coherence with the national agricultural and rural development policies.

Support to small family farmers is a key tool in reducing rural poverty. Within the general policy framework for the agricultural sector, MAGyP recognizes that family farming plays an important role in agricultural and rural development and that small family farmers are key actors of the national food system. Access to information, empowerment, and capacity building are among the key measures implemented aiming to reduce inequities and asymmetries between small and large farmers and between them and other actors in the product chain. These measures also include the creation of the national database of family farmers ("*Registro Nacional de Agricultura Familiar -ReNAF*"), and support to the national family farmers forum ("*Foro Nacional de Agricultura Familiar*"-FONAF), the main dialogue platform between the Government and small producer organizations.

III. Project Development Objectives

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 market.

IV. Project Description

Component 1: Capacity Development (US\$30.0m, of which US\$2.5m IBRD). This component would finance capacity-building activities (technical assistance, training courses, workshops, studies, applied research, stages, etc.) to strengthen the capacity of targeted rural stakeholders. The component would aim at increasing the impact of development interventions on target groups (small farmers, indigenous people and rural workers), by improving the technical, economic, and organizational capacity of beneficiary communities and the sustainability of subproject proposals. In particular, the component would provide financial and technical assistance for two groups of activities: (i) strengthening rural communities and their organizations to improve their organizational, planning, and management capacity; and (ii) strengthening rural development activities by supporting the preparation of studies, strategies and other planning instruments at the local level.

Component 2: Rural Livelihoods (US\$47m, of which US\$39m IBRD). This component would finance the design and implementation of demand-driven small-scale investment subprojects identified and prioritized by beneficiary communities, following a participatory process. Subprojects would mostly consist of small-scale community investments (rural infrastructures, food security activities, small-scale water systems, natural resources management, etc.). Community subprojects would aim to improve the living conditions of the beneficiary communities by increasing household access to basic infrastructure, assets and services. Financing would include both on-farm and household investments as well as infrastructure, goods, and services for the community/group. Subprojects would be ranked based on social, environmental and technical evaluations and be prioritized accordingly. Participating communities would be expected to co-finance subprojects in cash, kind or labor for at least 10 percent of their total cost.

Component 3: Access to Markets (US\$15.0m of which US\$11.0m IBRD). This component would co-finance the identification, preparation and implementation of Productive Alliances between producer groups and qualified market agents (buyers). Financing of the alliance subprojects would be tailored at achieving the specifications (quantity, quality, delivery schedule, etc.) agreed between the producer group and the buyer. The focus in this component is on the market opportunities of family producers rather than their needs. Eligible expenses for the producer 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 25 percent in cash of the alliance subproject. Because of its pilot nature, Component 3 would be implemented in a limited geographic area selected on the basis of transparent criteria, including the number and density of small family producers and the existence of a diversified range of value chains suitable for the organization and technical level of this target group.

Component 4: Project Management (US\$7.5m of which US\$0.3m IBRD). This component would finance the operating costs of the technical units responsible for Project Coordination, Administration, Monitoring & Evaluation, including: incremental operational 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 equipments, vehicles, etc. needed for project activities.

V. Financing

Source:	(US\$m.)
Borrower/Recipient:	39,50
IBRD:	52,50
IDA	
Others (rural communities):	7,50
Total	99,50

VI. Implementation

Borrower and Implementing Agency. The Borrower is the Argentine Republic and the implementing agency would be the Ministry of Agriculture, Livestock, and Fisheries (*Ministerio de Agricultura, Ganadería y Pesca*, MAGyP).

Project management. Within MAGyP: (i) the *Unidad para el Cambio Rural* (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, and review of progress activities; (ii) the Undersecretariat for Family Agriculture (*Subsecretaría de Agricultura Familiar*, SSAF), already responsible for PROINDER, would be responsible for day-to-day technical implementation through a Technical Coordinator at the national level and its network of SSAF coordination units at the provincial level.

Technical implementation. At the field level, development agents would work with communities to identify their needs and demands and help them formulating viable and sustainable subproject proposals. Such agents would include the field staffs of the SSAF, who already have several years of experience in supporting community-based activities, through PROINDER. Development agents could also include qualified NGOs, producer organizations, and others. Component 3, in the province(s) of intervention, would have a dedicated team comprised of a Coordinator (reporting to the National Technical Coordinator), and a limited number of agribusiness specialists, working in close collaboration with the rest of the project team at the field level.

In each province of intervention a tripartite mechanism (*Mesa Tripartita*, MT), comprising representative 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 that the main parties concerned have a say in the decision-making process. In the *Mesa Tripartita*, decisions would be taken by consensus but in case of disagreement each of the three parties represented would have one vote. The Operational Manual would describe participation mechanisms and criteria for qualifying the representativeness of each party involved. Among other things, the MT would be responsible for discussing and approving specific subprojects proposals. For Component 3, 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.

VII. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP 4.01)	X	
Natural Habitats (OP/BP 4.04)	X	
Pest Management (OP 4.09)	X	
Physical Cultural Resources (OP/BP 4.11)	X	
Involuntary Resettlement (OP/BP 4.12)	X	
Indigenous Peoples (OP/BP 4.10)	X	
Forests (OP/BP 4.36)	X	
Safety of Dams (OP/BP 4.37)	X	
Projects in Disputed Areas (OP/BP 7.60)*		X
Projects on International Waterways (OP/BP 7.50)		X

VIII. Contact point at World Bank and Borrower**World Bank**

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* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

