

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## **ARGENTINA**

### **PROVINCIAL AGRICULTURAL SERVICES PROGRAM V PROSAP V**

**(AR-L1335)**

#### **LOAN PROPOSAL**

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## CONTENTS

### PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING .....	2
A.	Background, problem addressed, and rationale .....	2
B.	Objective, components, and cost .....	10
C.	Key results indicators .....	14
II.	FINANCING STRUCTURE AND MAIN RISKS .....	15
A.	Financing instruments .....	15
B.	Environmental and social risks .....	16
C.	Fiduciary risks.....	17
D.	Other key issues and risks .....	
III.	IMPLEMENTATION AND MANAGEMENT PLAN.....	
A.	Summary of implementation arrangements.....	
B.	Summary of arrangements for monitoring results .....	

ANNEXES	
Annex I	Development Effectiveness Matrix (DEM) – Summary
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

REQUIRED LINKS	
Required link 1	<a href="#">Multiyear execution plan / Annual work plan</a>
Required link 2	<a href="#">Monitoring and evaluation plan</a>
Required link 3	<a href="#">Environmental and social review summary</a>
Required link 4	<a href="#">Procurement plan</a>

OPTIONAL LINKS	
Optional link 1	<a href="#">Program economic analysis</a>
Optional link 2	<a href="#">Program Operating Regulations</a>
Optional link 3	<a href="#">Climate change</a>
Optional link 4	<a href="#">Gender and diversity</a>

## ABBREVIATIONS

AGN	Auditoría General de la Nación [Office of the Auditor General of the Nation]
CPIA	Consejo Profesional de Ingenieros Agronómica [Professional Board of Agronomy Engineers]
DIPROSE	Dirección Nacional de Programas y Proyectos Sectoriales y Especiales [National Directorate of Sector and Special Programs and Projects]
EIB	European Investment Bank
EIRR	Economic internal rate of return
EPSA	Estrategias provinciales para el sector agroalimentario [provincial strategies for the agrifood sector]
ESMS	Environmental and social management system
ESPF	Environmental and Social Policy Framework
FAO	United Nations Food and Agriculture Organization
ICAP	Institutional Capacity Assessment Platform
INTA	Instituto Nacional de Tecnología Agropecuaria [National Agricultural Technology Institute]
MAGyP	Ministry of Agriculture, Livestock, and Fisheries
MAYDS	Ministry of the Environment and Sustainable Development
MDB	Multilateral development banks
MECON	Ministry of Economy
MSMEs	Micro, small, and medium-sized enterprises
OTBN	Ordenamiento Territorial de Bosque Nativo [Territorial Classification of Native Forest]
PDMC	Planes de desarrollo y mejora competitiva [development and competitiveness improvement plans]
PEU	Project executing unit
PMSPP	Planes de manejo sustentable de paisajes productivos [plans for the sustainable management of productive landscapes]
PROSAP	Programa de Servicios Agrícolas Provinciales [Provincial Agricultural Services Program]
RND	Environment, Rural Development Disaster Risk Management Division
SAGyP	Secretaría de Agricultura, Ganadería y Pesca [Office of the Secretary of Agriculture, Livestock, and Fisheries]
SDO	Specific development objective
SECPLAN	Secretaría de Planificación del Desarrollo y la Competitividad Federal [Office of the Secretary of Federal Development and Competitiveness Planning]
UEPEX	Accounting system for execution units with external financing
UNDB	United Nations Development Business

**PROJECT SUMMARY**  
**ARGENTINA**  
**PROVINCIAL AGRICULTURAL SERVICES PROGRAM V – PROSAP V**  
**(AR-L1335)**

Financial Terms and Conditions				
<b>Borrower:</b>			<b>Flexible Financing Facility<sup>(b)</sup></b>	
Argentine Republic			<b>Amortization period:</b>	25 years
<b>Executing agency:</b>			<b>Disbursement period:</b>	5 years
Ministry of Economy (MECON)			<b>Grace period:</b>	5.5 years <sup>(c)</sup>
<b>Source</b>	<b>Amount (US\$)</b>	<b>%</b>	<b>Interest rate:</b>	SOFR-based
<b>IDB (Ordinary Capital):</b>	100 million	31%	<b>Credit fee:</b>	<sup>(d)</sup>
			<b>Inspection and supervision fee:</b>	<sup>(d)</sup>
<b>Local contribution:</b>	225 million	69%	<b>Weighted average life (WAL):</b>	15.25 years
Cofinancing from European Investment Bank (EIB) <sup>(a)</sup>	160 million			
Local resources	65 million			
<b>Total:</b>	325 million	100%	<b>Currency of approval:</b>	U.S. dollars
Project at a Glance				
<b>Project objective/description:</b> The general objective of the program is to contribute to improvement in the productivity, sales, and value-added of Argentina's agroindustry production with a focus on climate change adaptation. The specific objectives are: (i) to increase the coverage and quality of public infrastructure services in the areas targeted by the program; and (ii) to increase the adoption of technologies that promote economic return and environmental sustainability and to increase the adoption of product differentiation tools.				
<b>Special contractual condition precedent to the first disbursement of the financing:</b> (i) The program Operating Regulations have been approved by the executing agency and have entered into effect on terms previously agreed upon with the Bank, including the environmental and social requirements and, as an annex, the Environmental and Social Management System and the Environmental and Social Action Plan (paragraph 3.6). For other socioenvironmental contractual conditions, see Annex B of the Environmental and Social Review Summary.				
<b>Special contractual condition of execution:</b> (i) Before transferring program resources to the provinces, to the National Agricultural Technology Institute (INTA), or to other eligible beneficiaries of the program, the executing agency will sign an agreement with the province, INTA, or relevant beneficiary to establish the responsibilities of both parties in executing the resources and the respective activities on terms previously agreed upon with the Bank (paragraph 3.7). For other socioenvironmental contractual conditions, see Annex B of the Environmental and Social Review Summary.				
<b>Exceptions to Bank policies:</b> A partial waiver of the provisions of the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15, paragraph 1.8) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15, paragraph 1.13) is requested, so that firms, individuals, and goods originating from Bank nonmember countries can participate in selection, procurement, and contracting processes cofinanced with resources from the EIB (paragraph 3.11).				
Strategic Alignment				
<b>Challenges:<sup>(e)</sup></b>	SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	ES <input type="checkbox"/>	EI <input type="checkbox"/>
<b>Crosscutting themes:<sup>(f)</sup></b>	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>	

<sup>(a)</sup> The program includes joint cofinancing with the European Investment Bank (EIB).

Amount estimated using the exchange rate as of 18 February 2023 to convert €150 million into U.S. dollars.

<sup>(b)</sup> Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

<sup>(c)</sup> Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

<sup>(d)</sup> The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

<sup>(e)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(f)</sup> GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and rationale

- 1.1 **Background.** The Government of Argentina has requested the Bank's support to contribute to improvement in the productivity, sales, and value-added of Argentina's agroindustry production with a focus on climate change adaptation. The role of the agrifood sector is critical in Argentina for its contribution to food security and as a competitive economic sector in a fragile macroeconomic context. At the same time, the sector is facing significant challenges, and its growth has stagnated in recent years. The primary agriculture sector in Argentina represents 9.1%<sup>1</sup> of GDP. When the agrifood chain is considered as a whole, the share is greater, representing 15.4% (2016-2020) of gross value-added, 70% of exports, 18.5% of private sector employment, and 20% of national tax revenue.<sup>2</sup>
- 1.2 **Implementation of a sustainable agricultural system.** The agriculture, livestock, and land use change sector is the second largest source of greenhouse gas emissions in Argentina, producing 39% of the country's emissions, according to the National Inventory of Greenhouse Gas Emissions (2021). Greenhouse gases come mainly from livestock-raising activities and deforestation due to encroachment of the agricultural sector on native forests ([National Greenhouse Gas Inventory, 2022](#)). After the Amazon rainforest, the Gran Chaco region has the second highest rates of deforestation<sup>3</sup> in Latin America and the Caribbean due to the expansion of monoculture and livestock-raising activities that are based on natural habitat conversion.<sup>4</sup> In 2007, Argentina passed the Law on the Environmental Protection of Native Forests, which has faced institutional and financial challenges related to enforcement. One of the consequences of the loss of forests is an increase in droughts and desert regions, making forest fires more frequent. As a result, forest fires have risen to record levels in recent years.<sup>5</sup>
- 1.3 **Regional inequalities and productivity gaps.** Development gaps exist between Argentina's regional economies, in particular among the provinces of the Norte Grande region,<sup>6</sup> where GDP per capita is approximately 58.5% of the national GDP. The economic activity of Norte Grande is less tied to international markets, since only 7.4% of national exports come from that region. According to the Ministry of Economy (MECON), just four jurisdictions contribute more than 70% of the national value-added (MECON, 2022), a pattern that is repeated in the geographical distribution of value-added from farming activities: the provinces of

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<sup>1</sup> [www.indec.gob.ar](http://www.indec.gob.ar), average for 2020-2022 (third quarter).

<sup>2</sup> D'Angelo, G., Rodriguez Zurro, T., and Terré, E. ¿Qué le aporta la agroindustria a la economía argentina? Rosario Chamber of Commerce, Weekly Bulletin, 1 October 2021.

<sup>3</sup> Implementation report for Law 26,331. Ministry of the Environment and Sustainable Development (MAyDS), 2018.

<sup>4</sup> Implementation report for Law 26,331. MAyDS, 2018.

<sup>5</sup> Ministry of the Environment, 2019. [Causas e impactos de la deforestación de los bosques nativos de Argentina y propuestas de desarrollo alternativas](#).

<sup>6</sup> Norte Grande is comprised of two regions: Northeast Argentina (provinces of Formosa, Corrientes, Chaco, and Misiones) and Northwest Argentina (provinces of Catamarca, La Rioja, Jujuy, Santiago del Estero, Salta, and Tucumán).

the Pampa region<sup>7</sup> alone account for 73.9% of the value-added from agrifood chains taken as a whole (Ministry of Agriculture, Livestock, and Fisheries (MAGyP), 2019). In terms of farming productivity gaps, estimates by the former MAGyP reveal that average yields of soybean, sunflower, maize, and wheat in Norte Grande for the 2017-2018 and 2021-2022 seasons represented 93%, 90%, 73%, and 50% of yields in the Pampa region, respectively.

**1.4 Factors contributing to productivity gaps.** The productivity gaps between Argentina's regional rural economies can be attributed to several different factors. Some are related to soil characteristics and historical precipitation patterns. Others include:

- a. **Irrigation infrastructure.** In all, 76% of Argentina's territory is arid or semi-arid (United Nations Food and Agriculture Organization (FAO), 2015), with insufficient rainfall to support farming activities. Irrigation makes it possible to utilize large areas of land, contributing to balanced regional development and diversification of production. According to the 2018 National Agricultural Census, 36,050 farms used some type of irrigation system, covering a total land area of 1.3 million hectares (4.3% of national farmland). Forty-nine percent of that irrigated land uses gravity-fed irrigation systems, 18% uses sprinkler systems, and just 13% uses drip systems. According to the National Irrigation Plan<sup>8</sup> and the "Study on the Potential Expansion of Irrigation in Argentina,"<sup>9</sup> Argentina has the potential to expand its irrigated area by around 1.56 million hectares without impacting critical natural habitats. The percentages of potential growth in irrigated land area are: 43% in Cuyo, 319% in Norte Grande, and 614% in Patagonia. Argentina also has low levels of irrigation efficiency, both in delivery and distribution systems and in application to fields (overall use efficiency of 20% to 30%). This inefficiency is due to the poor condition of infrastructure, a low level of adoption of intrafarm technical irrigation technologies, and management models that fail to promote technological upgrades, water savings, and the incorporation of future climate change scenarios.
- b. **Rural roads and connectivity.** The road system is used to move 95% of the total volume of freight transported in the country. For rural economies in non-Pampa provinces, the poor condition of secondary and tertiary roads means high transportation and logistics costs, as well as limited accessibility to important areas of the country, which adversely affects their productivity. In Norte Grande, just 26% of the provincial road network is paved, 31% is gravel, and 43% is dirt. According to a 2021 report from the National Agricultural Technology Institute (INTA), more than 40% of 311 rural areas analyzed are not connected to the Internet (Inter-American Institute for Cooperation on Agriculture, 2020). Using data from the Rural Development and Family Agriculture Program (loan AR-L1068), the Internet connection rate in homes of the beneficiary population was between 58% and 75% (Schling and Pazos, 2022).

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<sup>7</sup> Entre Ríos, Córdoba, Santa Fe, Buenos Aires, and La Pampa.

<sup>8</sup> MAGyP and FAO, 2014. National Irrigation Plan.

<sup>9</sup> FAO, 2015. Estudio del potencial de ampliación del riego en Argentina.

- c. **Climate change impacts.** Climate changes have been observed in Argentina since the second half of the past century, and heavy precipitation events have increased in both frequency and intensity, which has led to average annual losses estimated at 0.7% of GDP.<sup>10</sup> The World Bank (2021) estimates losses of between US\$500 million and US\$1.4 billion each year due to flooding. Moreover, the severe drought in Argentina in 2018 caused a 32% drop in agricultural production and a 2.5% contraction in GDP. According to the government, 2022 presented a record water shortage, resulting in a loss of more than 20% in grain production ([MAGyP, 2022](#)). Estimated losses due to drought in 2023 are equivalent to 3% of GDP. At the same time, the country's wine producing northwest region is facing historic droughts and a growing scarcity of water for irrigation, particularly in areas watered by the rivers originating in the Andes mountains. Climate change projections indicate this problem will become increasingly severe in the future. In a scenario of no action, the volume of water in the Cuyo River and the Patagonia River is expected to decrease between 7% and 29% due to higher temperatures and less snowfall (FAO, Provincial Agricultural Services Program (PROSAP); 2014). Without action, the production of rainfed wheat and maize—which are important exports for the country—could decline more than 8% and 11%, respectively, by 2050.<sup>11</sup> Higher temperatures will also mean a greater need for irrigation: if no investments are made in the existing irrigation systems, total lost production would be 24% (FAO, PROSAP; 2014). Greater efficiencies are also needed in the use of an increasingly scarce resource.
- d. **Forest fires.** Each year forest fires affect various types of forests (native, commercial, pastureland, shrub, etc.). According to the Statistical Yearbook of Forestry, in 2021 a total of 6,281 fires were recorded, which affected 746,825 hectares. Forest fires have increased in the last two years due to droughts. Areas affected by fires increased 62% in 2022.<sup>12</sup> The country's federal structure with 24 autonomous provincial jurisdictions that constitutionally own and are responsible for their natural resources (including forests) complicates the organization and operation of an integrated system for prevention and control of forest fires. The budget for fire prevention and control has been unstable and inadequate, which has made it impossible to maintain an effective fire prevention and control system at the national level. Until 2021, the country lacked financing in the national budget to deal with forest fires. To address this problem, the National Fire Management Fund was created in 2022. Technologies such as early warning systems based on satellite information from the U.S. National Aeronautics and Space Administration or the European Space Agency are still not being applied systematically in Argentina. In addition, despite the recent increase in budget line items for fire control systems, execution problems and limited availability of equipment are evident. In this regard, the Professional Board of Agronomy Engineers (CPIA) has indicated a shortage of aircraft. Helicopters perform an essential function in Patagonia, perhaps even more than airtankers. The Republic of Chile contracts

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<sup>10</sup> Third National Communication, 2015.

<sup>11</sup> IDB, 2020. [Vulnerability to Climate Change and Economic Impacts in the Agriculture Sector in Latin America and the Caribbean](#).

<sup>12</sup> Informe Nacional de Peligros de Incendio de Vegetación, National Fire Management Service, MAYDS, 2021.

between six and seven times more helicopters than Argentina, although during the five-year period from 2017 to 2021 Chile had an average forest fire area of 76,381 hectares compared to 234,638 hectares in Argentina during the same period.

- e. **Gaps in market integration of agricultural producers and agroindustry micro, small, and medium-sized enterprises.** The integration of agricultural producers into clusters and value chains contributes to the development of non-Pampa economies. Ghezzi et al. (2022)<sup>13</sup> highlight the value of agroindustry production for the development of Latin American economies and emphasize that the current food systems necessitate a complex network of connections both inside and outside the value chain, so that producers can engage and compete in markets. Scalise (2016)<sup>14</sup> identifies the following limitations on the development of competitive chains and clusters: (i) low product quality; (ii) limited access to capital; (iii) lack of economies of scale; (iv) weak organizational capacity; and (v) limited innovation capacity. Sanguinetti (2011)<sup>15</sup> identifies access to financial services as a main limitation on rural regional economies, reporting that more than 80% of micro, small, and medium-sized enterprises (MSMEs) are self-financed. A study by the Economic Commission for Latin America and the Caribbean and the International Fund for Agricultural Development (2017) on the financial inclusion of small rural producers indicates that Argentina had one of the lowest numbers of bank branches per 100,000 adults (13.2) compared to other countries in the region (Costa Rica, 22.3; Brazil, 46.3; and Colombia, 253.2). The study shows that just 8.3% of households obtained loans from a financial institution (4.6% for 40% of the poorest households).

- 1.5 **Gender and diversity gaps.** According to the 2018 National Agricultural Census, just 20% of 210,664 farming operations are women-led. Of those, 22% manage small farming operations (up to five hectares), while just 0.5% run farming operations on more than 10,000 hectares. According to Rojo et al. (2022), 26% of MSMEs in the agriculture sector are women-led. Trombetta and Cabezon (2021) assert that there is a gender wage gap of 15% at the sector level. In terms of access to management positions, half of ag businesses have no women in decision-making positions, as mentioned in Rojo et al. (2022), and less than 3% of boards of directors in the agroindustry sector have women (Marianne 2017). In terms of education, 50% of women producers have completed primary school, but only 4% have education in agriculture, which is a limiting factor in technology adoption. There are 935,000 indigenous people divided into 31 native groups (Census 2010). A higher percentage of indigenous than nonindigenous people live in rural areas (18.2% vs. 8.9%) and have at least one indicator of unmet basic needs (19% vs. 9.4%). Using the same data from the 2010 National Population and Housing Census, a report for the Office of the Secretary of Public Innovation (2020) identifies gaps at the geographic level in the provinces with a higher percentage of indigenous population. For example, nationally, 12.6% of the population has at least one indicator of unmet basic needs, yet 42% of the

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<sup>13</sup> Ghezzi et al., 2022. Competing in Agribusiness: Corporate Strategies and Public Policies for the Challenges of the Twenty-first Century.

<sup>14</sup> Scalise, J., 2016. Caracterización y diagnóstico de la cadena de valor de la chía en la Argentina.

<sup>15</sup> Sanguinetti, P., 2011. Financial Services for Development: Promoting Access in Latin America.

population with unmet basic needs in the country is concentrated in the provinces of Formosa, Chaco, Salta, and Misiones, which are territories where 50% to 72% of the indigenous population is vulnerable. Limitations on production by indigenous peoples have some factors in common and others that are differentiated based on geographic location and type of productive activities. Land appropriation and concentration has impeded access to community property rights in various communities throughout the country ([optional link 4](#)) (Philosophy Department, University of Buenos Aires et al., 2020).

- 1.6 **Rationale.** The national government implemented the Provincial Agricultural Services Program (PROSAP) in the mid-1990s to support agricultural economic development in the rural economies of the non-Pampa provinces through the construction of rural public works and the delivery of services for market integration and value-added of small and medium-sized agricultural producers. At the national government's request, the Bank had approved four investment loans<sup>16</sup> for a total of US\$855 million through 2016, to finance successive phases of the program. The first three operations ended in 2012, 2014, and 2017, respectively, and the fourth is still in execution.<sup>17</sup> The project completion reports for the first three operations (PROSAP [I](#), [II](#), and [III](#)) describe the outputs and outcomes achieved, as well as lessons learned. The following table summarizes the scope and main outputs of each of the different operations.

**Table 1. PROSAP Outputs**

	<b>PROSAP I:</b> <a href="#">899/OC-AR</a>	<b>PROSAP II:</b> <a href="#">1956/OC-AR</a>	<b>PROSAP III:</b> <a href="#">2573/OC-AR</a>	<b>PROSAP IV:</b> <a href="#">3806/OC-AR</a>
Loan amount (US\$ million)	322	200	230	100
Irrigation and drainage systems built (km)	294	154	374	74
Irrigated hectares	137,521	73,038	59,560	101,431
Irrigation system beneficiaries	12,769	14,489	5,269	17,177
Improved rural roads (km)	482	339	49	169
Rural electrification (km of power lines)	5,251	1,020	45	792
Producers receiving services, technical assistance, and training	111,819	34,039	149,111	10,863
Business plans financed – Nonreimbursable contributions	133	85	229	252

- 1.7 **Evolution of PROSAP operations.** The outputs of PROSAP I through PROSAP IV reflect an evolution from actions focusing primarily on physical infrastructure to actions incorporating technical assistance and soft management and market development components, with an increase in investments related to climate change adaptation and sustainable natural resource management. The project completion reports for the completed projects show that the expected outcomes and direct impacts were achieved, including: (i) productive restructuring of irrigation projects with increased surface area irrigated, better water availability and quality throughout the year, and improved irrigation efficiency; (ii) improved

<sup>16</sup> Loans 899/OC-AR, 1956/OC-AR, 2573/OC-AR, and 3806/OC-AR (the last three under the US\$600 million conditional credit line for investment projects AR-X1006).

<sup>17</sup> In all, 88% disbursed as of April 2023.

productivity for specific crops; (iii) irrigator organizations strengthened and taking over the operation, maintenance, and financial management of their systems; (iv) serviceability improvements for financed rural roads; (v) increase in the coverage and quality of electricity services; (vi) better response times to fires; and (vii) development and consolidation of clusters, enabling them to diversify and/or export goods produced for the first time. Previous PROSAP operations have still not targeted extensive farming areas in Argentina that continue to face challenges related to the productivity and sustainability of agricultural and agroindustry activities. Moreover, this operation will make it possible to expand the territorial coverage of the investments and services provided by the PROSAP operations and will sharpen the focus of climate change adaptation and environmental sustainability.

- 1.8 **Empirical evidence.** There is empirical evidence on the effectiveness of the proposed interventions (rural roads, electrification, public irrigation infrastructure) based on impact evaluations made in prior PROSAP phases, which identified improvements in production (milk and grapes), productivity (grapes), and cultivated area (Lema, 2017; Gibbons, Maffioli, and Rossi, 2016). There is also evidence in the region on the effectiveness of nonreimbursable contributions in promoting the adoption of livestock best practices and improving productivity in the livestock sector (López and Maffioli, 2008).
- 1.9 **Other PROSAP outcomes.** PROSAP has had other noteworthy institutional and strategic outcomes, including an operational model for MECON to strengthen and leverage programs with greater scope and coverage in the provinces as part of their respective provincial strategies for the agrifood sector (EPSA) and development and competitiveness improvement plans (PDMC). This has also helped strengthen an environmental and social area that integrates the dimensions of gender, diversity, and climate change into rural development initiatives.
- 1.10 **Lessons learned.** This operation, “PROSAP V,” is based on the approach developed in prior PROSAP operations, taking their lessons learned into account (paragraph 1.7). Table 2 summarizes the main lessons learned up to PROSAP IV. Preparation of the operation has further benefited from the Bank’s knowledge dialogue in Argentina on development of a sustainable agriculture sector (financed by technical cooperation operations AR-T1194, AR-T1265, AR-T1274, AR-T1275, and AR-T1295).

**Table 2. Lessons learned**

Lessons learned	Reflected in project design
<b>Selection of works.</b> To prevent execution delays, infrastructure works should be identified in the preparation stage.	The infrastructure investment projects included in PROSAP V have been adequately identified.
<b>Local capacity.</b> Irrigation institutions in the provinces are strongest in the area of infrastructure construction but lack resources and capacity to implement technical assistance. It is recommended that local teams focused on technical assistance should be developed, leveraging existing capacity (INTA, universities, etc.).	Component 1 includes technical assistance in each project for producers in the targeted areas influence on a range of topics, including good farming practices, sustainable water and soil management, and proper use and care of infrastructure investments. It also includes strengthening of the operational capacity of project executing units at the province level to improve management and service delivery.

Lessons learned	Reflected in project design
<p><b>Coordination of public interventions in the territory.</b> Prioritization of projects under the provincial strategies for the agrifood sector has made participatory processes possible that improved the coordination and strategic synergy of various initiatives. These territorial and microregional management processes should be strengthened and consolidated as part of the provincial strategies for the agrifood sector, to achieve synergies between the PROSAP projects and other projects of the Office of the Secretary of Federal Development and Competitiveness Planning (SECPLAN) through the National Directorate of Sector and Special Programs and Projects (DIPROSE), as well as other public policy instruments.</p>	<p>PROSAP V was formulated with regard to the provincial strategies for the agrifood sector, which are updated periodically and incorporate the main policy guidelines for agrifood development through identification and channeling of investments.</p>
<p><b>Nonreimbursable contributions.</b> Evaluations, including those by the Office of Evaluation and Oversight (OVE), have determined that despite positive results, nonreimbursable contributions should apply stricter prioritization, diagnostic, eligibility, justification, dimensioning, and variability criteria.</p>	<p>This operation has strengthened the following aspects of the nonreimbursable contributions under Component 2:</p> <ul style="list-style-type: none"> <li>- Prioritization in areas benefiting from infrastructure works under Component 1 or prior phases of PROSAP.</li> <li>- Sharper focus on climate change mitigation and adaptation and environmental sustainability.</li> <li>- Better definition of the type of technologies being prioritized.</li> </ul>
<p>Public hearings can contribute to a sense of ownership and to subsequent execution of the projects because they provide opportunities for clearly communicating technical and environmental aspects of the work and answering questions. Civil society groups should be encouraged to participate in these events.</p>	<p>The program has an Environmental and Social Management System with a robust risk and impact identification pillar that includes review of the application of socioenvironmental criteria and socioenvironmental risk classification and the requirement to submit environmental and social documentation for socioenvironmentally complex projects, in order to receive the Bank's no objection. Regarding stakeholder engagement, a meaningful consultation has been conducted at the programmatic level prior to submission to the Board, and the stakeholder engagement process will continue, including the requirement of project-specific consultations for the entire Component 1. DIPROSE has a team of 19 socioenvironmental specialists and will appoint an environmental specialist and a social specialist for the execution of PROSAP V, in addition to verifying the institutional capacity of the subexecuting agencies.</p>
<p>Regarding irrigation, the incentives to promote efficiency and savings in the use of water are limited and mainly indirect (support for lower consumption technologies). A broad discussion should be promoted on this topic (institutional, social, environmental, socioeconomic, financial).</p>	<p>The irrigation works will be supplemented with specific technical assistance for the beneficiary producers, taking the necessary social, environmental, and financial factors for good performance in the use of the irrigation works and water resources into account.</p>

- 1.11 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy (document AB-3190-2) through the development challenges of: (i) social inclusion and equality, since the program will concentrate its investments in the most economically lagging regions of the country; (ii) productivity and innovation, since it will upgrade infrastructure and improve public services that increase productivity or market access, as well as investments in 4.0 technologies; and (iii) economic integration, since it will provide nonreimbursable contributions that promote consolidation of territorial initiatives through clusters, as well as nonreimbursable contributions that help MSMEs become first-time exporters. The operation is also aligned with the crosscutting themes of: (i) gender equality and diversity, by financing nonreimbursable contributions for women-led MSMEs, as well as technical assistance on gender and diversity to strengthen project executing units at the national and provincial levels; (ii) institutional capacity and rule of law, by improving the operational capacities of the project executing units to offer better public services; and (iii) climate change and environmental sustainability, by promoting technology investments to reduce the sector's environmental footprint and help it adapt to climate change. The operation contributes to the Corporate Results Framework 2020-2023 (document GN-2727-12) with the following indicators: (i) farmers with improved access to agricultural services and investments; (ii) households with improved access to energy services; (iii) MSMEs financed; (iv) roads built or upgraded; and (v) value of investments in resilient and/or low-carbon infrastructure.
- 1.12 The program is aligned with the IDB Country Strategy with Argentina 2021-2023 (document GN-3051)<sup>18</sup> through the following strategic objectives: promote entrepreneurship, innovation, and the development of competitive business clusters; promote engagement in foreign trade with products and services of value; reduce infrastructure gaps; and move toward environmental sustainability. The program is consistent with the following sector framework documents: Agriculture (document GN-2709-10), Food Security (document GN-2825-8), Climate Change (document GN-2835-8), Gender and Diversity (document GN-2800-13), and the Employment Action Framework with Gender Perspective (document GN-3057). An estimated 57.60% of the program's resources will be invested in climate change mitigation and adaptation activities, according to the joint methodology of the multilateral development banks, largely due to the investment in upgrading irrigation channels in water-stressed areas, the promotion of low-carbon technologies like technical irrigation, renewable energy, energy efficiency, waste management, etc. ([optional link 3](#)). These resources contribute to the IDB Group target of increasing financing for climate-related projects to 30% of approvals by the end of the year.
- 1.13 **Paris alignment.** The proposed operation has been reviewed using the Joint MDB Assessment Framework for Paris Alignment and the IDB Group Paris Alignment Implementation Approach (document GN-3142-1). This review has determined that the operation is aligned with (i) the adaptation objective of the Paris Agreement; and (ii) the mitigation objective of the Paris Agreement, which was based on a specific analysis. A mitigation analysis was required because the program includes support for activities that could be associated with GHG

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<sup>18</sup> IDB and IDB Invest. [IDB Group Country Strategy with Argentina 2021-2023](#), May 2021, 53 p.

emissions or potential change in land use (livestock in productive landscapes), and determined that the operation is Paris-aligned based on the following factors: the investments will comply with the policies of the Environmental and Social Policy Framework (ESPF), as well as the exclusion lists, eligibility criteria, and biodiversity indicators identified in the program documents. Taken together, these measures will contribute to promoting an increase in the productivity of agrifood systems in a manner compatible with the protection of forests and ecosystem services in the targeted areas. Additionally, alignment was confirmed because the actions financed by the program do not run counter to Argentina's Nationally Determined Contribution, nor its adaptation priorities, nor the global decarbonization pathways, which involve the agriculture, forestry, and other land use sector becoming a net sink for greenhouse gas emissions. Additionally, to actively support the transition, the program will also be supported with Bank technical assistance to improve environmental governance in terms of enforcement of the native forests law. For further details, see [optional link 3](#).

## **B. Objective, components, and cost**

- 1.14 **Objectives.** The general objective of the program is to contribute to improvement in the productivity, sales, and value-added of Argentina's agroindustry production with a focus on climate change adaptation. The specific objectives are: (i) to increase the coverage and quality of public infrastructure services in the areas targeted by the program; and (ii) to increase the adoption of technologies that promote economic return and environmental sustainability and to increase the adoption of product differentiation tools.
- 1.15 **Component 1. Rural public infrastructure (estimated IDB: US\$72.3 million; Local US\$178 million).**<sup>19</sup> The objective of this component is to develop and/or increase the coverage and quality of rural public infrastructure services with a focus on climate change adaptation. In the different provinces of the country, it will finance the preparation and execution of public investment projects already identified for: (i) modernization of irrigation and drainage for the agriculture sector, including analysis of the field capacity of watersheds, considering future climate change scenarios; (ii) rural electrification; (iii) commercial development; (iv) rural digital connectivity; (v) rural roads; (vi) fire management; (vii) strengthening of INTA's germplasm bank; (viii) training and technical assistance for agrifood producers and stakeholders that are beneficiaries of the infrastructure financed by this component, including sustainable management of water, soils, and biodiversity and incorporating climate change scenarios; and (ix) strengthening of the technical and operational capacity of the project executing units for rural infrastructure at the provincial level with a gender<sup>20</sup> and indigenous peoples lens. Specifically, Component 1 will finance the projects included in Table 3 below. All works and activities are aimed at maintaining productive agricultural activities that are adapted to scenarios and conditions of climate vulnerability, following technical

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<sup>19</sup> Local amount includes: EIB US\$128 million; local resources US\$50 million.

<sup>20</sup> Each infrastructure project will include a Gender Action Program as an integral part of the Environmental and Social Management Plans, which will be implemented in a crosscutting manner throughout each project life cycle. Each project executing unit will be responsible for implementing the Gender Action Program and will have a budget for such purpose and for contracting a gender specialist to provide the necessary specialized assistance. The gender specialist will strengthen each project executing unit in the area of gender and work on implementation of each Gender Action Program.

designs that consider those scenarios over the long term. Designs of irrigation works will include analysis of the water capacity of watersheds while considering future climate change scenarios. Training on sustainable management of water resources will be given in all the provinces benefiting from irrigation projects.

- 1.16 **Project readiness.** The works to be financed have varying degrees of readiness in terms of their technical, economic, social, climatological, and environmental designs. Component 1 will finance the necessary studies to update and/or finalize each project's design, as well as supervision services during execution.

**Table 3. List of rural public infrastructure projects**

Type of infrastructure	Province or institution	Project
<b>Management of water resources for agriculture</b>	Catamarca	Development of the irrigated area of Londres – Belén department
	Catamarca	Modernization of the irrigation system in Palo Blanco and upgrading of irrigation systems in Fiambalá, Copacabana, and Banda de Lucero (Tinogasta)
	Catamarca	Productive development of the irrigated area of Andaluca – Cerro Negro Second Phase
	Catamarca	Development of the irrigated area of Belén
	Chubut	Modernization and expansion of the irrigation system in Sarmiento Valley
	Corrientes	Development of the citrus irrigation area in Monte Caseros, Montecaseros subsystem
	Mendoza	Modernization of networks derived from the final sections of the Cacique Guaymallén Canal – Jocolí System – Mendoza River
	Mendoza	Modernization of networks derived from the final sections of the Cacique Guaymallén Canal – Esteban Tulumaya System – Mendoza River
	Mendoza	Modernization of the irrigation area of the Santa Rosa-La Paz Canals
	Tucumán	Erosion control on Millán Canal
	Salta	Modernization of the San Carlos irrigation system
	Río Negro	Expansion of the irrigation and drainage area on the northern bank of the Valle Medio section of Río Negro – First phase
	Río Negro	Productive tourism aqueduct San Antonio Este – Pozo Salado
<b>Rural electrification</b>	Córdoba	Construction of 66/33 kV transformer station and repowering of medium voltage feeder line from 13.2 kV to 33 kV – Miramar – Balnearia
	Córdoba	Construction of 33 kV medium voltage feeder line – Buchardo-Italo
<b>Commercial development</b>	Tierra del Fuego	Construction and equipping of Río Grande municipal meat packing plant
	Entre Ríos	Paraná hub market
<b>Fire management</b>	Neuquén	Strengthening of the Provincial Fire Management System
<b>Communication technology and rural connectivity</b>	Jujuy	Connectivity between the Northern Zone and Puna branch

<b>Rural roads</b>	Santa Fe	Upgrading of rural roads in the productive areas of Bajos Submeridionales in Vera department
	Córdoba	Upgrading of rural roads – Basic Work RP 32 – Eufrasio Loza – border of Santiago del Estero province
<b>Biodiversity</b>	INTA	Germplasm bank

1.17 **Component 2. Services for modernization, competitiveness, and sustainability of the agroindustry sector (estimated IDB: US\$18 million; Local: US\$46 million).**<sup>21</sup> The objective of this component is to increase the adoption of technologies that promote economic returns and environmental sustainability, as well as the adoption of product differentiation tools, by small and medium-sized agricultural producers and agroindustry MSMEs, promoting complementarity with the infrastructure works of Component 1 through four subcomponents:

- (i) **Subcomponent 2.1. Development and consolidation of sustainable agroindustry production systems.** This subcomponent will promote the development of territorial initiatives to improve the competitiveness and sustainability of the agroindustry sector, prioritizing the areas where works are to be executed under this operation, and others where DIPROSE has previously executed works (such as under PROSAP IV). This subcomponent will finance the following through nonreimbursable contributions to associations or entities involved in the agroindustry sector: (i) technical assistance to formulate and execute competitive improvement plans; (ii) collectively owned goods and services for implementing those competitive improvement plans (such as collective goods and equipment for production, market studies, research for product innovation, quality certifications, etc.); and (iii) execution of collectively owned projects in existing territorial initiatives.
- (ii) **Subcomponent 2.2. Promotion of private investment.** The objective of this subcomponent is to promote the adoption of productive, environmental, and climate technologies that contribute to increased productivity and environmental sustainability of agroindustry production. The program resources will thus be used to finance nonreimbursable contributions and technical assistance for small agricultural producers and agroindustry MSMEs for: (i) technological modernization (including machinery, intrafarm small infrastructure, and modernization of production processes); (ii) adoption of information and management technologies (agtech); and (iii) investments in climate change mitigation or adaptation technologies to improve environmental performance (efficient water use, renewable energies, improvement in energy efficiency, and sustainable management of natural resources and waste, etc.), based on the positive list included in the program Operating Regulations.
- (iii) **Subcomponent 2.3. National Agrifood Services.** The objective of this subcomponent is to promote improved competitiveness and market access for MSMEs in the food and beverage sector through the development and support of value networks. It can finance: (i) technical assistance and

<sup>21</sup> Local amount includes: EIB US\$32 million; local resources US\$14 million.

vocational training for productive and technological innovation; (ii) technical support for adopting quality management systems (including certifications, good agricultural practices, good manufacturing practices, and good livestock practices); and (iii) technical support for adoption of product differentiation tools (organic production, “Alimentos Argentinos” seal, appellation of origin, and geographic identification).

- (iv) **Subcomponent 2.4. Sustainable management of productive landscapes.** The objective of this subcomponent is to improve productive performance and biodiversity conservation in agroindustry operations at the landscape scale through the incorporation of infrastructure, equipment, and processes to address agroindustry production and biodiversity conservation objectives, as well as the objectives of related ecosystem services, in all cases applying best practices in environmental and social performance. This subcomponent is innovative in the PROSAP series because it introduces direct, positive actions related to biodiversity conservation, including the nonreimbursable contribution. However, it is worth noting that this is a pilot. To achieve its purpose, this subcomponent will finance the design and implementation of 12 plans for the sustainable management of productive landscapes (PMSPP). These plans will contain indicators and targets related to biodiversity conservation that identify conservation strategies for environmental goods and services in the planning of improvements for the productive activities of a group of agroindustry small and/or medium-sized enterprises. This subcomponent may finance initiatives to support the environmental sustainability of farming, livestock, and forestry activities, such as technologies and processes that integrate productivity with natural habitat conservation, as well as technologies that contribute to compliance with the social and environmental standards of international markets. The following may also be financed: (i) pilots for designing and implementing livestock traceability; (ii) implementation plans for the Plan for Forest Management with Integrated Livestock, following the applicable National Guidelines and Principles, as an alternative for livestock sector development in a manner compatible with the conservation of native forests and their biodiversity and ecosystem services; (iii) climate change adaptation/mitigation plans; (iv) conservation plans for protected areas; and other activities.

- 1.18 **Eligibility of Component 2 activities.** The program Operating Regulations will define: (i) the exclusion list and eligibility criteria for support to be provided under Component 2; (ii) the processes of communication, selection, management, monitoring, evaluation, and accountability; and (iii) applicable threshold amounts. The eligibility criteria applicable to nonreimbursable contributions include: (i) types of beneficiaries (individuals, associations, MSMEs); (ii) verification of fiscal factors; (iii) technical and economic factors; (iv) environmental and climate change factors, including presentation of documentation of compliance with the native forests law, as applicable; and (v) availability of counterpart financing from the beneficiaries. The maximum amount of the nonreimbursable contributions varies by type of beneficiary

and support.<sup>22</sup> The ex ante no objection of the IDB is also required for: (i) projects in areas adjacent to areas classified as Category I (red) in the Territorial Classification of Native Forest (OTBN); (ii) projects located within legally protected areas or in their buffer zones, such as parks and national, provincial, or municipal reserves, including Ramsar sites; and (iii) projects located in areas classified as Category II (yellow) in the Territorial Classification of Native Forest (OTBN) in the provinces of Santiago del Estero, Salta, Chaco, Formosa, and Corrientes.

- 1.19 **Administration, monitoring, and audit (estimated IDB: US\$9.7 million; Local: US\$1 million).** The program will finance administration, monitoring, audit, and evaluation costs, including the strategic evaluation of the program. Activities will also be financed to build capacity at DIPROSE in areas such as monitoring and evaluation and climate management.

### C. Key results indicators

- 1.20 **Target area.** The investments under Component 1 will be made in Norte Grande, Cuyo, and Patagonia (paragraph 1.6). The investment in INTA's germplasm bank will be in Buenos Aires province but will benefit producers throughout the country. Under Component 2, the Subcomponent 2.1 and Subcomponent 2.2 investments will be national in scope but prioritize a portion of the resources in the provinces and areas where Component 1 irrigation are to be financed. Subcomponent 2.3 will be national in scope. Subcomponent 2.4 will target the regions of Norte Grande, Cuyo, and Patagonia.
- 1.21 **Beneficiaries.** The program will directly and favorably impact approximately 24,517 beneficiaries, including rural producers and users, agroindustry MSMEs, and associations and cooperatives of rural producers.
- 1.22 **Expected outcomes.** Among other indicators, for specific development objective 1, the percentage of cultivated area under technical irrigation is expected to increase; the delivery efficiency of irrigation systems is expected to improve; the number of users with new or improved access to electricity services or the Internet is expected to increase; and the average forest fire response time is expected to be reduced. For specific development objective 2, the percentage of producers or MSMEs that adopt climate change adaptation or mitigation technologies or practices, or that adopt business management or product differentiation tools, is expected to increase. The expected impacts, outcomes, and outputs are listed in Annex II.
- 1.23 **Economic analysis.** For Component 1, an individual cost-benefit analysis was performed for 21 of the 22 projects, whereas for Component 2, an individual cost-benefit analysis was performed for Subcomponent 2.1, Subcomponent 2.2, and Subcomponent 2.3. The main benefits of each analyzed project (Component 1) and subcomponent (Component 2) were identified and monetized, and all social costs were included. For Component 1, the economic internal rate of return (EIRR) for the 21 projects ranges from 12.9% to 42.2%; for Component 2, the EIRR

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<sup>22</sup> Nonreimbursable contributions will have a maximum amount of US\$40,000 for individual modernization nonreimbursable contributions up to a maximum amount of US\$120,000 for association environmental nonreimbursable contributions.

ranges between 14.1% and 21.2%. For the program as a whole, the EIRR is 20.8%. Sensitivity analyses were performed for each component, assuming changes in the main variables that affect costs and benefits; the results are stable.

- 1.24 **Gender and diversity lens.** The program has gender and diversity lens through the following actions: (i) implementation of 22 Gender Action Programs, one for each rural infrastructure project under Component 1; (ii) technical assistance and capacity-building to serve indigenous peoples in two provincial execution units under Component 1; (iii) systematic documentation of gender experiences under PROSAP IV; and (iv) the target of at least 20% of resources from nonreimbursable contributions under Subcomponent 2.2 for women-led projects ([optional link 4](#)).

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 This operation has been designed as an investment loan for specific projects, given that the subprojects to be financed within the scope of the program have been fully defined (see Table 3) with designs, costs, and feasibility estimates. The program will have a total cost of US\$325 million. Of that amount, which US\$100 million will be financed with a loan from the Bank's Ordinary Capital resources, and US\$225 million will be local contributions, including US\$160 million<sup>23</sup> in a loan from the European Investment Bank (EIB) and US\$65 million in local resources, as shown in Table 4.

**Table 4. Estimated costs by component and subcomponent (US\$ million)\***

Component	IDB	Local contribution		Total	%
		EIB	Local resources		
<b>Component 1: Rural public infrastructure</b>	<b>72.30</b>	<b>128.00</b>	<b>50.00</b>	<b>250.3</b>	<b>77.0%</b>
Water infrastructure	49.63	88.23	34.47	172.3	53.0%
Connectivity (rural roads and Internet coverage)	8.78	15.60	6.09	30.5	9.4%
Electric power	2.58	4.59	1.79	9.0	2.8%
Industrial and commercial development	4.16	7.40	2.89	14.5	4.4%
Fire management	2.88	5.11	2.00	10.0	3.1%
Germplasm bank	3.60	6.39	2.50	12.5	3.8%
Feasibility studies and gender and ethnic diversity plans	0.68	0.67	0.26	1.6	0.5%
<b>Component 2: Services for modernization, competitiveness, and sustainability of the agroindustry sector</b>	<b>18.00</b>	<b>32.00</b>	<b>14.00</b>	<b>64.0</b>	<b>19.7%</b>
Subcomponent 2.1: Development and consolidation of sustainable agroindustry production systems	7.56	13.44	2.00	23.0	7.1%

<sup>23</sup> EIB loan for €150 million, converted at the estimated rate of US\$1.07 to the euro (February 2023).

Component	IDB	Local contribution		Total	%
		EIB	Local resources		
Subcomponent 2.2: Promotion of private investment	7.20	12.80	11.00	31.0	9.5%
Subcomponent 2.3: National Agrifood Services	1.44	2.56	-	4.0	1.2%
Subcomponent 2.4: Sustainable management of productive landscapes	1.80	3.20	1.00	6.0	1.8%
<b>Administration, audit, and evaluation</b>	<b>9.70</b>	<b>-</b>	<b>1.00</b>	<b>10.7</b>	<b>3.3%</b>
Administration	7.86	-	0.86	8.7	2.7%
Monitoring and evaluation	1.72	-	-	1.7	0.5%
External audits	0.12	-	0.14	0.3	0.1%
<b>TOTAL</b>	<b>100.0</b>	<b>160.0</b>	<b>65.0</b>	<b>325.0</b>	<b>100.0%</b>

\* The breakdown amounts shown for the subcomponents and the administration, audit, and evaluation activities are indicative.

**Table 5. Disbursements by year (US\$ million)**

Source		Year 1	Year 2	Year 3	Year 4	Year 5	Total	%
<b>IDB</b>		5.5	24.8	33.9	20.2	15.6	100.0	31%
<b>Local contribution</b>	<b>EIB</b>	7.6	40.4	56.9	31.9	23.2	160.0	49%
	<b>Local resources</b>	3.2	16.2	22.8	13.2	9.6	65.0	20%
<b>Total</b>		16.3	81.5	113.5	65.2	48.5	325.0	100%
<b>%</b>		5.02%	25.08%	34.93%	20.07%	14.91%	100.00%	-

## **B. Environmental and social safeguard risks**

- 2.2 Environmental category.** According to the Bank's Environmental and Social Policy Framework (ESPF), the operation is classified as Category "B" because it is expected to have moderate, local, and short-term risks and negative impacts for which effective mitigation measures are known and readily available. Based on a strategic analysis focused on risks for the types of subprojects and activities to be financed (rural road connectivity, irrigation, productive and commercial infrastructure, fire management, rural electrification, energy and water efficiency, commercial development, raising livestock in protected productive landscapes, technological modernization, and other types of ag services), those projects and activities present potential negative impacts associated with: (i) temporary economic displacement and potential physical displacement; (ii) community health and safety incidents and/or accidents, and workplace incidents and/or accidents, including gender-based violence; (iii) impact on road safety; (iv) inconvenience for residents during construction work; (v) air, soil, and surface and groundwater contamination; (vi) insignificant impacts on natural or critical habitats due to land use changes; and (vii) insignificant impacts on indigenous peoples, and other factors.
- 2.3 Excluded activities.** Based on its impact category, the program's eligibility criteria exclude activities that could be classified by the Bank as Category "A," i.e., those that can potentially cause significant, irreversible negative environmental or social impacts or have profound implications affecting natural resources. In addition to

the restrictions established in the Environmental and Social Performance Standards, the program will exclude activities that result in resettlement, land acquisition, or other moderate or significant impacts on indigenous communities or other vulnerable populations; negative impacts on cultural heritage sites; significant conversion or degradation of natural habitats; conversion of natural habitats in legally protected areas; and introduction of invasive exotic species.

- 2.4 **Environmental and social risk rating.** The preliminary environmental and social risk rating for the operation is “high.” This rating is mainly associated with the moderate magnitude of expected direct impacts for the types of interventions to be financed and to the high risk of indirect impacts on critical/natural habitats, as well as the high performance risk, given multiple subexecuting agencies.
- 2.5 **Disaster and climate change risk rating.** The disaster and climate change risk rating is “high” due to many different possible climate threats (floods, droughts, and fires throughout the country) and to the criticality of some of the proposed infrastructure works.
- 2.6 **Environmental and social management system.** The environmental and social management system (ESMS) developed for the operation contains the seven elements specified in Environmental and Social Performance Standard 1. It contains the requirements and procedures for social and environmental evaluation and management during execution of the eligible subprojects. The program has also designed a stakeholder engagement plan, including a meaningful consultation plan that provides for inclusive participation. A strategic and programmatic consultation has been held at the national level, and the consultation report has been circulated and incorporated into the final documents. The key features of the program and its ESMS were communicated to the stakeholders as part of the meaningful consultation. The main outcomes of the consultation focused on the informed participation of stakeholders. No issues were raised in relation to that, except for a question about future meeting spaces, to which the counterpart replied with an explanation of due process and open dialogue channels, following the guidelines of Environmental and Social Performance Standard 10. The stakeholder engagement process will continue throughout the life cycle of the program.
- 2.7 The ESMS version suitable for disclosure (including a strategic assessment of risks and impacts, programmatic environmental and social analysis, its mitigation measures—programmatic environmental and social management plan, and the strategic stakeholder engagement plan) was published on the Bank’s website prior to the analysis mission. The final version has been made available before the proposal is sent to the Board, in accordance with the Access to Information Policy (Operational Policy OP-102).

## **C. Fiduciary risks**

- 2.8 **Risks identified.** Three risks were identified during preparation: (i) if budget allocations are insufficient during the life of the program, including those related to the EIB and local contributions, the scope of the results could be reduced or delayed (medium-high); (ii) if insufficient human resources are trained in financial and procurement management at the executing agency and at the subexecuting agencies, program execution could be delayed (high); and (iii) if accountability

reporting of expenditures is delayed due to the decentralized execution structure, implementation could be delayed (high).

- 2.9 **Mitigation measures.** The first risk will be mitigated by verifying the approval status of the EIB cofinancing during the launch workshop and evaluating the need to adjust the Results Matrix in order to ensure alignment between the available resources and the scope of the program. The second risk will be mitigated by performing an institutional capacity assessment of each subexecuting agency and identifying and implementing institutional strengthening plans for the executing agency and subexecuting agency management teams. The third risk will be mitigated by applying a minimum justification percentage of 65% for replenishment of advances of funds (based on experience with execution of PROSAP IV), by identifying and formalizing executing agency activities for monitoring the subexecuting agencies in the program Operating Regulations, and by conducting activities to strengthen the subexecuting agencies in use of the UEPEX system in the areas of procedures and the required documentation for accountability reporting of expenditures to the executing agency.

**D. Other key issues and risks**

- 2.10 **Other risks related to the socioeconomic environment.** A medium-high risk was identified at the level of the political environment: a change in high-level political and technical authorities in the subexecuting provinces could impact investment priorities. This risk will be mitigated by working closely with the provincial governments to confirm project prioritization and planning. Another medium-high risk is related to abandonment of bidding processes due to the inflationary context. To mitigate this risk, plans are expected to include both realistic timelines for bidding processes and teams trained in procurement. Lastly, there is a high internal process risk that the DIPROSE project teams and/or subexecuting agencies will not have enough qualified technical personnel to execute the program. This risk will be mitigated by preparing terms of reference and publicizing vacancies, particularly for positions that are highly specialized or require highly qualified candidates.
- 2.11 **Institutional capacity analysis.** The Bank used the Institutional Capacity Assessment Platform (ICAP) to assess the executing agency and found that it has extensive experience in projects financed by the Bank and other multilaterals. Regarding management of technical quality, the findings of institutional capacity assessments in each province/subexecuting agency will determine what capacity level exists for executing each project. DIPROSE has begun the ICAP processes in the provinces, which are to be concluded prior to launching each project. Based on the results in each case, an action plan will be designed to strengthen capacity using the necessary program resources. The subexecuting agencies also need to be trained in the social and environmental policies of the lenders, and the ESMS requirements need to be included in the program Operating Regulations. The ICAP analysis findings on fiduciary issues are presented in Annex III.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Borrower.** The borrower will be the Argentine Republic, and the executing agency for the program will be Argentina's Ministry of Economy (MECON), acting through its Office of the Secretary of Federal Development and Competitiveness Planning (SECPLAN), which will act through the National Directorate of Sector and Special Programs and Projects (DIPROSE).
- 3.2 **Program execution.** DIPROSE will be responsible for execution of the program, including the activities related to technical, financial, administrative, and procurement management, social and environmental management, monitoring, audit, and evaluation. DIPROSE will assign at least one environmental specialist and one social specialist for the socioenvironmental management of the program. For the strategic evaluation activities, DIPROSE will be responsible for fiduciary execution, and the Office of the Undersecretary for International Financial Relations for Development under MECON's Office of the Secretary of International Economic and Financial Affairs will be responsible for technical/methodological execution.
- 3.3 Execution of the specific projects under Component 1 will be the responsibility of the beneficiary provinces, to which DIPROSE will transfer resources on a reimbursable basis, and the National Agricultural Technology Institute (INTA), to which resources will be transferred on a nonreimbursable basis. The corresponding subsidiary framework agreements will be signed, establishing the technical and fiduciary implementation arrangements, the arrangements for project execution, obligations with respect to maintenance, procurement, prohibited practices, and environmental and social requirements, and other matters, in accordance with the loan contract and the program Operating Regulations. DIPROSE will sign a similar agreement with INTA for the germplasm bank. An institutional capacity assessment of each jurisdiction or participating agency will be performed using the IDB's Institutional Capacity Assessment Platform (ICAP) methodology prior to the transfer of resources.
- 3.4 The activities under Component 2 will be executed in a centralized manner through DIPROSE. For activities under Subcomponents 2.1 and 2.2 and certain activities under Subcomponent 2.4, transfers will be made to beneficiaries. For the nonreimbursable contributions under Subcomponent 2.2, a project approval committee will be formed, and its workings and membership will be established in the program Operating Regulations.
- 3.5 **Operating Regulations.** The program Operating Regulations will define the roles and responsibilities of the different entities involved in execution, the coordination mechanisms, and the principal processes applicable to program execution in relation to technical, financial, administrative, and procurement management, as well as monitoring, audit, and evaluation. They will set requirements for the transfer of resources to the subexecuting agencies and will include job descriptions for key positions at the central executing unit, as well as the environmental and social management system (ESMS).

- 3.6 **Special contractual conditions.** As a special contractual condition precedent to the first disbursement: **(i) The program Operating Regulations have been approved by the executing agency and have entered into effect on terms previously agreed upon with the Bank, including the environmental and social requirements and, as an annex, the ESMS and the Environmental and Social Action Plan.**
- 3.7 Special contractual condition of execution: (i) Before transferring program resources to the provinces, to INTA, or to other eligible beneficiaries of the program, the executing agency will sign an agreement with the province, INTA, or relevant beneficiary to establish the responsibilities of both parties in executing the resources and the respective activities on terms previously agreed upon with the Bank.
- 3.8 **Fiduciary considerations.** The fiduciary agreements and requirements for program execution are reflected in Annex III. The executing agency will be responsible for administrative, procurement, financial, and accounting management of the program.
- 3.9 **Procurement.** Procurements financed in whole or part with Bank resources will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15), or the versions in force at the time of execution. In either case the borrower will agree in writing to follow those policies. No direct contracting is anticipated. The Bank and the EIB are also expected to sign a project-specific agreement under the Mutual Reliance Agreement for procurement signed in April 2022 by the Bank and the EIB to cover procurement management. Under Subcomponents 2.1, 2.2, and 2.4, transfers are expected to be made to beneficiary individuals or private entities, which will use procurement procedures acceptable to the Bank that are aligned with market practices for the private or commercial sector.
- 3.10 To promote a sustainable public procurement model, flexible tools for rating the proposed technical solutions will be incorporated into the procurement process, as well as tools for evaluating and weighing alternatives, in order to incentivize energy efficiency, sustainability, a small carbon footprint, and sustainable labor conditions, as well as international best practices.
- 3.11 **Partial waiver of Bank procurement and consultant policies.** Given the participation of the European Investment Bank (EIB) as cofinancer of this operation, and the fact that the Bank's procurement policies will be used for all procurement processes, wherever the Bank takes the lead in supporting execution and monitoring of the procurement activities planned for the program, the Board of Executive Directors is requested to approve a partial waiver of the provisions of the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15, paragraph 1.8) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15, paragraph 1.13), so that firms, individuals, and goods originating from Bank nonmember countries can participate in selection, procurement, and contracting processes cofinanced with

resources from the EIB.<sup>24</sup> The partial waiver proposed for this program is similar to the partial waivers approved by the Board of Directors for operations AR-L1354 and AR-L1342.<sup>25</sup>

- 3.12 **Financial management.** Financial management will follow the guidelines set in document OP-273-12. The loan resources may be disbursed via the modalities of advance of funds, reimbursement, and/or direct payments. For advances of funds, disbursements will be based on a financial plan that covers the program needs for up to six months. Based on experience with PROSAP IV, the minimum percentage required for replenishment of advances of funds will be 65%, since the program's execution is decentralized and complex. The UEPEX system for execution units of loans with external financing will be used at the level of the executing agency and subexecuting agencies. The Online Disbursement platform will be used to process disbursements with the Bank.
- 3.13 **Audit.** During execution, the executing agency will deliver the program's audited annual financial statements on the terms required by the Bank in its policies. Those audited financial statements will be delivered within 120 days after the close of the fiscal year. The program's closeout audit reports will be delivered within 120 days after the last disbursement. The audit of this program may be performed by an independent audit firm under the terms of reference prepared by the Bank or the Office of the Auditor General of the Nation (AGN).

## **B. Summary of arrangements for monitoring results**

- 3.14 The program has a monitoring and evaluation plan agreed upon with the executing agency, along with an allocated budget, including: (i) indicators for the monitoring and evaluation of program impact and outcomes, their respective baselines, targets, and methodologies for measurement and evaluation; (ii) critical path of activities and outputs; and (iii) description, timeline, and parties responsible for monitoring.
- 3.15 **Monitoring.** The borrower, through the executing agency, will send the Bank a six-monthly progress monitoring report on the program activities within 60 days after the end of each six-month period for each year of the program. The reports will focus on attainment of the output indicators and progress on the results indicators specified in the Results Matrix and will analyze the risks and problems identified and propose corrective measures. The report corresponding to the second half of each year will include the proposed annual work plan for the following year with a disbursement forecast and updated procurement plan.

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<sup>24</sup> "Procedural Framework between the European Investment Bank and the Inter-American Development Bank in respect of mutual reliance in procurement for jointly cofinanced public sector projects in common countries of operations," April 2022 (EIB-IDB Agreement). According to paragraph 5.1 of the EIB-IDB Agreement, projects to be cofinanced by the EIB and the Bank will not be subject to eligibility restrictions based on the country of origin of the firms or individuals to be contracted or the goods to be procured, to the extent that the Bank's Board of Executive Directors provides authorization at the time each operation is approved.

<sup>25</sup> These operations were approved after the EIB-IDB Agreement was signed. Nonetheless, there are similar precedents in other operations before the agreement was signed (loans [HA-L1104](#), [EC-L1111](#), and [EC-L1124](#)).

- 3.16 **Evaluation.** The executing agency will deliver a midterm evaluation report and a final evaluation report to the Bank. Two impact evaluations will be completed using quasi-experimental methods. An evaluation will be made of the project “Strengthening of the Provincial Fire Management System in Neuquén” under Component 1, which is aimed at preventing fires and shortening response times for controlling the spread of fire outbreaks, thus reducing the amount of surface area harmed and the damage. The impact evaluation will use administrative information and data from satellite images to determine the land area affected by forest fires in Neuquén province and in control provinces. An impact evaluation will also be done for Subcomponent 2.2 using the regression discontinuity methodology, based on a score created for determining eligibility to participate in the program. Additionally, a strategic evaluation of the program will be done to generate information on the loan’s contribution to achievement of the strategic management priorities. The content of the evaluation will be previously agreed upon between the borrower and the Bank.

Development Effectiveness Matrix		
Summary		AR-L1335
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality -Productivity and Innovation -Economic Integration -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Households with improved access to energy services (#) -Micro / small / medium enterprises financed (#) -Farmers with improved access to agricultural services and investments (#) -Roads built or upgraded (km) -Value of investments in resilient and/or low-carbon infrastructure (\$)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN 3051	Promote entrepreneurship, innovation, and the development of competitive business clusters; Promote engagement in foreign trade with products and services of value; Reduce infrastructure gaps; Move toward environmental sustainability.
Country Program Results Matrix	GN-3154	The intervention is included in the 2023 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.5
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		3.5
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		10.0
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		6.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium High	
Environmental & social risk classification	B	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control.  Procurement: Information System, Price Comparison.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	AR-T1274

**Evaluability Assessment Note:** The project's general objective is to contribute to the improvement in production, marketing and value addition in the Argentine agro-industrial industry, with a focus on adaptation to climate change. The specific objectives are: (i) increase the coverage and quality of public infrastructure services in the areas to be intervened; and (ii) increase the adoption of technologies that promote economic profitability and environmental sustainability and increase the adoption of product differentiation tools.

In general, the diagnosis is adequate, with a well-identified problem and clear determinants. The results matrix displays vertical logic, with clear specific objectives and with result indicators, mostly SMART, that allow demonstrating the attainment of the objectives. The economic analysis consisted of estimating the net benefits of the program through a Cost Benefit Analysis (CBA) for Components 1 and 2.

The program has a Monitoring and Evaluation Plan that specifies: (i) the indicator measurement methodology; (ii) the attribution of project results; (iii) data requirements; and (iv) those responsible and the estimated budget. A quasi-experimental impact evaluation is proposed, which seeks to estimate the impact of the project on the response time to forest fires, the area affected by fires and their average duration. Two methodologies are proposed: one of differences-in-differences and one of regression discontinuity, which are appropriate in this context. Several suggestions are made to adjust this analysis and thus increase the probability that this impact evaluation can actually be carried out. Additionally, the evaluation of the other results will be done with a before and after analysis for the indicators of the results matrix, where their attribution depends on the link between the specific products of each component and the associated results.

## RESULTS MATRIX

<b>Program objective:</b>	The specific objectives of this operation are: (i) to increase the coverage and quality of public infrastructure services in the areas targeted by the program; and (ii) to increase the adoption of technologies that promote economic return and environmental sustainability and to increase the adoption of product differentiation tools. Achieving these objectives will contribute to the general objective to contribute to improvement in the productivity, sales, and value-added of Argentina's agroindustry production with a focus on climate change adaptation.
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### GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
General objective: To contribute to improvement in the productivity, sales, and value-added of Argentina's agroindustry production with a focus on climate change adaptation.							
I. 1 Percentage increase in value of production per hectare compared to the baseline value	%	0	2022	2028	17	Closeout report for each project*	Component 1 projects
I. 2 Percentage of agroindustry micro, small, and medium-sized enterprises (MSMEs) that access new markets	%	0	2022	2028	67	*	Associated with Subcomponent 2.1
I. 3 Percentage increase in price per unit of product of agroindustry MSMEs compared to the baseline value	%	0	2022	2028	4.7	*	Associated with Subcomponent 2.2

**SPECIFIC DEVELOPMENT OBJECTIVES (SDOs)**

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
SDO 1: To increase the coverage and quality of public infrastructure services in the areas targeted by the program.											
Irrigation											
R.1.1 Cultivated land under traditional irrigation	Hectares	37,861	2022						46,511	See means of verification and full comments in the Monitoring and Evaluation Plan **	By program end, 37,861 hectares will have improved irrigation and area will be increased by 8,650 hectares.
R.1.2 Percentage of cultivated land under technical irrigation increased in relation to the baseline value	Area under technical irrigation at program end / Baseline area under technical irrigation	0	2022						10%		Associated with Subcomponent 2.2
R.1.3 Water delivery efficiency in irrigation systems	Vp/Vd	0.84	2022						0.92		Vp = Volume of water provided to farms Vd = Volume of water drawn from the system Component 1 projects
R.1.4 Days roads are unserviceable from Millán Canal due to each rainfall event ≥ 20 mm and < 100 mm	Days per event	3							1		Tucumán Project
Electrification and Internet connectivity											
R.1.5 Users with new or improved access to electricity service	Users	0	2023						2,809	**	Two projects in Córdoba
R.1.6 Electricity service outages each month	Outages/month	10	2022						2		
R.1.7 Users with new access to Internet service	Users	0	2022						907		Jujuy Project

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Rural roads											
R.1.8 Percentage of days roads are unserviceable reduced in relation to the baseline average number of days that roads are unserviceable	%	0	2022						50	**	One project in Santa Fe and another in Córdoba
Fire management											
R.1.9 Average direct intervention response time to fire outbreak (excluding border line)	Hours	3	2022						2	**	Neuquén Project
R.1.10 Reduction in area affected by fires in relation to the baseline	%	0	2022						20%	**	
Public services: Meat packing plant and market											
R.1.11 Heads of cattle slaughtered	Heads	8,310	2022						12,866	**	Tierra del Fuego Project
R.1.12 Merchant stalls operating in the new hub market	Stalls	0	2022						64		Entre Ríos Project
Germplasm Bank											
R.1.13 Genetic resources preserved and available	m^3	189.06	2022						503.1	**	National Agricultural Technology Institute (INTA) project
Training of provincial agencies in public services											
R.1.14 Percentage of provincial personnel that receive and complete technical training to improve public services	%	0	2023						90%	**	Component 1 projects

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
SDO 2: To increase the adoption of technologies that promote economic return and environmental sustainability and to increase the adoption of product differentiation tools.											
R.2.1 Percentage of agroindustry clusters that adopt management technologies/practices in territorial initiatives	%	0							67%	*	Associated with Subcomponent 2.1
R.2.2 Percentage of producers and MSMEs that adopt climate change adaptation or mitigation technologies or practices	%	0							90%		Associated with Subcomponent 2.2. MSMEs that invest in the positive list of mitigation or adaptation activities will be considered (program Operating Regulations).
R.2.3 Percentage of agrifood MSMEs that adopt a business management or product differentiation tool	%	0							50%		Associated with Subcomponent 2.3
R.2.4 Percentage of action plans for the sustainable management of productive landscapes (PMSPP) implemented	%	0							90%		Associated with Subcomponent 2.4. PMSPPs.
R.2.5 Percentage of PMSPP action plans that cover native forests and implement reforestation measures	%	0							60%		Associated with Subcomponent 2.4. Indicators determine whether reforested areas are expanded.
R.2.6 Percentage of PMSPP action plans that include Category III native forests and promote and implement actions to achieve zero deforestation	%	0							100%		

## OUTPUTS

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Component 1: Rural public infrastructure											
1: Irrigation projects (development and expansion, and modernization) implemented	Project	0	2023			1	6	4	11	Project closeout report *	Output comments are found in the monitoring and evaluation plan.
<i>Milestone 1: Institutional strengthening of project executing unit (PEU) completed</i>	PEU	0	2023			1	6	4	11	Project monitoring and closeout reports ***	
<i>Milestone 2: Technical assistance provided to producers</i>	Assistance	0	2023			1	6	4	11	***	
2: Río Negro productive tourism aqueduct (San Antonio Este – Pozo Salado) built	Project	0	2023			1			1	*	
<i>Milestone 1: Institutional strengthening of PEU completed</i>	PEU	0	2023			1			1	***	
<i>Milestone 2: Technical assistance provided to producers</i>	Assistance	0	2023			1			1		
3: Tucumán project for erosion control on Millán Canal implemented	Project	0	2023			1			1	*	
<i>Milestone 1: Institutional strengthening of PEU completed</i>	PEU	0	2023			1			1	***	
<i>Milestone 2: Technical assistance provided to producers</i>	Assistance	0	2023			1			1		
4: Electricity infrastructure repowering projects implemented	Project	0	2023			1	1		2	*	
<i>Milestone 1: Institutional strengthening of PEU completed</i>	PEU	0	2023			1	1		2	***	
<i>Milestone 2: Technical assistance provided to the beneficiary population on the proper use and care of works</i>	Assistance	0	2023			1	1		2		
<i>Milestone 3: Km of power lines</i>	km	0	2023		8	13	4		25		
5: Río Grande municipal meat packing plant in Tierra del Fuego built and equipped	Meat packing plant	0	2023			1			1	*	

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
<i>Milestone 1: Institutional strengthening of PEU completed</i>	PEU	0	2023			1			1	***	
6: Paraná hub market project in Entre Ríos implemented	Project	0	2023					1	1	*	
<i>Milestone 1: Institutional strengthening of PEU completed</i>	PEU	0	2023					1	1	***	
<i>Milestone 2: Technical assistance provided to educational institutions in the ag sector</i>	Assistance	0	2023					1	1		
7: Neuquén project for modernization of the Provincial Fire Management System implemented	Project	0	2023					1	1	*	
<i>Milestone 1: Institutional strengthening of PEU completed</i>	PEU	0	2023					1	1	***	
8: Jujuy project for rural connectivity between the Northern Zone and Puna branch implemented	Project	0	2023			1			1	*	
<i>Milestone 1: Institutional strengthening of PEU completed</i>	PEU	0	2023			1			1	***	
<i>Milestone 2: Technical assistance provided to the beneficiary population on Internet use</i>	Assistance	0	2023			1			1		
9: Rural roads projects implemented in Santa Fe and Córdoba	Project	0	2023				2		2	*	
<i>Milestone 1: Institutional strengthening of PEU completed</i>	PEU	0	2023				2		2	***	
<i>Milestone 2: Technical assistance provided to the beneficiary population on the proper use and care of works</i>	Assistance	0	2023				2		2		
10: Infrastructure improvement project to strengthen the biodiversity of INTA implemented	Project	0	2023					1	1	*	
<i>Milestone 1: Institutional strengthening of PEU completed</i>	PEU	0	2023					1	1	***	

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
11: Project preinvestment studies completed	Study	0	2023	6	16				22	List of approved preinvestment studies ^	
<i>Breakdown 1: Technical, economic, social, and environmental feasibility studies</i>	Study	0	2023	3	6				9	^	
<i>Breakdown 2: Watershed modeling studies, including climate change scenarios in irrigation projects</i>	Study	0	2023	3	10				13		
12: Gender Action Strategy designed and implemented	Strategy	0	2023					1	1	DIPROSE six-monthly report for progress monitoring report	
<i>Milestone 1: Gender Action Programs designed and implemented</i>	Program	0	2023		4	6	7	5	22	Six-monthly report of Gender Action Program	
<i>Milestone 2: Documentation of experiences with implementation of PROSAP IV Gender Action Programs</i>	Document	0	2023				1		1	Documentation of experiences	
13. Indigenous peoples strategy updated and implemented	Strategy	0	2023					1	1	Social monitoring reports for the project and productivity and innovation planning framework (ESMS)	
<i>Milestone 1: Provincial PEUs assisted and strengthened in indigenous peoples issues</i>	Technical assistance	0	2023		1	1			2		
Component 2: Services for modernization, competitiveness, and sustainability of the agroindustry sector											
Subcomponent 2.1: Development and consolidation of sustainable agroindustry production systems											
14: Strengthening and consolidation plans supported with nonreimbursable contributions for sustainable agroindustry production systems	Plan	0	2023	6	9	12	17	14	58	Report of Management Information System	

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Breakdown 1: Plans for development of irrigated areas	Plan			3	4	6	8	7	28		
Breakdown 2: Projects for consolidation of territorial initiatives	Project			3	5	6	9	7	30		
Subcomponent 2.2: Promotion of private investment											
15: Projects for technological modernization and climate change adaptation financed with nonreimbursable contributions	Project	0	2023	68	104	139	206	173	690	~	
Breakdown 1: Projects that finance adoption of technologies for value-added				9	14	19	28	24	94		
Breakdown 2: Projects that finance adoption of technologies for climate change adaptation or mitigation				46	69	92	137	114	458		
Breakdown 3: Projects that finance adoption of technologies for value-added and are women-led				2	4	5	7	6	24		
Breakdown 4: Projects that finance adoption of technologies for climate change adaptation or mitigation and are women-led				11	17	23	34	29	114		
Subcomponent 2.3: National Agrifood Services											
16: Comprehensive assistance strategy for agroindustry MSMEs implemented	Strategy	0	2023	0	0	0	0	1	1	~	
Milestone 1: Pilot projects for productive and technological innovation supported	Project	0	2023	5	8	10	15	12	50	~	

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
<i>Milestone 2: Training courses for MSMEs and farmers on business management tools implemented</i>	Course	0	2023	2	2	3	5	3	15		
<i>Milestone 3: Specialized national and regional seminars organized and implemented</i>	Seminar	0	2023	1	2	2	3	2	10		
<i>Milestone 4: First export mentorships for MSMEs completed</i>	Mentorships	0	2023	4	5	7	11	9	36		
<i>Milestone 5: Technical missions for professional training on new products and new production methods completed</i>	Technical mission	0	2023	0	0	1	1	1	3		
<i>Milestone 6: Technical assistance on differentiation tools and quality standards for foreign and domestic markets implemented</i>	Assistance	0	2023	1	1	2	2	2	8		
Subcomponent 2.4: Sustainable management of productive landscapes											
17: PMSPPs designed and implemented	Plan	0	2023	1	2	2	4	3	12	List of PMSPPs in Management Information System	.
18: Land and related investment projects supported with nonreimbursable contributions	Project	0	2023	8	11	15	23	18	75	~	
<i>Breakdown 1: Projects geared toward climate change mitigation or adaptation</i>				6	9	11	17	14			
<i>Breakdown 2: Projects related to the achieved target aimed at improving productive performance</i>				2	3	4	5	4			

Country: Argentina

Division: RND

Operation Number: AR-L1335

Year: 2023

## FIDUCIARY AGREEMENTS AND REQUIREMENTS

**Executing agency:** Ministry of Economy (MECON)

**Operation name:** Provincial Agricultural Services Program V – PROSAP V

### I. Fiduciary Context of the Executing Agency

#### 1. Use of country system in the operation

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	<input type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	
<input checked="" type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	

#### 2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Cofinancing	The operation will have up to €150 million in cofinancing from the European Investment Bank (EIB) under the joint cofinancing modality. It will be implemented under the IDB-EIB Mutual Reliance Agreement for procurement signed in April 2022. Tasks related to the preparation, implementation, and monitoring of procurements will be delegated to the IDB as lead financier.
<input checked="" type="checkbox"/>	Coexecuting/ subexecuting agencies	<p>The borrower will be the Argentine Republic, and the executing agency for the program will be Argentina's Ministry of Economy (MECON), acting through its Office of the Secretary of Federal Development and Competitiveness Planning (SECPLAN), which will act through the National Directorate of Sector and Special Programs and Projects (DIPROSE).</p> <p>The beneficiary provinces and the National Agricultural Technology Institute (INTA) will be the subexecuting agencies. As a special contractual condition precedent to the first transfer of funds to each subexecuting agency, the executing agency will sign an agreement with each one on the terms previously agreed upon with the Bank.</p>
<input checked="" type="checkbox"/>	Specific features of fiduciary execution	<p>Procurements financed in whole or part with Bank resources will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15), or those in force at the time of execution, to which the borrower, in any case, has agreed in writing.</p> <p>The Bank and the EIB are expected to sign a project-specific agreement under the Mutual Reliance Agreement to cover procurement management. The Bank's policies will be used until the EIB cofinancing takes effect.</p> <p>No direct contracting or retroactive financing is anticipated. The resources transferred<sup>1</sup> under the program will be managed in a decentralized manner under the supervision of DIPROSE, as described in the program Operating Regulations. DIPROSE will be responsible for compliance with the guidelines established in the loan contract for all program procurements, both centralized and decentralized. Agreements between the executing agency, the subexecuting agencies, and their end beneficiaries will contain the relevant clauses on the Bank's prohibited practices.</p>

<sup>1</sup> "Transfers" refers to nonreimbursable contributions granted to the various types of beneficiaries selected via the mechanisms described in the program Operating Regulations.

### 3. Fiduciary capacity

Fiduciary capacity of the executing agency	The fiduciary capacity assessment of the executing agency is satisfactory. The recommendations are as follows: (i) describe the specific technical and operational arrangements and coordination mechanisms for program procurement, financial management, budgeting, internal control, and audits in the program Operating Regulations; (ii) strengthen the teams responsible for financial and procurement management as the program progresses; and (iii) purchase equipment and information systems, furniture, software licenses, etc. for the normal operation of the executing agency. The executing agency is considered capable of performing the actions identified in the short term and executing the operation.
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### 4. Fiduciary risks and risk response

Risk taxonomy	Risk	Risk level	Risk response
Implementation environment	If budget allocations are insufficient during the life of the program, including those related to the EIB and local contributions, the scope of the results could be reduced or delayed.	Medium-High	This risk will be mitigated by verifying the approval status of the EIB cofinancing during the launch workshop and evaluating the need to adjust the Results Matrix in order to ensure alignment between the available resources and the scope of the program.
Human resources	If insufficient human resources are trained in financial and procurement management at the executing agency and at the subexecuting agencies, program execution could be delayed.	High	This risk will be mitigated by performing an institutional capacity assessment of each subexecuting agency and identifying and implementing institutional strengthening plans for the management teams of the executing agency and the subexecuting agencies.
Fiduciary	If accountability reporting of expenditures is delayed due to the decentralized execution structure, implementation could be delayed.	High	This risk will be mitigated by applying a minimum justification percentage of 65% for replenishment of advances of funds (based on experience with execution of PROSAP IV), by identifying and formalizing executing agency activities for monitoring the subexecuting agencies in the program Operating Regulations, and by conducting activities to strengthen the subexecuting agencies in use of the UEPEX system in the areas of procedures and the required documentation for accountability reporting of expenditures to the executing agency.

**5. Policies and guidelines applicable to the operation:** Financial Management Guidelines for IDB-financed Projects (document OP-273-12), Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-15), and Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15).

**6. Exceptions to policies and guidelines:** A partial waiver of the provisions of the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15) is requested, so that firms, individuals, and goods originating from Bank nonmember countries can

participate in selection, procurement, and contracting processes cofinanced with resources from the EIB.

## II. Considerations for the Special Provisions of the Loan Contract

**Exchange rate:** The Parties agree that the exchange rate to be used will be the rate stipulated in Article 4.10(b)(i) of the General Conditions. For the purpose of determining the equivalency of expenditures incurred in local currency chargeable against the local contribution, or for reimbursement of expenditures chargeable against the loan, the agreed exchange rate will be the rate in effect on the first working day of the month in which the borrower, the executing agency, or any other person or corporation with delegated authority to incur expenditures makes the respective payments to the contractor, vendor, or beneficiary. For the purpose of determining the equivalency of expenditures incurred in local currency chargeable against the local contribution deriving from the EIB cofinancing, the applicable exchange rate will be the exchange rate for converting euros into U.S. dollars on the date of justification of expenditures of the executing agency to the EIB.

**Audited annual financial reports:** The executing agency will deliver audited annual financial reports on the use of funds within 120 days after the close of the fiscal year under the terms of reference agreed upon with the Bank. The program's final financial reports will be delivered within 120 days after the date of the last disbursement. The program's external audit will be conducted by a Bank-eligible independent audit firm selected and contracted under the terms of reference and model contract previously agreed upon with the Bank, or by the Office of the Auditor General of the Nation (AGN).

## III. Procurement Execution Agreements and Requirements

<input checked="" type="checkbox"/>	Bidding documents	Works, goods, and nonconsulting services procured under the Bank's procurement policies (document GN-2349-9) and requiring international competitive bidding (ICB) will use the Bank's standard bidding documents or those agreed upon between the executing agency and the Bank for the specific procurement. Consulting services will be selected and contracted in accordance with the consultant selection policies (document GN-2350-15) using the standard request for proposals issued by the Bank or a request for proposals agreed upon between the executing agency and the Bank for the specific selection. Under the rules for cofinancing with the EIB, the procurement documents will include the environmental and social requirements of both banks, as well as the Integrity Commitment.  The project sector specialist will be responsible for reviewing the technical specifications and terms of reference for procurements during the preparation of selection processes, which, as applicable, will be conducted in coordination with the EIB's technical team.
<input checked="" type="checkbox"/>	Training	Training is planned for beneficiaries of the nonreimbursable contributions. Consulting firms will be contracted for such purpose, as indicated in the procurement plan.
<input checked="" type="checkbox"/>	Recurrent expenditures	Recurrent expenditures required to launch the operation will be approved by the Project Team Leader and follow the executing agency's administrative procedures. Those procedures will be reviewed and accepted by the Bank, provided that they do not violate the principles of economy, efficiency, and competition. (See guidelines for the treatment of recurrent expenditures and the Expenditure Eligibility Policy in document GN-2331-5, as updated.)

<input checked="" type="checkbox"/>	Special procurement provisions applicable to the operation	<p>In procurement and contracting processes cofinanced with the EIB:</p> <ul style="list-style-type: none"><li>▪ The policies of the IDB will be applicable (documents GN-2349-15 and GN-2350-15). Applicable thresholds for ICB or for the selection of consulting firms will be €5 million for works and €200,000 for goods and services (consulting and nonconsulting), or the equivalent. General and specific notices for procurement and contracting will be published in a nationally circulated newspaper or the official gazette, the UNDB Online platform, the Official Journal of the European Union, and on the IDB website. Contract awards will be published at a minimum on the UNDB Online platform, in the Official Journal of the European Union, and on the IDB website.</li><li>▪ Pursuant to the Anti-fraud Policy and Prohibited Practices of the EIB and the IDB, respectively, all selection or bidding documents will include an Integrity Commitment. If an offeror fails to provide positive assurance of such commitment, the banks will agree on next steps based on their own policies and procedures, which includes reaching a determination on financing of the contract or ineligibility of the offeror firm.</li><li>▪ All protests will be processed collaboratively between the banks, and the IDB will direct their processing. If the EIB receives a protest, it will be forwarded to the IDB for review and final determination.</li><li>▪ Mutual agreements between the IDB and the EIB will also apply to the operation with respect to the exchange of information on investigations into prohibited practices and conduct, protests, and procurement-related information.</li><li>▪ A standstill period will apply in all international procurement processes.</li><li>▪ Amendments to contracts that exceed 15% of the original contract value or are greater than €5 million for works, and €200,000 for goods or services, will be eligible only with a joint “no objection” from the IDB and the EIB.</li></ul>												
<input checked="" type="checkbox"/>	Procurement supervision	<p>The supervision method will be ex post, except where ex ante supervision is justified. For procurements executed using the country system, supervision will be conducted using the country supervision system. Use of the (i) ex ante or (ii) ex post supervision method will be determined for each selection process in the procurement plan. Ex post reviews will occur each year according to the project supervision plan, subject to change during execution. The threshold amounts for ex post review are as follows:</p> <table><tr><th>Executing agency</th><th>Works</th><th>Goods/Services</th><th>Consulting services</th></tr><tr><td>DIPROSE</td><td>US\$5,000,000</td><td>US\$200,000</td><td>US\$200,000</td></tr><tr><td>DIPROSE with joint financing*</td><td>€5,000,000</td><td>€200,000</td><td>€200,000</td></tr></table> <p><i>*When the EIB credit and the implementation agreement for this project have been signed by both banks, the supervision structure will change, and the applicable thresholds will be those in the lower row, which coincide with the applicable thresholds for international processes in the case of the EIB.</i></p>	Executing agency	Works	Goods/Services	Consulting services	DIPROSE	US\$5,000,000	US\$200,000	US\$200,000	DIPROSE with joint financing*	€5,000,000	€200,000	€200,000
Executing agency	Works	Goods/Services	Consulting services											
DIPROSE	US\$5,000,000	US\$200,000	US\$200,000											
DIPROSE with joint financing*	€5,000,000	€200,000	€200,000											
<input checked="" type="checkbox"/>	Records and files	<p>For ex ante or ex post supervision by the Bank, the executing agency will retain digital copies in a format that can be consulted or requested at a later date by the Bank and by the EIB.</p>												

## Main procurements

Description	Selection method	New procedures/Tools	Estimated date	Estimated amount
Works				
Irrigation and drainage works (Londres, Belén), Catamarca province	NCB		08/21/2024	US\$5,090,306
Irrigation infrastructure (Monte Caseros), Corrientes province	NCB		10/31/2024	US\$14,698,440
Individuals				
Contracting of individual consultant as general coordinator	Individual consultant selection (3 CVs)		11/27/2023	US\$ 24,434
Contracting of procurement specialist	3 CVs		11/27/2023	US\$ 14,434

Link to procurement plan: [AR-L1335 plan](#).

## IV. Financial Management Agreements and Requirements

<input checked="" type="checkbox"/>	Programming and budget	The executing agency and subexecuting agencies are responsible for formulating and programming the annual budget and for consolidating the annual budget for approval. As the need arises to expand or reallocate line items, they will request adjustments and assume responsibility for obtaining approval. Budgetary funds are executed via quarterly commitment amounts and monthly obligation amounts, allocated by the National Budget Office (MECON).
<input checked="" type="checkbox"/>	Treasury and disbursement management	<p><b>Bank accounts.</b> The executing agency will maintain a special account in U.S. dollars and an operating account in pesos at Banco Nación, which will remain separate and identifiable for accounting and operational purposes as exclusively for management of the program resources with IDB financing. A third account may be used for the IDB resources: a special account for exporters in pesos that maintains its U.S. dollar value through daily crediting in pesos. Separate accounts will be used for the funds received from the EIB cofinancing.</p> <p><b>Financial plan.</b> Disbursements will be made according to a detailed financial plan based on the program's actual liquidity needs.</p> <p><b>Disbursement method.</b> The Bank will disburse resources under the advance of funds modality or other modality established in guidelines document OP-273-12. Based on experience with the execution of PROSAP IV, disbursements subsequent to the first advance of funds may be processed once 65% of the previous advances have been justified, since the program's execution is decentralized and complex.</p> <p>The Online Disbursement platform will be used to process disbursements.</p>
<input checked="" type="checkbox"/>	Accounting, information systems, and reports	The executing agency and subexecuting agencies will use the UEPEX system for execution units of loans with external financing as the financial management system. The UEPEX system allows for identification of the program funds, as well as funding sources. The UEPEX system records the program investments by component of the cost table. Accounting records will be kept on the cash basis in accordance with International Financial Reporting Standards and, where applicable, established country criteria.

<input checked="" type="checkbox"/>	<p>External control and financial reports</p>	<p>The Office of the Auditor General of the Nation (AGN) is responsible for external control. The AGN is an apex authority for external control, reporting to and assisting the National Congress in overseeing the state of the public sector accounts. It was established and operates under the implementing regulations of Title VII, Chapter I, of Law 24,156 on Financial Administration and Management of External Control Systems.</p> <p>The program's annual financial statements will be audited by a Bank-eligible independent auditor, which may be the AGN or an independent audit firm selected and contracted under the terms of reference and model contract previously agreed upon with the Bank.</p>
<input checked="" type="checkbox"/>	<p>Financial Supervision Plan</p>	<p>The initial Financial Supervision Plan will be based on the risk and fiduciary capacity assessments of the executing agencies in the form of onsite supervision visits and "desk" reviews, as well as analysis and monitoring of the results and recommendations of audits of the program's annual financial reports.</p>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/23

Argentina. Loan \_\_\_\_/OC-AR to the Argentine Republic. Provincial Agricultural Services  
Program V – PROSAP V

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Argentine Republic, as borrower, for the purpose of granting the former a financing aimed at cooperating in the execution of the Provincial Agricultural Services Program V – PROSAP V. Such financing will be for the amount of up to US\$100,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_ 2023)