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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

ARGENTINE REPUBLIC

FOR THE

NORTH WESTERN RURAL DEVELOPMENT PROJECT (PRODERNOA)



TABLE OF CONTENTS

CURRENCY EQUIVALENTS	iii
WEIGHTS AND MEASURES	iii
ABBREVIATIONS AND ACRONYMS	iii
MAP OF THE PROJECT AREA	iv
LOAN SUMMARY	v
PROJECT BRIEF	vi
PART I THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY	1
A. The Economy and the Agricultural Sector	1
B. Lessons Learned from Previous IFAD Experience	2
C. IFAD's Strategy for Collaboration with Argentina	2
PART II THE PROJECT	3
A. Project Area and Target Group	3
B. Objectives and Scope	4
C. Components	5
D. Costs and Financing	7
E. Procurement, Disbursement, Accounts and Audit	10
F. Organization and Management	10
G. Economic Justification	11
H. Risks	12
I. Environmental Impact	12
J. Innovative Features	13
PART III LEGAL INSTRUMENTS AND AUTHORITY	13
PART IV RECOMMENDATION	13
ANNEX	
SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT	15



APPENDIXES

I.	COUNTRY DATA	1
II.	PREVIOUS IFAD LOANS TO ARGENTINA	2
III.	LOGICAL FRAMEWORK	3
IV.	ORGANIZATION AND MANAGEMENT (Organización para la ejecución a nivel nacional y provincial)	8
V.	ECONOMIC AND FINANCIAL ANALYSIS	11



CURRENCY EQUIVALENTS

Currency Unit	=	Argentinean Peso (ARS)
USD 1.00	=	ARS 1.00
ARS 1.00	=	USD 1.00

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

AWP	Annual Workplans
FAS	Financial Assistance Services
INTA	National Institute for Agricultural Technology
M&E	Monitoring and Evaluation
MERCOSUR	Southern Cone Common Market
NCU	National Coordination Unit
NGO	Non-Governmental Organization
PCC	Project Coordinating Committee
PEU	Project Executing Unit
PNEA	Programme of Credit and Technical Support for the Small Producers in Northeast Argentina
PPC	Province Project Council
PRODERNEA	Rural Development Project for the Northeastern Provinces
PROINDER	National Programme for Rural Development Initiatives
PSA	Agricultural Social Programme
PSC	Project Supervisory Council
SAGPyA	Secretariat for Agriculture, Livestock, Fisheries and Food
SGR	Mutual Guarantee Societies
TAS	Technical Assistance Services

GOVERNMENT OF THE ARGENTINE REPUBLIC

Fiscal Year

1 January - 31 December



MAP OF THE PROJECT AREA



Source: IFAD

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.



ARGENTINE REPUBLIC

NORTH WESTERN RURAL DEVELOPMENT PROJECT (PRODERNOA)

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	The Argentine Republic
EXECUTING AGENCY:	Secretariat for Agriculture, Livestock, Fisheries and Food (SAGPyA)
TOTAL PROJECT COST:	USD 25 million
AMOUNT OF IFAD LOAN:	SDR 12.8 million (equivalent to approximately USD 17.5 million)
TERMS OF IFAD LOAN:	15 years, including a grace period of three years, with an interest rate equal to the reference interest rate per annum as determined by the Fund annually
COFINANCIERS:	None
CONTRIBUTION OF BORROWER:	USD 7.5 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	Andean Development Corporation



PROJECT BRIEF

Who are the beneficiaries? The ethnic minorities living in Argentina's northern territories are divided into two separate groups: the Wichi and Guarani who inhabit the tropical dry Chaco region; and the Quechuas and Aymaras who have settled in the isolated Puna region in the high Andes. These communities, which have little or no access to technical services and credit to support their agricultural development needs, constitute Argentina's "hard core" rural poverty group. While the critical poverty line for the rural areas is USD 624 per capita/year, the ethnic minorities' average income is only USD 412/per capita/year. Malnutrition affects 60% of the population and life expectancy is 7.9 years below the national average. The project target group will be 12 700 poor smallholder households living in poverty in the provinces of Catamarca, Jujuy and Salta in north-western Argentina. One third of the households form part of the country's ethnic minority living in the Puna and Chaco region, with incomes below the critical poverty line. The project will benefit approximately 10 000 poor smallholder families in the three provinces, and will directly assist 6 000 households, including 4 400 small-farm families and 1 600 ethnic minority families. Within these groups, 1 900 rural women heads of households will also benefit directly from the project, and another 4 000 persons will benefit indirectly from field demonstrations and general training activities.

Why are they poor? Argentina's indigenous peasants live in conditions of poverty due to the harsh agroecology of both the Puna highlands and the Chaco region and as a result of social and ethnic alienation. The Puna region is located at over 4,000 m above sea level and the harsh climatic conditions (-20C°) limits the scope for productive activities. In the Chaco region, the high temperatures (35 C°) and low rainfall (400-500 mm) make for a very dry climate and thus limit crop and livestock yields and income. As a consequence, all indigenous groups live with income levels below the extreme poverty line and constitute a separate, marginalized segment of Argentinean society. The north-western provinces, which are among the poorest in the country, offer little in the way of technical and financial support services for small farmers, thus reducing opportunities for increased agricultural output and income. As a result of this situation, combined with the lack of technical services, credit and marketing information, the agricultural production of these groups does not keep pace with market demand. Many market opportunities are lost due to very low productivity, limited links with local markets and weakness of farmer organizations. Small farmers cultivate only 1.5-2.5 ha of land that has the potential to increase their productivity and income.

What will the project do for them? The project will implement market-oriented agricultural development activities for poor rural smallholders and poverty-alleviation initiatives for the destitute ethnic minorities. Agricultural development will be supported by the provision of demand-led technical and financial support services and priority will be given to strengthening farmer organizations. Under the financial service component, a trust fund will be set up with private banks in each province to deliver credit to beneficiaries. The participating banks will set up a financial dossier on the beneficiaries with the aim of making them regular clients at the end of the project. For the destitute ethnic minorities, the project will provide local technical support on a demand-driven basis and non-reimbursable funds for productive and social investments. Rural women smallholders and ethnic minority heads of households will directly participate in technical assistance, training and credit programmes. Wives of beneficiaries will also benefit from technical assistance and training for individual and group-oriented productive ventures.

How will beneficiaries participate in the project? The project's strategy provides for the participation of beneficiaries in councils at the national and provincial levels; strengthening of farmer organizations to ensure sustainability; and the empowerment of groups to trigger off identification, selection of professionals and monitoring and evaluation (M&E) of activities and impact.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
ARGENTINE REPUBLIC
FOR THE
NORTH WESTERN RURAL DEVELOPMENT PROJECT (PRODERNOA)**

I submit the following Report and Recommendation on a proposed loan to the Argentine Republic for SDR 12.8 million (equivalent to approximately USD 17.5 million) on ordinary terms to help finance the North Western Rural Development Project (PRODERNOA). The loan will have a term of 15 years, including a grace period of three years, with an interest rate equal to the reference interest rate per annum as determined by the Fund annually. It will be administered by the Andean Development Corporation as IFAD's cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and the Agricultural Sector

1. The Argentine Republic is located in the southern part of the American continent. The country covers a surface of 3.7 million km², divided into 23 provinces including parts of the Antarctic and islands in the Atlantic Ocean, and is bordered by Bolivia to the north, Paraguay to the north-east, Brazil, Uruguay and the Atlantic Ocean to the east and Chile to the west. The total population was estimated at 36.4 million in 1998, of which approximately 87% is urban. Over the last decade, the yearly growth rate has been 1.4%, and the population density is 13 inhabitants per square kilometre.

2. The drastic macroeconomic changes put into effect in 1991 with a view to lifting trade barriers, increasing imports/exports, establishing foreign exchange convertibility, privatizing public enterprises and reducing employment in the public sector have stabilized Argentina's economy. Inflation is now less than 2% per year. Since 1991, foreign investments have reached USD 35 billion. In 1997, the gross domestic product (GDP) amounted to USD 296 billion, representing an annual average growth rate of 5.7% since 1991.

3. From the sociological standpoint, the Government's structural adjustment policies have had a negative effect, however, especially among the poorer strata of the population. In 1996, unemployment reached 18.6%, accounting for 2.5 million persons without work. The 1991 census established that 16% of all households had unmet basic needs in terms of housing conditions, school attendance and economic dependency. Almost 70% of the country's poor population live in the cities. Recent studies on household incomes show that poverty affects about 18% of the urban dwellers whereas, in the rural sector, 38.6% of all households (approximately 0.45 million) have unmet basic needs, indicating a higher incidence of poverty in the countryside than in the cities. Rural poverty is widespread, with a marked concentration in the northern provinces where 66% of the rural poor are located.

4. The agricultural sector represented 6.4% of GDP in 1991 (57% agriculture, 41% livestock and 2% fisheries). The sector also accounted for 27% of total exports and 12% of employment. When combined with agroindustrial activities, the contribution of the agricultural sector to GDP increases to

¹ See Appendix I for additional information.



27% and agriculture accounts for 67% of total exports. Agricultural production in Argentina is concentrated in the Pampeana and northern regions. The former, accounting for almost 80% of total sector GDP and 87% of all cultivable land, has an ideal climate for agriculture and livestock. The northern region, characterized by low levels of productivity and use of traditional technologies, includes the provinces of Catamarca, Chaco, Corrientes, Formosa Misiones, Jujuy, La Rioja, Salta, Santiago del Estero and Tucuman. Two thirds of the country's poor households are concentrated in this region. Camelid, goat and sheep breeding are practised and main crops include sugar, tobacco, cotton, citrus and fruit trees.

5. There are 421 000 farms in Argentina, covering an area of 177 million ha (30.7 million ha sown to crops, 91 million ha of pasture lands and 37 million of forests). Of these, approximately 40 000 are without clear land titles. Fifty per cent of the farms are of less than 50 ha and cover only 8.5% of the total agricultural land. Most smallholdings are located in the northern region. Recent economic changes have also led to changes for agricultural producers. Agriculture has benefited from the elimination of export taxes, reductions in transportation and port service costs, and the opening of the Southern Cone Market (MERCOSUR) (mainly Brazil). Large and medium-size producers responded positively to the new scenario by modernizing their production systems, but this was not the case for small-scale farmers and landless labourers due to their lack of access to adequate financial and technical services.

B. Lessons Learned from Previous IFAD Experience

6. IFAD has been involved in the formulation and implementation of rural development and poverty-alleviation policies in Argentina for the last 15 years. Indeed, only ten days after the Constitutional Government took over in 1983, IFAD received a first request from Argentina to formulate a rural development project in the northern provinces of the country where 66% of the rural poor are concentrated. IFAD has been present in the country since 1987 also through the Regional Rural Development Training Programme based in the city of Tucuman.

7. IFAD's first intervention in the country was the Programme of Credit and Technical Support for the Small Producers in Northeast Argentina (PNEA). In 1993, IFAD organized the identification of the National Programme for Rural Development Initiatives (PROINDER) and invited the World Bank to cofinance it. Most of the concepts and elements contained in the proposal were adopted in 1995 for the design and implementation of the Agricultural Social Programme (PSA) that was financed exclusively with local funds and is still under execution. In 1996, IFAD's Executive Board approved the Rural Development Project for the Northeastern Provinces (PRODERNEA), which is currently under implementation. In 1997, PROINDER was financed by the World Bank as a complement to PSA.

8. The main lessons learned from previous IFAD operations in the country (i.e. PNEA and PRODERNEA) are as follows: (a) different types of rural poverty situations should be treated with different approaches and policy tools; (b) credit facilities should be provided to poor small farmers who have productive potential so as to minimize arrears; (c) rural poor living under the critical poverty line (i.e. destitute) should not be assisted by means of credit. Other types of financial services should be designed for such groups; and (d) demand-driven approaches for the delivery of production support services have proved to be more efficient than the classical delivery systems.

C. IFAD's Strategy for Collaboration with Argentina

9. Policies for rural development and rural poverty-alleviation are being applied under a strategic framework, supported by IFAD, that recognizes the heterogeneity of situations characterizing the country's rural poverty. Two main groups of poor small farmers have been identified, the first and largest of which comprises smallholders with production and productivity potential but whose links to



the goods and services markets are inadequate for the development of their farming activities, thus keeping their incomes below the absolute poverty line. The second group is mainly composed of ethnic and cultural minorities who live in very harsh environments; who have few, if any, contacts with the markets; and who mostly live below the critical poverty line.

10. For the first group, IFAD's strategy aims at modernizing farming systems, strengthening farmers' organizations and marketing linkages and integrating them into the service markets (i.e. technical and financial markets) with the objective of eradicating poverty and fostering competitiveness. For the second group, the aim is to implement rural poverty-alleviation policies that will contribute to raising their incomes, on a sustainable basis, above the critical poverty line. These objectives have been conceived as social compensation policies that will support such groups for a transitional period until such time as structural changes (training, migration, access to land in other locations, etc.) improve their living conditions.

PART II - THE PROJECT

A. Project Area and Target Group

11. The project area comprises parts of Catamarca, Jujuy and Salta provinces in the north-west of Argentina, spanning approximately 6 000 km². There are three distinct ecological regions in the project area: (i) the Puna, or highlands, that covers all three provinces with altitudes of 3 000-5 000 m; (ii) the valleys (temperate and subtropical); and (iii) the Chaco (arid forest) and Llanos or plains. The total population of the three provinces has been estimated at 1.6 million, of which the rural people account for approximately 23%, or about 78 000 rural households. Population density is very low in the Puna and in the Chaco and Llanos regions. Road infrastructure, energy and telecommunication networks are well developed, but the rough topography in the Puna renders the transportation of people and goods more difficult. Moreover, there are very few roads in the natural forests of the Chaco region.

12. The Puna region is an extensive plateau 2 500-5 000 m above sea level. Agriculture is limited to self-consumption (mainly local tubers and grains) and the livestock in the region includes goats, sheep and South American camelids. Animal products (cheese, meat and fibres) and handicrafts are the main marketable products. Most farmers own very small plots and live under critical poverty conditions. The valleys are the most fertile and developed areas. Here, agriculture includes subtropical crops (i.e. sugarcane, tobacco, cotton, tropical fruits) and temperate varieties such as grapes, nuts, cereals and vegetables.

13. There are three production strata: (i) very large plantations (sugarcane) and some tobacco farms in Jujuy and Salta; (ii) medium-size farms dealing mostly with fruit (citrus), tobacco and dairy production in the three provinces; and (iii) small farms producing vegetables, fruit, nuts, tobacco, etc. Most rural poor families are located in the Puna region. In the Llanos (plains) of Salta, there are some large livestock ranches and smallholders (mostly citrus fruit and vegetable producers). In the Chaco, the forests are inhabited by a few indigenous communities (*wichi* Indians) who live on hunting, fishing and some self-subsistence agriculture. In the arid plains of Catamarca, goat and sheep rearing are the only activities carried out by very poor small farmers.

14. Rural household surveys have determined the extreme poverty line as USD 624 per capita/year and the poverty line as USD 1 388 per capita/year in the project area. The studies also concluded that there was a strong correlation between unmet basic needs indicators and incomes below the poverty line. According to the indicators, total rural poverty affects 55.7 % of households in the three provinces (Catamarca 39.9%, Jujuy 55.4% and Salta 61.1%). The number of poor rural households in the three provinces is estimated at 42 500, and most are headed by permanent rural workers (about 13 500 families) and pensioners (16 300 households). These groups fall under the jurisdiction of

provincial and national-level poverty-alleviation policies and programmes, which include housing programmes, pension system reforms and the enforcement of labour legislation.

15. The target group comprises 12 700 poor smallholder households, approximately one third of whom are destitute, ethnic minority families living below the critical poverty line. The beneficiaries will be selected through a combination of self-targeting and complementary criteria, based on the size of their land and productive assets.

16. The project will benefit approximately 10 000 poor smallholder households in the provinces of Catamarca, Jujuy and Salta. Direct project beneficiaries are estimated at 6 000 households including 4 400 small-farm families and 1 600 destitute families (see Table 1). Another 4 000 persons will benefit indirectly from field demonstrations and general training activities.

Table 1

Project Target Group and Direct Beneficiaries by Province and Region

	CATAMARCA	JUJUY	SALTA	TOTAL
Target group	1 900	2 800	8 000	12 700
Total project beneficiaries	1 300	1 900	2 800	6 000
Destitute	100	1 000	500	1 600
Puna households	30	1 000	300	1 330
Arid areas (Llanos)	70	---	---	70
Indigenous group in Chaco	---	---	200	200
Poor Small-Farm Families	1 200	900	2 300	4 400
Temperate valleys	1 000	700	1 300	3 000
Subtropical valleys	---	200	300	500
Chaco and Llanos (plains)	200	---	700	900
TOTAL	1 300	1 900	2 800	6 000

Source: *Instituto Nacional de Estadísticas y Censos (INDEC), Census 1991.*

17. **Gender situation.** Women small producers in the project area play a key role in the survival of rural households as, together with their husbands (when they have not emigrated), they undertake agricultural activities such as vegetable gardening and small animal raising that cover family food needs. Their work replaces salaried labour and thus contributes to keeping production costs down.

18. The smallholders supplement their farm incomes by off-farm activities. However, that involves the men temporarily, and often permanently, emigrating to other regions and provinces and has led to rural women becoming ever more responsible for farming and household management. The number of women-headed households more than doubled between 1960 and 1991 (from 9% to 19.3%).

19. Women in the project area, especially in the Puna highlands, actively participate in productive activities on the farms and these tasks add to their domestic and childcare responsibilities. It is therefore not a coincidence that the incidence of poverty is greater among rural households headed by women.

B. Objectives and Scope

20. The project rationale is based on previous IFAD experience in the country and is consistent with Argentina's national and provincial policies for rural development and poverty-alleviation. The identification of two main beneficiaries groups is linked to those policies. The largest group (73 % of direct beneficiaries) is composed of poor smallholders that would have potential for development if it were possible to improve their production conditions and linkages to good and services markets. The second group is composed of destitute cultural and ethnic minorities - including many women-headed households - that are located in very harsh environments and have incomes below the critical poverty



line. Despite their poor development potential, the provision of adequate technical services and financial support is expected to alleviate their current poverty situation.

21. The concept of the project is to provide adequate technical assistance and financial services in order to integrate the first beneficiary group better into the goods and services markets, together with a set of sustainable services and goods that will help alleviate the critical poverty conditions of the second group. Under subsidiary loan agreements, the Government will on-lend IFAD funds to the provinces on the same terms as IFAD's loan, and the foreign exchange costs will be borne by the Government. The subloans to be provided will amount to approximately USD 4.2 million for Catamarca; USD 5.5 million for Jujuy; and USD 7.4 million for Salta.

22. Project execution under the responsibility of provincial agencies will ensure appropriate management decentralization. In addition, all project activities will involve beneficiary participation, attention to gender issues, out-sourcing mechanisms and the progressive establishment of sustainable support service systems.

23. The overall objective of the project is to reduce poverty and foster rural development in the provinces of Catamarca, Jujuy and Salta by improving the socio-economic conditions of the rural poor. The general objective is to bring about increases in the real incomes of destitute farmers and help them evolve from their present state of poverty. This will be achieved through efficient management of their production systems and effective links to the goods and services markets, with due attention paid to the special needs and requirements of destitute rural people, including women.

24. The specific objectives of the project are to: (i) provide demand-driven technical services, including extension, farm management, organization and management, training and marketing and to regularize land titles on a sustainable basis; (ii) provide adequate financial services to the poor smallholders with the aim of integrating them into the formal banking system; (iii) provide integrated training, technical services and special financial support, focused on the most vulnerable rural families in order to alleviate their critical poverty situation; and (iv) establish an adequate management system for project implementation and related policies that involves integrating national and provincial-level institutions and local beneficiary organizations, with due attention paid to gender issues in all project activities.

C. Components

25. The proposed project will have an implementation period of five years and include four main components: (i) technical assistance services (TAS); (ii) financial assistance services (FAS); (iii) a special programmes focused on vulnerable groups; and (iv) project management, monitoring and evaluation (M&E).

Technical Assistance Services (TAS)

26. The objective of the component is to foster the development of a demand-driven technical assistance services market to establish linkages between the income-generating activities of the rural poor and the specific needs of urban markets. The component includes five subcomponents: (i) strengthening of technology supply; (ii) technical services to beneficiaries; (iii) training of beneficiaries; (iv) information, advisory services and business opportunities; and (v) regularization of land titles.

27. **Strengthening of technology supply.** The project will develop and/or strengthen the technical capacity of individual or institutional providers of technical assistance. To that end, provision will be made for refresher courses and training in the management of marketing/business ventures and in



appropriate, sustainable technologies. It is expected that approximately 250 technical assistance agents will be trained during the first three years of the project.

28. **Technical services to beneficiaries.** The objective here is to foster the consolidation of a rural technical assistance services market by financing the services of technical assistance agents in accordance with beneficiary requests. These agents will provide services in a number of subjects matters, including agricultural extension, farm management, legal advice, marketing, non-agricultural service activities, etc. It is expected that 4 400 small farmers will benefit from this component, which will finance up to two years of full-time technical assistance. The beneficiaries will finance any additional technical services required. Contracts will be signed by project management in agreement with the beneficiaries, who will also evaluate the agents' performance.

29. **Training of beneficiaries.** The objective of this subcomponent is to provide training to beneficiaries in: (i) management of cooperatives and organizations; (ii) business management; (iii) marketing; and (iv) specific technologies associated with the formulation of subprojects. A total of 4 500 days of training courses will be provided during the life of the project. Training programmes will be formulated yearly, based on beneficiary demand and the recommendations of technical agents.

30. **Information, advisory services and business opportunities.** Assistance will be provided to beneficiaries for the development of business ventures. This will include: (i) commercial information provided through a toll-free line; (ii) advisory services relating, among other things, to legal, accounting, tax, and financial certification matters; (iii) organization of trade negotiations; (iv) support to local fairs; and (v) preparation of information material on the supply of goods and services and on potential markets.

31. **Regularization of land titles.** Since many small farmers work holdings for which title deeds have not been regularized, financial provision will be made for an assessment of the different situations and for advising the beneficiaries. The baseline survey will include a special section on such matters. For the most vulnerable groups, these services will be provided on a grant basis. The credit programme will include funds for financing associated costs of land title regularization. It is estimated that approximately 1 000 beneficiaries will benefit from this subcomponent.

Financial Assistance Services (FAS)

32. The objective of the financial services component is to provide adequate credit support, tailored to the needs and characteristics of the target group, to lay the groundwork for beneficiaries to become regular customers of the banks. The component will have two subcomponents: credit and credit management.

33. **Credit.** This subcomponent involves a main core of activities consisting of disbursements of subloans to eligible beneficiaries, assessing the development of mutual guarantee societies (SGR) at mid-term of implementation and providing support to that mechanism. Credit funds will be set up through trust agreements with privatized provincial banks that will disburse subloans to eligible beneficiaries in accordance with credit by-laws and the credit operations manual. Beneficiaries of the subcomponent will be small farmers with net annual family incomes below the poverty line, currently estimated at USD 6 800 per year per family. At least 20% of the beneficiaries will be women. The project will provide credit to finance up to 80% of all short-term financial needs and long-term investments proposed by the beneficiaries, including all agricultural activities, agroindustries, processing and services in the rural areas. The maximum allowed outstanding debt per family will be USD 7 500 for individual borrowers. There will be a credit ceiling of USD 75 000 for eligible groups, cooperatives, associations or organizations.



34. **Credit management.** This subcomponent will include activities related to implementation of the credit fund and support for the SGRs. Participating institutions will include the project execution units (PEUs), the national coordination unit (NCU) and the privatized provincial banks. The project will finance four credit officers, one each in Catamarca and Jujuy and two in Salta, who will be responsible for assisting the PEU coordinator in negotiations with the banks regarding the trust agreement.

Special Programmes Focused on Vulnerable Groups

35. The objective of this component is to provide technical services and financial support in an integrated manner to the most vulnerable social groups (rural destitute). In all, approximately 1 600 beneficiaries will be assisted under the component, including 1 000 living in the Puna, 200 indigenous families in the Chaco forests and 400 women living on the arid plains with the aim of alleviating their present poverty situation. Activities under the subcomponent will be similar and complementary to those of PSA-PROINDER. Grants of up to USD 200 will be provided for self-subsistence agricultural production and of up to USD 1 500 per beneficiary for the financing of productive investments. In addition, a small fund will be set up to support cooperative investments.

Project Management, Monitoring and Evaluation (M&E)

36. The project will be managed by the NCU and by a PEU in the three provinces of the project area. The NCU will need to be strengthened as it was originally established for PRODERNEA. The PEUs will be staffed by a regional coordinator, a project officer responsible for TAS implementation, a programme officer charged with FAS implementation, a gender expert, a monitoring officer, and an administrator. Office equipment and three vehicles per PEU will be financed under the component.

D. Costs and Financing

37. Total project costs have been estimated at USD 25 million, including price contingencies. Approximately 87% of total costs will cover expenditures related to the implementation of the TAS, FAS and special programmes focused on vulnerable groups components. Project administration and M&E represent 13% of total costs. IFAD will finance 70% of total project costs and the provincial governments 27.4%. The Government will contribute approximately 2.6 %, which will cover the NCU's operating costs. Table 2 shows project costs by component; Table 3 provides information on the financing structure of the project.

TABLE 2: SUMMARY OF PROJECT COSTS^a
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Cost
A. Technical Assistance Services (TAS)					
Strengthening of technology supply	197.0	-	197.0	-	1
TA services to beneficiaries ¹	5 810.0	-	5 810.0	-	24
Training of beneficiaries	611.8	-	611.8	-	3
Information, advisory and business opportunities	525.0	-	525.0	-	2
Regularization of land titles	450.0	-	450.0	-	2
Subtotal TAS	7 593.8	-	7 593.8	-	32
B. Financial Assistance Services (FAS)					
Credit	6 640.0	-	6 640.0	-	28
Management of credit fund	1 369.0	-	1 369.0	-	6
Subtotal FAS	8 009.0	-	8 009.0	-	34
C. Special Programmes Focused on Vulnerable Groups	4 766.2	-	4 766.2	-	20
D. Project Management, M&E					
Strengthening of NCU (national coordination)	762.1	1.4	763.6	-	3
PEU, Catamarca	651.4	59.0	710.3	8	3
PEU, Jujuy	799.5	69.1	868.6	8	4
PEU, Salta	975.9	59.0	1 034.8	6	4
Subtotal Project Management, M&E	3 188.9	188.5	3 377.4	6	14
Total base costs	23 557.9	188.5	23 746.3	1	100
Physical contingencies	-	-	-	-	-
Price contingencies	1 250.8	2.8	1 254	-	5
Total project costs	24 808.7	191.3	25 000.0	1	105

^a Discrepancies in totals are due to rounding up of figures.



TABLE 3: FINANCING PLAN^a
(USD '000)

Components	IFAD		Central Government		Province of Catamarca		Province of Jujuy		Province of Salta		Total		Foreign Exchange	Local Excluding Taxes	Duties and Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. Technical Assistance Services (TAS)															
Strengthening of technology supply	125.7	60.0	-	-	18.9	9.0	26.5	12.7	38.4	18.3	209.5	0.8	-	209.5	-
TA services to beneficiaries	4 728.0	76.3	127.3	2.1	345.5	5.6	291.4	4.7	707.1	11.4	6 199.2	24.8	-	6 199.2	-
Training of beneficiaries	397.2	60.0	-	-	68.5	10.3	60.2	9.1	136.1	20.6	661.9	2.6	-	661.9	-
Information, advisory and business opportunities	349.8	61.5	-	-	50.6	8.9	69.9	12.3	98.3	17.3	568.7	2.3	-	507.8	60.8
Regularization of land titles	393.0	80.0	-	-	26.2	5.3	19.6	4.0	52.4	10.7	491.3	2.0	-	491.3	-
Subtotal TAS	5 993.7	73.7	127.3	1.6	509.6	6.3	467.6	5.8	1 032.4	12.7	8 130.6	32.5	-	8 069.8	60.8
B. Financial Assistance Services (FAS)															
Credit	5 304.0	80.0	-	-	366.0	5.5	279.0	4.2	681.0	10.3	6 630.0	26.5	-	6 630.0	-
Management of credit fund	697.3	46.7	75.4	5.1	160.1	10.7	174.7	11.7	385.1	25.8	1 492.7	6.0	-	1 391.6	101.1
Subtotal FAS	6 001.3	73.9	75.4	0.9	526.1	6.5	453.7	5.6	1 066.1	13.1	8 122.7	32.5	-	8 021.6	101.1
C. Special Programmes Focused on Vulnerable Groups	3 818.0	75.1	-	-	127.2	2.5	673.0	13.2	465.8	9.2	5 083.9	20.3	-	5 083.9	-
D. Project Management, M&E															
Strengthening of NCU (national coordination)	371.5	44.6	460.7	55.4	-	-	-	-	-	-	832.2	3.3	1.5	802.0	28.7
PEU, Catamarca	366.9	47.7	-	-	401.5	52.3	-	-	-	-	768.4	3.1	59.7	572.6	136.1
PEU, Jujuy	440.1	46.8	-	-	-	-	499.6	53.2	-	-	939.8	3.8	70.0	703.1	166.7
PEU, Salta	508.5	45.3	-	-	-	-	-	-	614.0	54.7	1 122.5	4.5	59.7	865.3	197.5
Subtotal Project Management, M&E	1 687.0	46.1	460.7	12.6	401.5	11.0	499.6	13.6	614.0	16.8	3 662.8	14.7	190.9	2 942.9	528.9
TOTAL DISBURSEMENT	17 500.0	70.0	663.4	2.7	1 564.4	6.3	2 093.9	8.4	3 178.2	12.7	25 000.0	100	190.9	24 118.2	690.8

^a Discrepancies in totals are due to rounding up of figures.



E. Procurement, Disbursement, Accounts and Audit

38. **Procurement.** The procurement of goods and services will be carried out in accordance with IFAD's procurement guidelines. Technical assistance will be procured in accordance with the procedures of the cooperating institution, as established in the loan agreement. Consultants' service contracts with public, private or international organizations costing USD 50 000 or more each will be subject to prior approval by the cooperating institution. Contracts for goods estimated to cost more than the equivalent of USD 150 000 will be procured following international competitive bidding procedures. Goods estimated to cost less than such amount but more than USD 50 000 will be procured under national competitive bidding procedures. Goods estimated to cost less than USD 50 000 but more than USD 1 000 will be procured under national shopping procedures. Goods estimated to cost less than USD 1 000 will be procured under direct contracting. Finally, contracts for goods costing more than USD 250 000 shall be subject to prior review by the cooperating institution.

39. **Disbursements.** Disbursements of loan resources will be made in accordance with the procedures of the cooperating institution. In order to ensure adequate flows of funds, the borrower will open a centralized Special Account in United States dollars with the Central Bank of Argentina, with an authorized allocation of USD 1.75 million, to be used to cover expenditures financed from the IFAD loan. The Special Account will be used by the Central Government and participating provinces, and will be managed directly by the NCU under the supervision of the Secretariat for Agriculture, Livestock, Fisheries and Food (SAGPyA). Funds will be transferred from the Special Account to accounts opened at the provincial level in accordance with subsidiary agreements between the Government and the provinces.

40. **Accounting, Audits and Reporting.** All institutions receiving project funds will be expected to maintain separate accounts in accordance with sound accounting principles. Audits will be carried out by independent external auditors acceptable to IFAD. The Government will provide IFAD and the cooperating institution with a consolidated annual audit report, which should include a separate opinion on the operations of the Special Account and statements of expenditure, no later than six months after the end of the fiscal year. The NCU will submit progress and financial reports to IFAD and the cooperating institution every six months.

F. Organization and Management

41. The proposed organizational structure of the project takes account of the federal nature of the Argentine Republic. Therefore, the national executing agency will be SAGPyA, and the provincial executing agencies will be the corresponding ministries or secretaries of agriculture. The project will have a central coordination unit and provincial implementation units. Project organization is also based on existing institutions.

42. At the national level, overall project guidance and coordination will be provided by a project supervisory council (PSC) and a project coordinating committee (PCC). The PSC will be formed and chaired by the Secretary of SAGPyA and include the three ministers responsible for agricultural matters at the provincial level or their representatives. Membership of the PCC will comprise the project coordinator, the three provincial coordinators and three beneficiary representatives.

43. The NCU within SAGPyA will be responsible for project coordination and management. To that end, it will: (i) undertake project start-up activities; (ii) prepare annual workplans (AWPs); (iii) prepare progress reports; (iv) administer project funds; (v) supervise activities implemented by the PEUs; (vi) design and execute the monitoring programmes; and (vii) contract out the evaluation studies.



44. Provincial project councils (PPCs) will be established in each of the three provinces. Membership of the PPCs will comprise the director of the provincial agency of the National Institute for Agricultural Technology (INTA), the PSA-PROINDER provincial coordinator, representatives of the Ministry of Agriculture, the local agronomic school and the beneficiaries, as well as the provincial coordinator who will also act as technical secretary. The PPCs' main function will be to provide political orientation and general supervision. In addition, there will be a project steering committee, chaired by the project coordinator and composed of women's representatives and of provincial small farmer organizations, the technical assistance agents and the beneficiaries. The steering committee will review and approve AWP and budgets, supervise project performance and review and approve yearly progress reports. PEUs will be established under the ministries of agriculture of each province to supervise project implementation and will interact with NCU on a permanent basis.

45. The project will be implemented in accordance with a project operations manual covering all operational procedures, including specific by-laws for the credit programme, regulations for the approval of grants and for the selection and hiring of technical assistance agents, etc. The manual will be prepared and approved, to IFAD's satisfaction, as a condition of loan effectiveness.

46. Project M&E will be the responsibility of NCU, based on approved AWPs. Monitoring at the provincial level will be the responsibility of the PEUs, which will provide reports to NCU every six months. Evaluation will be contracted out. Three evaluations will be undertaken: one at project start-up (i.e. baseline survey); a second at mid-term; and a final evaluation. The NCU will submit a detailed report on M&E plans for IFAD's consideration, no later than six months after project start-up.

G. Economic Justification

47. **Benefits.** While the proposed strategy is based on user demand, certain technologies of general application will be fostered as part of the project's general productive policy. On the basis of participatory diagnosis methods, a total of 127 business venture initiatives were recorded. User demand was integrated in models which were identified and analysed from a business opportunity perspective. Models included, *inter alia*, fruit processing, pottery, indigenous crafts, agricultural mechanization services, rural tourism, goat milk cheese-making, and the raising of South American camelids. Profitability analyses were undertaken from financial and economic perspectives and all produced high returns. The project is expected to lead to significant increases in real net income. It is foreseen that 73% of beneficiaries will achieve incomes above the absolute poverty line. The remainder, that belong to the current most vulnerable groups, are expected to achieve incomes above the critical poverty line.

48. **Gender impact.** The project is expected to contribute to removing gender inequalities in the project area by ensuring that all activities implemented or contracted out by the project have a gender focus. From the onset, the project will: (i) identify the constraints on women's access to productive services together with their demands and needs; (ii) apply methodologies and tools which take account of women's requirements and of their double or triple hours of work; (iii) develop actions to make women's work more productive; and (iv) undertake activities specifically addressed to women so as to facilitate their access to credit, technical assistance, training, etc. The project includes specific, non-discriminatory provision for implementing its main components in order that at least 20% of all subloans and technical assistance directly benefit rural women. The gender expert will participate in all management decisions and higher priority will be given to technical service firms with a greater percentage of female staff.

49. The project will have a direct effect on 1 900 women producers (heads of households and married women), of which 1 100 will benefit from development actions and 835 from poverty-alleviation activities. Priority will be given to women heads of households who, in the three project provinces, average about 20%. The FAS and TAS components will benefit women heads of



households and married women producers who are in a position to undertake sustainable productive activities. For the poorest households, poverty-mitigation actions will be undertaken in close coordination with other programmes/projects such as PSA-PROINDER. Women represent more than 50% of this group because the great majority of them are heads of households and the foremost productive activity is cattle raising - mainly carried out by women.

50. Specifically, the following action will be undertaken: (i) project staff will receive training on gender issues and on working from the gender perspective; (ii) gender issues will be introduced in all beneficiary training activities; (iii) gender-monitoring indicators will be established; (iv) M&E and gender impact studies; (v) special training will be provided to reinforce the leadership capacities of women members of producer organizations; (vi) childcare facilities will be provided during training courses; (vii) women-led interprovincial workshops on economic ventures will be held, with the participation of men; and (viii) the project will have a gender unit at the management level composed of a national gender expert and a gender expert in each provincial PEU.

51. **Economic and financial analysis.** The economic and financial analysis was based on the benefits obtained by the different economic models. An individual model analysis was prepared, followed by an economic analysis for the project as a whole. It is estimated that, over a period of ten years, the project will generate a net present value of USD 24.6 million. The internal rate of return (IRR) has been determined at 24.6%.

52. A sensitivity analysis was conducted for plus or minus 10% and 20% costs and incomes, with favourable results. In a “worse case” scenario of 10% increasing costs and 10% decreasing income, the IRR is 12% compared with an opportunity cost of capital in Argentina of approximately 9%.

H. Risks

53. Project risks are seen as moderate. There is little likelihood of natural and climatic disasters in the project areas. Legislation exists to protect farmers (i.e. the Agricultural Emergency Law) in that tax and loan payments are deferred in the event of a natural catastrophe. Some institutional arrangements might change during project implementation due to forthcoming changes in the provincial-level government. However, this risk will be minimized by the project operations manual, which will allow for a rapid shift to new institutions whose duties and functions are consistent with basic project design. The risk regarding the financial services component is a possible lack of commitment on the part of the banks to accept project beneficiaries as regular clients. This risk will be mitigated by several project activities and procedures. Weak organizational capacity among project beneficiaries might also be considered a risk, but this will be mitigated by organizational strengthening and the involvement of local municipalities and non-governmental organizations (NGOs).

I. Environmental Impact

54. The project will have a either neutral or positive impact on the environment. Given the very low population density, there is little pressure on the land and other natural resources in the project area. Technical assistance services will contribute to improving environmental conditions, as will the use of environment-friendly techniques for soil and water management. Organic production will be encouraged, resulting in increased demand for such produce on the urban markets. However, intervention that might have an impact on the environment will not be approved for funding prior to the undertaking of an environmental impact assessment, as provided for in the project operations manual and related regulations.



J. Innovative Features

55. A number of innovative features have been included in the design of the proposed project. A first feature is implicit in the “venture concept” of the initiatives to be supported. All activities to be financed and implemented will need to show a profit for the individual producers or groups involved. A second feature is the clear differentiation that has been made between the two groups of beneficiary - the rural poor and the destitute - and the corresponding set of project instruments to deal with each group. A third important feature is related to the objective of transforming the project credit beneficiaries into regular banking system clients. This feature might be reinforced if the guarantees mechanism is successfully introduced after three years of project execution. A fourth innovative feature is to be found in the links that the project will forge between rural and urban markets.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

56. A loan agreement between the Argentine Republic and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

57. The Argentine Republic is empowered under its laws to borrow from IFAD.

58. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV - RECOMMENDATION

59. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Argentine Republic in various currencies in an amount equivalent to twelve million eight hundred thousand Special Drawing Rights (SDR 12 800 000) to mature on and prior to 15 June 2014 and to bear an interest rate equal to the reference interest rate per annum, as determined by the Fund annually and to be upon such other terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Fawzi H. Al-Sultan
President



**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES
INCLUDED IN THE NEGOTIATED LOAN AGREEMENT**

(Negotiations concluded on 3 September 1999)

1. For purposes of carrying out the project, the Government of the Argentine Republic (the Government) shall transfer, in the form of a loan to the Province of Catamarca, the Province of Jujuy, and the Province of Salta (the Provinces), the proceeds of the loan under an implementation and subsidiary loan agreement to be signed by the Government and each Province. The Government shall exercise its rights under each implementation and subsidiary loan agreement in such a way as to safeguard the rights of the Government and of IFAD and to accomplish the purposes of the loan, and unless IFAD and the Government agree otherwise, the Government shall not assign, amend, revoke or rescind the implementation and subsidiary loan agreement or any provision thereof.
2. The Government shall send a draft of the implementation and subsidiary loan agreement to IFAD so it may make any pertinent observations and express its concurrence prior to signature. Each implementation and subsidiary loan agreement shall establish the amount of the subsidiary loan and shall contain provisions whereby the Province assumes a legal obligation to: (a) implement the project in accordance with the provisions of the loan agreement (the Agreement); (b) exercise its rights under the implementation and subsidiary loan agreement in such a way as to: (i) safeguard the rights of the Government and IFAD and accomplish the purposes of the loan; (ii) fully honour all its obligations; and (iii) unless IFAD agrees otherwise, ensure that the Province does not assign, amend, revoke or rescind the implementation and subsidiary loan agreement or any provision thereof; (c) ensure that the goods and services financed with loan proceeds are procured in accordance with the provisions of the Agreement; (d) establish and thereafter maintain an appropriate information-management system to monitor continuously the project's progress in the Province; and (e) prepare financial statements of the operations, resources and expenditures associated with the implementation of the project in the Province for each fiscal year, for their presentation to the National Coordination Unit within the first month following the close of each fiscal year.
3. The principal amount of the subsidiary loan to be reimbursed to the Government under the implementation and subsidiary loan agreement: (i) shall be denominated in United States dollars; (ii) shall be the equivalent in United States dollars (calculated on the basis of the closing quote of the day preceding the date or respective dates of withdrawal from the loan account or payment from the Special Account) of the value of any currency or currencies withdrawn or used to pay for goods and services to be financed under the loan; and (iii) shall be reimbursed within a period of fifteen (15) years, with a grace period not to exceed three (3) years, on the dates stipulated in the Agreement for reimbursement of the principal of the loan. The principal amount of the subsidiary loan withdrawn and pending reimbursement shall be subject to interest calculated at a rate equivalent to IFAD's Reference Interest Rate and shall be due and payable semi-annually on the dates stipulated in the Agreement for the payment of interest.
4. Within the ninety (90) days following the date of effectiveness of the Agreement, the Secretariat for Agriculture, Livestock, Fisheries and Food of the Government (SAGPyA) shall open and maintain at *Banco Nación* a current account (the National Project Account) in pesos for project operations in the country.
5. In addition to the loan proceeds, the Government shall make available to SAGPyA, as soon as necessary, all funds, facilities, services and other resources that may be required in order to implement the project in accordance with the Agreement. The Government: (i) shall deposit in the National Project Account, as soon as possible and in any event within the ninety (90) days following the date of effectiveness, counterpart funds in an initial amount of USD 100 000 to cover the project's

ANNEX I

implementation costs for the first year, and thereafter it shall replenish said account each year and in advance by depositing in it the counterpart funds called for in the project's annual plan of work and budget (POAyPP) for the respective project year; and (ii) shall take steps to ensure that the loan resources are made available to SAGPyA and the Provinces in accordance with the respective POAyPPs and implementation and subsidiary loan agreements.

6. Except for the Province that meets the conditions for effectiveness of the Agreement, within the ninety (90) days following said date, each Province shall open and maintain at a commercial bank approved by IFAD, a current account (the Provincial Project Account) in pesos for project operations in the province. SAGPyA shall take all such measures as are necessary to ensure that each Province: (i) deposits the provincial counterpart funds in the respective Provincial Project Account in an initial amount of USD 50 000 to cover the costs of project implementation during the first six (6) months in each province; and (ii) thereafter replenishes semi-annually in advance the respective Provincial Project Account by depositing in it the counterpart funds called for in the POAyPP for the respective project year in accordance with the implementation and subsidiary loan agreements.

7. For purposes of implementing the credit programme, each Province: (i) shall select an administrating bank that, on the basis of guidelines and criteria satisfactory to IFAD, has demonstrated that it possesses appropriate institutional organization, financial and human resources, and equipment to administer and manage the credit fund on behalf of the Province; and (ii) shall sign a credit-fund administration agreement acceptable to IFAD with the administrating bank so selected.

8. The administrating bank shall open savings accounts to grant sub-loans exclusively: (i) to beneficiaries, who may be either legal or natural persons, up to a maximum of USD 7 500 per individual or USD 75 000 per group; (ii) intended to finance sub-projects that are technically feasible and commercially viable and have been designed in accordance with appropriate safety, health and environmental standards, including (if necessary) suitable mitigation measures; and (iii) in pesos and in accordance with the provisions of the credit by-laws.

9. The administrating bank for each Province shall establish and maintain a revolving fund into which the net income from sub-loans granted to beneficiaries shall be deposited. The administrating bank shall use said revolving fund to finance additional credits for beneficiaries in accordance with the Agreement, at least until the date specified in the respective credit-fund administration agreement and, in the event no such date is specified, until such time as all loan-service payments have been made.

10. During the implementation of the project, SAGPyA shall maintain as part of its structure the National Coordination Unit (UNC) established by the same under the Rural Development Project for the Northeastern Provinces, ensuring that said unit maintains a structure and terms of reference satisfactory to IFAD. To this end, the UNC shall be strengthened and equipped with the financial and human resources necessary to carry out its functions appropriately. The UNC's coordination responsibilities shall include specifically the implementation of measures that link and coherently integrate project activities with regional operations that receive support and technical assistance from IFAD and that foster and strengthen horizontal cooperation, training of beneficiaries, and the generation and exchange of experiences.

11. To ensure effective coordination of the project at the provincial level, each Province shall set up a Provincial Project Coordination Committee, to be made up of the Provincial Project Coordinator, who shall chair the committee, the Director of the Regional Council of the National Institute for Agricultural Technology (INTA), the provincial officer in charge of the Agricultural Social Programme (PSA) and the National Programme for Rural Development Initiatives (PROINDER), a member of the academic community, representatives of beneficiary producers, representatives of women beneficiaries, a representative of the technical advisers and representatives of any such other institutions as the Province may deem appropriate.



ANNEX I

12. Each Province shall set up a Provincial Execution Unit (UPE) to be responsible for execution of the project in the province and to operate as a window for intake and ongoing attention to beneficiaries' needs. The terms of reference of the UPEs shall be satisfactory to IFAD, and shall appropriately address the following core functions: (i) execution of the project in accordance with POAyPP targets; (ii) community promotion and dissemination of participatory opportunities provided by the project; (iii) signature of all contracts for services and procurement; (iv) transfer of authorized resources to beneficiaries; (v) monitoring and support for approved initiatives; (vi) enhancing the impact of the project's resources through joint work with other sources of financing and initiatives in the province; (vii) administration of resources; and (viii) preparation of POAyPPs.

13. To promote the implementation of programmes targeted at vulnerable groups, the UNC and the UPEs shall present IFAD with evidence of the agreement reached with the implementing agencies of PSA and PROINDER aimed at ensuring full coordination and complementarity among the activities of those projects and the activities to be financed under the project.

14. The following are conditions precedent to effectiveness of the Agreement:

- (a) IFAD is to have approved the draft of the operations manual and is to have received a copy of the manual as adopted by SAGPyA in the previously approved format;
- (b) SAGPyA is to have confirmed the composition and mandate of the National Coordination Unit by mutual agreement with IFAD and is to have selected and appointed the National Project Coordinator by mutual agreement with IFAD, all in accordance with the provisions of the Agreement;
- (c) IFAD is to have approved the POAyPP and monitoring indicators for the first year of the project; and
- (d) at least one (1) Province is to have: (i) duly set up the UPE in accordance with the provisions of the Agreement; (ii) (A) delivered to IFAD a signed copy of the implementation and subsidiary loan agreement, in the form and with the content agreed with IFAD, certified as true and complete by an authorized representative of the Government; and (B) fulfilled all the conditions precedent to effectiveness of said implementation and subsidiary loan agreement, in addition to those pertaining to the effectiveness of the loan documents; and (iii) duly opened the Provincial Project Account in accordance with the provisions of the Agreement.

15. No withdrawals may be made against the loan proceeds for expenditures corresponding to:

- (a) the credit programme, until such time as the Province in respect of which the withdrawal is requested: (i) has fulfilled the disbursement condition stipulated in paragraph (b) below; (ii) has signed the respective credit-fund administration agreement and has delivered to IFAD a signed copy of said agreement, as previously approved by IFAD and certified as true and complete by an authorized representative of the Province; (iii) provided satisfactory evidence to IFAD showing that the signature of said agreement by the Province and the administering bank is duly authorized or ratified by all the required institutional, administrative and governmental procedures and that all the conditions precedent to effectiveness have been fulfilled; (iv) has approved the credit by-laws for their use and application by the administering bank; and (v) has set up the credit committee with the prior non-objection of IFAD and in accordance with the provisions of the Agreement;



ANNEX I

- (b) contracts for services, vehicles, equipment, machinery, or operating costs, until such time as the Province in respect of which the withdrawal is requested:
 - (i) has duly set up the UPE in accordance with the provisions of the Agreement; (ii) has delivered to IFAD a signed copy of the implementation and subsidiary loan agreement, in the form and with the content agreed with IFAD, and certified as true and complete by an authorized representative of the Government; (iii) has fulfilled all the conditions precedent for the effectiveness of said implementation and subsidiary loan agreement; and (iv) has duly opened the Provincial Project Account in accordance with the provisions of the Agreement and has deposited in said account the respective counterpart referred to in the Agreement; or
 - (ii) for the Province that has fulfilled the conditions of effectiveness of the Agreement, until the Province has deposited in the Provincial Project Account the respective counterpart referred to in the Agreement; and
- (c) grants, until such time as the Province in respect of which the withdrawal is requested:
 - (i) has fulfilled the disbursement condition stipulated in paragraph (b) above; and (ii) has approved the Regulations for the Allocation of Funds for Targeted Programmes for their use and application by the respective UPE.

COUNTRY DATA

ARGENTINA

Land area (km² thousand), 1996 1/	2 737	GNP per capita (USD), 1997 2/	8 950
Total population (million), 1997 1/	35.7	Average annual real rate of growth of GNP per capita, 1990-97 2/	4.2
Population density (people per km²), 1996 1/	13	Average annual rate of inflation, 1990-97 2/	12.2
Local currency	Argentine Peso (ARS)	Exchange rate: USD 1 =	ARS 1.00
Social Indicators		Economic Indicators	
Population (average annual population growth rate), 1980-97 1/	1.4	GDP (USD million), 1997 1/	325 012
Crude birth rate (per thousand people), 1997 1/	20	Average annual rate of growth of GDP 1/ 1980-90	-0.4
Crude death rate (per thousand people), 1997 1/	8	1990-97	5.4
Infant mortality rate (per thousand live births), 1997 1/	22	Sectoral distribution of GDP, 1997 1/	
Life expectancy at birth (years), 1997 1/	73	% agriculture	7
Number of rural poor (million) (approximate) 1/	n.a.	% industry	33
Poor as % of total rural population 1/	n.a.	% manufacturing	22
Total labour force (million), 1997 1/	14	% services	61
Female labour force as % of total, 1997 1/	32	Consumption, 1997 1/	
Education		General government consumption (as % of GDP)	3
Primary school gross enrolment (% of relevant age group), 1996 1/	113	Private consumption (as % of GDP)	78
Adult literacy rate (% of total population), 1995 3/	96	Gross domestic savings (as % of GDP)	18
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita, 1995 3/	3 097	Merchandise exports, 1997 1/	26 263
Index of daily calorie supply per capita (industrial countries=100), 1995 3/	98	Merchandise imports, 1997 1/	30 349
Prevalence of child malnutrition (height for age % of children under 5), 1992-97 1/	5	Balance of merchandise trade	-4 086
Prevalence of child malnutrition (weight for age % of children under 5), 1992-97 1/	2	Current account balances (USD million)	
Health		before official transfers, 1997 1/	-10 469
Health expenditure, total (as % of GDP), 1990-97 1/	9.7	after official transfers, 1997 1/	-10 119
Physicians (per thousand people), 1990-97 1/	2.7	Foreign direct investment, 1997 1/	6 645
Percentage population without access to safe water, 1990-96 3/	29	Government Finance	
Percentage population without access to health services, 1990-95 3/	29	Overall budget surplus/deficit (including grants) (as % of GDP), 1996 1/	-2.0
Percentage population without access to sanitation, 1990-96 3/	32	Total expenditure (% of GDP), 1996 1/	14.0
Agriculture and Food		Total external debt (USD million), 1997 1/	123 221
Food imports as percentage of total merchandise imports, 1997 1/	5	Present value of debt (as % of GNP) 1997 1/	38
Fertilizer consumption (hundreds of grams per ha of arable land), 1995-97 1/	254	Total debt service (% of exports of goods and services), 1997 1/	58.7
Food production index (1989-91=100), 1995-97 1/	121.9	Nominal lending rate of banks, 1997 1/	9.2
Land Use		Nominal deposit rate of banks, 1997 1/	7.0
Arable land as % of land area, 1996 1/	9.1		
Forest area (km ² thousand), 1995 1/	339		
Forest area as % of total land area, 1995 1/	12.4		
Irrigated land as % of cropland, 1994-96 1/	6.3		

n.a. not available.

Figures in italics indicate data that are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 1999

2/ World Bank, *Atlas*, 1999

3/ UNDP, *Human Development Report*, 1998

PREVIOUS IFAD LOANS TO ARGENTINA

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Currency	Approved Loan/ Grant Amount	Disbursement (as % of approved amount)
Programme of Credit and Technical Support for the Small Producers in Northeast Argentina	IFAD	IDB	O	15 Sep 88	17 Apr 91	30 Jun 97	L - I - 225 - AR	SDR	8 200 000	100%
Rural Development Project for the Northeastern Provinces	IFAD	CAF	O	18 Apr 96	15 Oct 98	30 Jun 02	L - I - 417 - AR	SDR	11 350 000	4.0%



LOGICAL FRAMEWORK

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Development Objective: Improvement of the rural poor's socio-economic conditions in the provinces of Catamarca, Jujuy and Salta.</p>	<p>Increased real incomes Increased rural employment Decrease in percentage of families with incomes below the poverty line and below the critical poverty line. Reduction of permanent migration rate to urban centres</p>	<p>Mid-term, final and ex post evaluation Rural households surveys Population census and demographic studies</p>	<p>The Government continues prioritizing rural development and eradication of poverty within the market-oriented development strategy Institutional and political stability is not disrupted by internal or external events</p>
<p>Project Objective: Smallholders of Catamarca, Jujuy and Salta, poor and destitute at project inception, manage their production systems efficiently; are effectively linked to goods and services markets and obtain real income increases that enable them to evolve from their initial poverty situation.</p>	<p>Increase of 100% in gross value of production by year 2006 Increase in yields of crops and in animal production Increase in prices for beneficiaries' output through new marketing schemes and channels 30% of beneficiaries engaged in new agribusinesses 50% of farmers' organizations are operating and have achieved economic and financial sustainability 50% of project borrowers are regular bank customers, directly or through their organizations. 50% of project-contracted professionals are providing technical assistance to beneficiaries on a regular basis through different financial arrangements (INTA, PSA, paid by beneficiaries or by their organizations)</p>	<p>Mid-term, final and ex post evaluation Process documentation by NCU and PEU Specific studies</p>	<p>No significant change in macroeconomic situation and trends Terms of trade and relative prices in agriculture improve or do not change significantly Social compensation policies remain as a state policy, maintaining current targeting and main instruments Further projects and programmes aimed at poverty alleviation and rural development are designed within this framework and do not neutralize or counteract achievements of existing projects and programmes No extreme and unmanageable climatic disasters No negative and/or sudden political shifts at the national or provincial level Beneficiaries' projects and proposals are not interfered with by political leaders or local authorities</p>





NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Outputs:</p> <p>1. Demand-driven technical services, including training, for agricultural activities, farm management, rural agribusinesses, management of farmers' associations, etc., provided on sustainable basis.</p>	<p>450 groups receive technical assistance during execution, reaching 60% of estimated beneficiaries in the first three years of participation of each province</p> <p>At least 15% of beneficiaries are women</p> <p>25 organizations supported during execution</p> <p>250 professionals hired as technical advisors</p> <p>250 local professionals trained in four years, 6 000 smallholders trained in five years</p> <p>Agribusinesses identified, out of which 33% gave way to project proposals</p> <p>50% of marketing contracts promoted by PRODERNOA implemented</p> <p>50% of beneficiaries sharing cost of technical assistance in about 200 groups by year 2006</p>	<p>Monitoring NCU and PEU information on technical assistance services</p> <p>Contracts and agreements with groups, institutions, NGOs and professionals</p> <p>Specific studies</p>	<p>Technological alternatives and innovations are available and have proved profitable and suitable for adoption by smallholders</p> <p>Eventual changes in relative prices do not significantly affect profitability of technological alternatives</p> <p>There is no competing programme that may employ available professionals on permanent basis</p> <p>No political, social or religious factors arise that could undermine beneficiaries' willingness for association and participation</p> <p>There are no incidents outside the project that may contaminate the image of transparency and participation in contract allocation</p> <p>There is no political bias or political use in the diffusion of project information that may discourage market brokers and agroindustries from approaching beneficiaries to identify joint business ventures</p>
<p>2. Financial services tailored to the needs of poor smallholders are established, fostering their full integration into the banking system</p>	<p>USD 2.1 million is disbursed to 1 200 smallholders in Catamarca, USD 1.5 million disbursed in Jujuy to 900 smallholders and USD 3.9 million disbursed in Salta to 2 300 smallholders, totalling 4 400 credit beneficiaries in five years</p> <p>At least 15% of borrowers are women.</p> <p>Arrears in the program remain below 15% in each province</p> <p>40% of loans finance investments</p> <p>5 cooperatives are eligible as borrowers and distribute credit to their members in year 2004</p> <p>80% of borrowers have complete bank dossier by year 2004</p> <p>If SGR is supported, 40% of borrowers are being covered</p>	<p>Monitoring information from the financial services component in the NCU and PEUs</p> <p>Bank statistics</p> <p>Beneficiaries' banking dossier</p>	<p>Technical proposals include activities that generate enough income and are not extremely risky, thus bearing the financial cost and ensuring repayment</p> <p>The bank is interested in engaging new clients and becomes involved in project activities</p> <p>The Government is not fostering widespread debt-forgiveness measures that could undermine beneficiaries repayment commitment and performance</p> <p>There are no climatic disasters or unmanageable crop pest or animal plagues</p> <p>No other programme financing similar activities for the same target group is being implemented under different rules, introducing unfair competition or prompting non-repayment</p>



NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>3. Local programmes for rural poverty alleviation for destitute rural population, complementary to national social compensation policies, are implemented.</p>	<p>USD 2.6 million disbursed in subprojects for 850 eligible households in the highlands of Jujuy by year 2003 USD 0.3 million disbursed in subprojects for 100 eligible beneficiaries in Jujuy by year 2003, 95% being women. USD 1.3 million disbursed in subprojects for 400 eligible households in the highlands of Salta by year 2003 USD 0.15 million disbursed in subprojects for 50 eligible beneficiaries in Salta by year 2003, 95% being women USD 0.3 million disbursed in subprojects for 100 eligible beneficiaries in Catamarca by year 2003, 55% being women USD 0.2 million disbursed in subprojects for 100 families of indigenous population in Salta by year 2003 At least 50% of beneficiaries of all subprojects are women USD 75 000 disbursed for support to farmers' organizations</p>	<p>Monitoring information on the focused programmes component in the NCU and PEUs Agreements and contracts signed with groups, communities, farmers' organizations, institutions, NGOs and professionals Specific studies</p>	<p>There is no climatic disaster in the Puna Coordination with PSA-PROINDER at the national and provincial levels is achieved New projects and programmes adopt the same instruments and seek coordination with existing programmes No political, social or religious factors arise that could undermine beneficiaries' willingness for association and participation There are no incidents outside the project that may contaminate the image of transparency and participation in fund allocation</p>
<p>4. A management system for the project, reinforcing the gender perspective throughout all activities and integrating national and provincial institutions, local entities and beneficiaries organizations, is functioning.</p>	<p>Annual workplans and budgets agreed by consensus at the national and provincial levels at the end of each year Planning and implementation gap negligible and/or decreasing by 10% annually Governmental and non-governmental institutions involved in planning, implementation and evaluation of project activities Completed 90% of signed contracts Monitoring system findings and recommendations are used by management as feedback and adopted Gender goals formulated and achieved every year</p>	<p>Annual workplans Reports of the monitoring system Minutes of committee meetings at the provincial and national level Accounting and audit reports</p>	<p>Staff screened at recruitment with respect to gender sensitivity and ability to overcome previous biases and stereotypes through specific training There is no excessive rotation of project personnel, allowing the staff to work as a team, building up consensus on rural development projects approaches and methodologies Project staff able to neutralize distorting political bias on their technical responsibilities</p>



NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Activities:</p> <p>1.1 Hire technical services agents at the NCU and PEU levels</p> <p>1.2 Foster beneficiary demand on technical services and contract qualified professionals to meet them, promoting participation at all stages</p> <p>1.3 Plan, contract and implement courses for NCU and PEU staff, professionals and beneficiaries</p> <p>1.4 Identify, plan and implement activities to support beneficiaries' engagement in agribusinesses, market deals and diffusion of their outputs</p> <p>1.5 Identify, plan and implement technical support to land titling</p>	<p>Provincial Operations Committee (POC) is established in first year with participation of each province</p> <p>Proposals from beneficiaries organized in groups received by the POC every year</p> <p>Contracts with groups and professionals signed and operating after approval by the POC</p> <p>Courses contracted and delivered to project staff in first year of implementation; courses to local professionals and beneficiaries contracted and executed as planned</p> <p>Market information system and diffusion implemented in year 2000</p> <p>Market opportunities meetings and fairs organized every year</p> <p>Contracts with professionals as planned settling 1000 land titles over project life</p>	<p>Annual workplan and process documentation of NCU and PEUs</p> <p>POC meetings minutes</p> <p>Proposals from groups</p> <p>Contracts with professionals and institutions</p> <p>Monitoring information system</p> <p>Course programmes and training materials</p> <p>Fairs and marketing event programmes, invitations and press releases</p> <p>Broadcast contract for the market information system</p>	<p>Budget is available and recruitment of project staff is carried out through transparent technical processes</p> <p>There is no institutional conflict that may negatively affect coordination with INTA and universities at the local level and that hinder the establishment and operation of the POC</p> <p>There are enough professionals available and willing to undergo the process that the project is proposing, be trained and eventually hired as non-staff professionals</p> <p>Current rules and procedures for land titling regularization have no significant changes or have advantageous changes</p> <p>No severe conflicts arise over ownership or access to land</p>
<p>2.1 Hire financial agents and credit officers at the NCU and PEU levels and review agreements, by-laws and manuals</p> <p>2.2 Establish the credit fund</p> <p>2.3 Disburse and recover subloans</p> <p>2.4 Decide on support to the SGR</p>	<p>Credit by-laws approved in first year of each province's participation</p> <p>Trust fund agreement signed and operational in first year of participation of each province</p> <p>Credit committee established in each province after signing trust fund agreement</p> <p>Disbursements are carried out as programmed every year</p> <p>Information on borrowers is registered in the PRODERNEA Risk Database</p> <p>Study on the SGR contracted in 2002</p> <p>Resources allocated to support the SGR are disbursed in year 2003</p>	<p>Annual workplan and process documentation of NCU and PEUs</p> <p>Trust fund agreements</p> <p>Credit committee minutes</p> <p>Monitoring information system on disbursements and activities</p> <p>Terms of reference and contract for the SGR study</p>	<p>Budget is available and recruitment of project staff is carried out through transparent technical processes</p> <p>Bank's financial and managerial situation is sound and acceptable</p> <p>There are no new regulations at the national or provincial levels that require the introduction of major changes in component's proposal for agreements and by-laws</p> <p>The SGR legal mechanism is not eliminated or modified to an extent that makes it not convenient for project purposes</p>

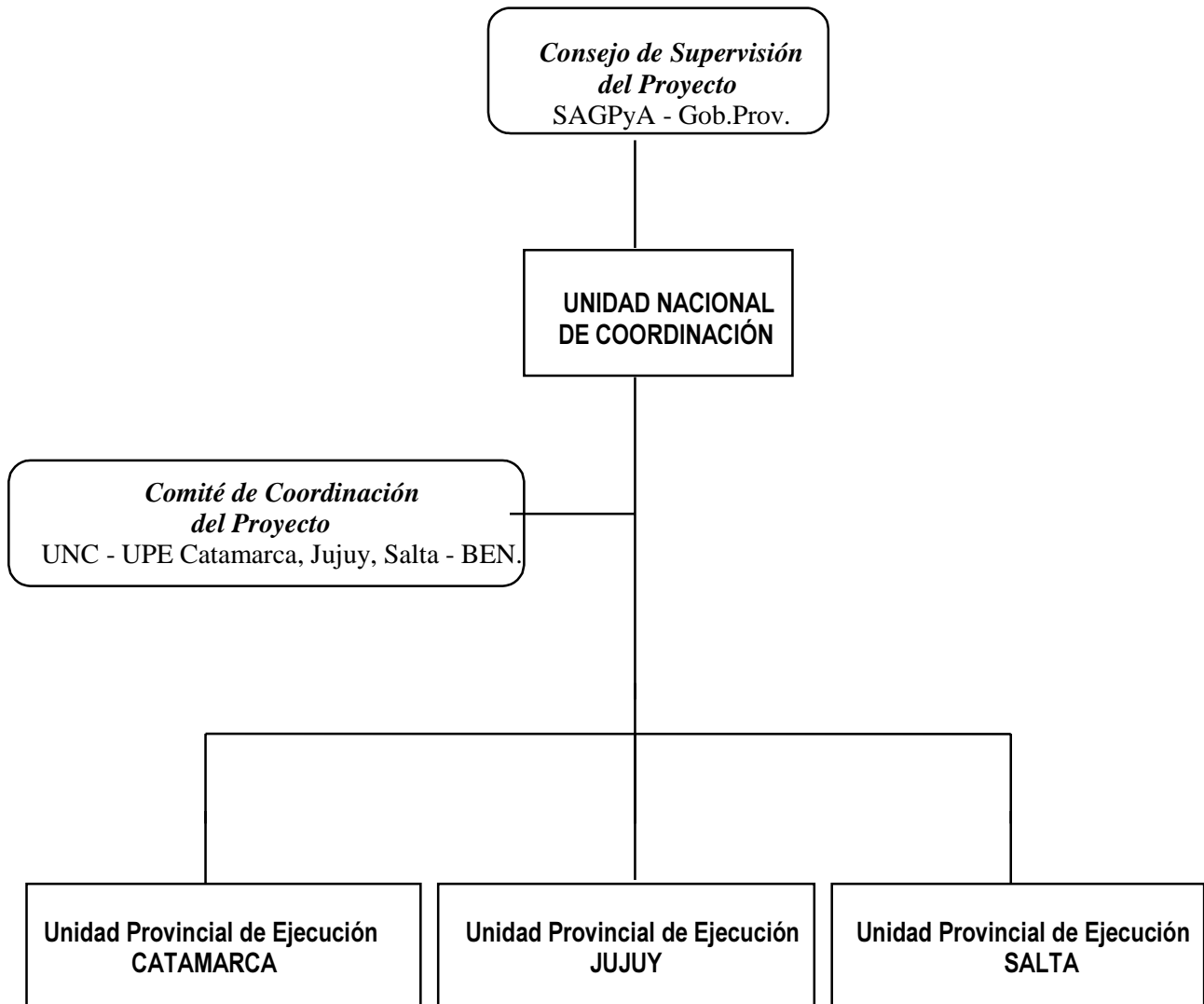
NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>3.1 Review and approve by-laws and procedures for approval of initiatives and financial disbursements</p> <p>3.2 Foster the participation of most vulnerable sectors within the target group, assess their demands and needs through participatory processes in order to identify and formulate programmes and subprojects</p> <p>3.3 Contract qualified professionals to implement the technical services module of subprojects to beneficiary satisfaction</p> <p>3.4 Make suitable administrative and financial arrangements for transferring subsidies with beneficiary groups, other programmes and institutions, NGOs or professionals</p> <p>3.5 Formulate and finance institution building subprojects for farmers' organizations</p>	<p>Focused programmes by-laws approved in first year of participation of each province</p> <p>Participatory diagnosis for eligible groups and communities contracted and carried out</p> <p>Subprojects submitted to the POC by eligible beneficiaries every year as planned</p> <p>Agreements reached with groups and/or other entities for implementing projects and disbursing funds and are signed and operational</p> <p>Contracts for technical services to beneficiaries signed and operational</p> <p>Business plan for farmers' organizations formulated and agreements for implementation reached, signed and operational</p>	<p>Annual workplan and process documentation of NCU and PEUs</p> <p>POC minutes</p> <p>Proposals from groups</p> <p>Agreements and contracts signed</p> <p>Monitoring system reports</p>	<p>Budget is available</p> <p>PSA-PROINDER do not change targeting and/or instruments and are willing to coordinate and cooperate with the project</p> <p>Programmes, municipalities, NGOs or farmers' organizations are willing to participate in administrative and financial arrangements for disbursement of subsidies and have transparent and acceptable procedures</p>
<p>4.1 Create, equip and staff PEU in each province</p> <p>4.2 Coordinate implementation of all activities and set up committees at the national and provincial levels</p> <p>4.3 Design and implement project monitoring scheme</p> <p>4.4 Contract-out evaluation studies</p> <p>4.5 Formulate annual workplan at the provincial level and coordinate formulation and approval of same at the national level</p> <p>4.6 Proceed with disbursements, reporting to the Government, the cooperating institution and IFAD</p>	<p>Regional gender specialist hired at project implementation inception</p> <p>Information system design contracted, implemented and operational</p> <p>Regional monitoring specialist hired at project implementation inception</p> <p>Design of project monitoring system contracted, implemented and operational</p> <p>PSC and PCC at the national level are established in first year of project implementation and are meeting regularly</p> <p>PPCs, PSCs and POCs established in first year of participation of each province and are meeting regularly</p> <p>Evaluation studies contracted and completed</p> <p>Annual workplans formulated every year according to schedule</p> <p>Disbursements executed as planned every year</p> <p>External audits performed every year</p>	<p>Process documentation of the NCU and PEUs</p> <p>Annual workplans</p> <p>Council and committees minutes</p> <p>Monitoring reports</p> <p>Evaluation studies</p> <p>Accounting and audit reports</p>	<p>Budget is available and recruitment of project staff is carried out through transparent technical processes</p> <p>Budget availability is not suddenly interrupted during project execution</p> <p>Institutions and programmes are willing to coordinate efforts at the local level and to hold open discussions on annual workplans</p>





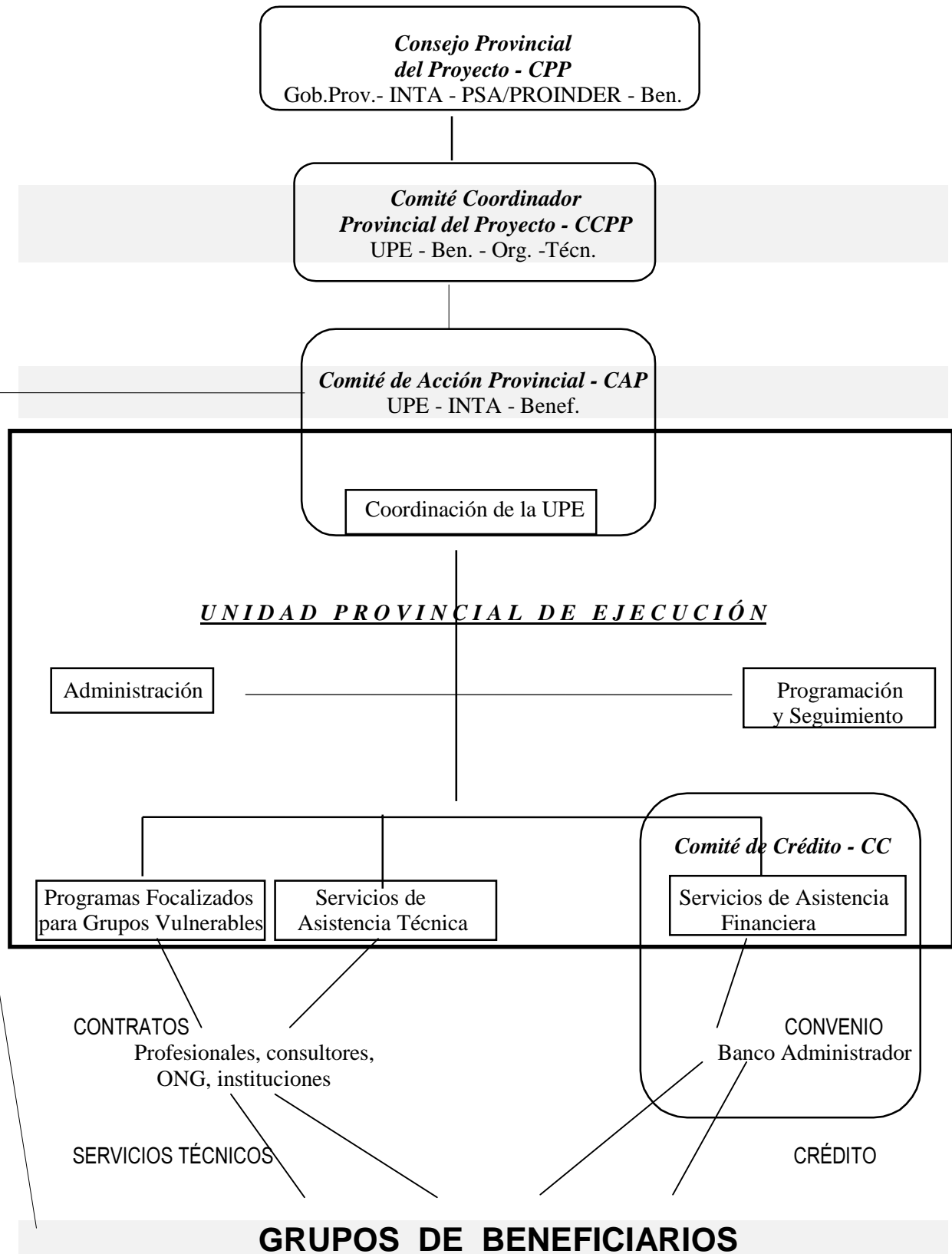
ORGANIZATION AND MANAGEMENT

ORGANIZACIÓN PARA LA EJECUCIÓN A NIVEL NACIONAL



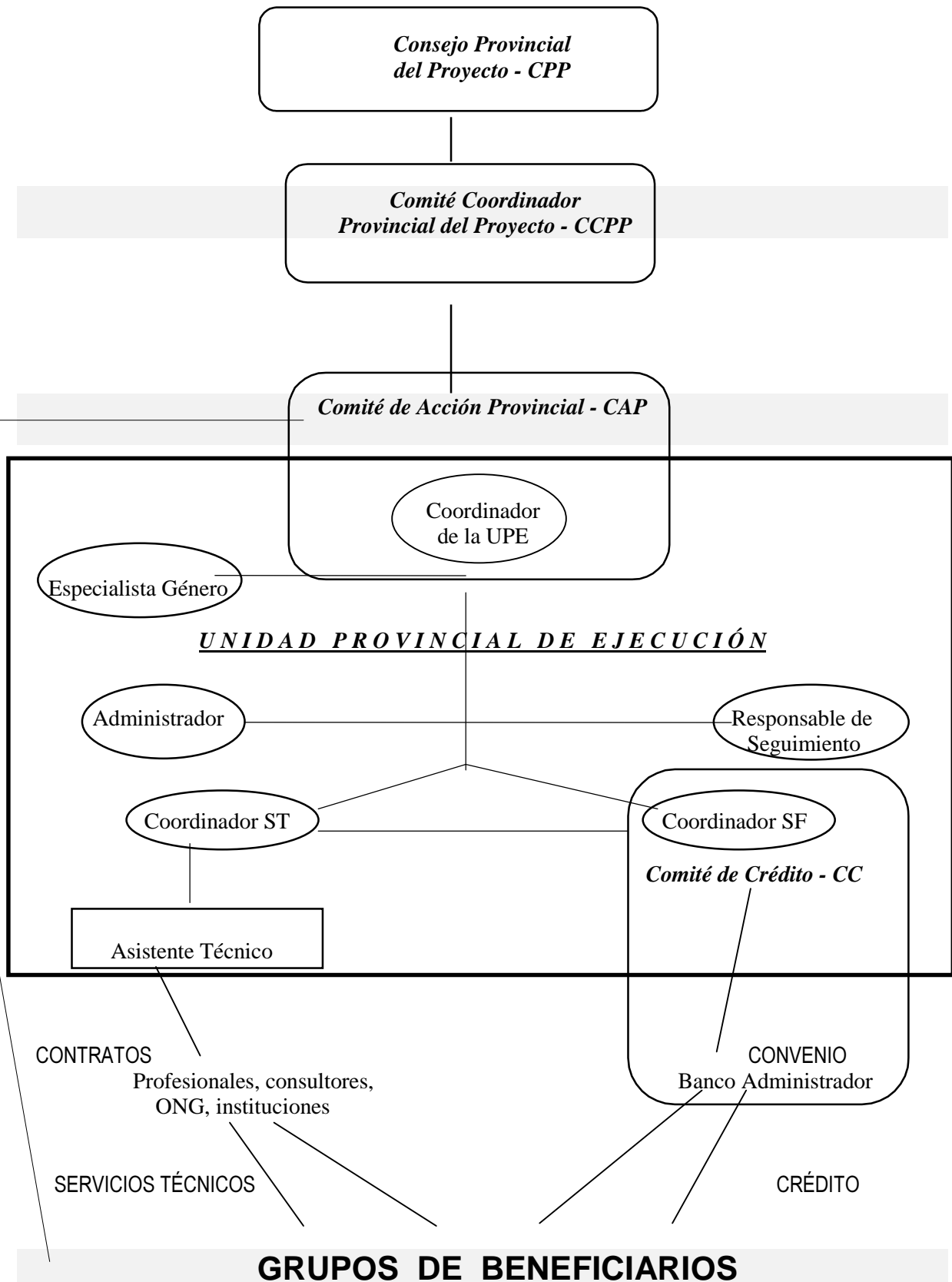


ORGANIZACIÓN PARA LA EJECUCIÓN A NIVEL PROVINCIAL





ORGANIZACIÓN PARA LA EJECUCIÓN A NIVEL PROVINCIAL



**ECONOMIC AND FINANCIAL ANALYSIS****Internal Rate of Return (USD '000)**

Year	Incremental Gross Benefits Value	Investment Value	Inputs Costs	Family Labour Cost	Total Project Cost	Project Operation Costs (Years 5-20)	Net Incremental Benefits
0		2.712			3.592		-6.303
1	2.282	5.423	1.571	731	5.365		-10.808
2	7.865	4.067	4.721	2.193	4.508		-7.626
3	14.830	1.356	7.258	3.290	2.255		672
4	20.798		8.393	3.656	1.282		7.468
5	24.641		8.791	3.656		628	11.567
6	26.827		9.142	3.656		628	13.401
7	27.723		9.338	3.656		628	14.102
8	27.973		9.401	3.656		628	14.289
9	27.973		9.401	3.656		628	14.289
10	27.973		9.401	3.656		628	14.289
Internal Rate of Return							24,6%
Actualization Rate							9,0%
Cost/Benefits Ratio							24.019
Cost/Benefits Ratio							1,39

Sensitivity Analysis

		IRR	NPV (USD '000)	B/C
1. Project		24,6%	24.019	1,39
2. Reduction in benefits				
	10%	17,9%	12.935	1,25
	20%	10,4%	1.852	1,11
3. Increase in costs				
	10%	18,6%	15.337	1,27
	20%	13,0%	6.656	1,16
4. Delay (years)				
	1 año	19,7%	15.448	1,20
	2 años	14,7%	7.585	1,11
	3 años	9,3%	371	1,01