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Enabling poor rural people  
to overcome poverty

## **The Argentine Republic**

### **Completion Evaluation**

#### **Executive Summary and Agreement at Completion Point of the Rural Development Project for the Northeastern Provinces**

Evaluation Committee — Fifty-seventh session  
Rome, 20-21 July 2009

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For: **Review**

## **Note to Evaluation Committee members**

This document is submitted for review by the Evaluation Committee.

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## **Abbreviations and acronyms**

CAF	Andean Development Corporation
FACA	special fund for indigenous communities
IDB	Inter-American Development Bank
M&E	monitoring and evaluation
PNEA	Programme of Credit and Technical Support for Small Producers in Northeast Argentina
PRODERNEA	Rural Development Project for the North-Eastern Provinces
REAF	Commission on Family Farming
SAGPyA	Secretariat of Agriculture, Livestock, Fisheries and Food
UNC	National Coordination Unit
UPE	provincial implementation unit

# The Argentine Republic

## Rural Development Project for the Northeastern Provinces

Completion Evaluation - Map of the project area



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.

Map compiled by IFAD



## Completion Evaluation

### Rural Development Project for the Northeastern Provinces

#### Part A – Executive summary

##### I. Introduction

##### A. Country background

1. Argentina is the second largest country in South America, after Brazil, with a total surface area close to 2.8 million km<sup>2</sup>. It has a population of 39.8 million (2008), 89 per cent of whom reside in urban areas. One out of three people live in Buenos Aires. Argentina has the third largest economy in Latin America (after Brazil and Mexico) and it is classified as an upper middle-income country according to the World Bank, with a GNP per capita of US\$6,050 in 2007.
2. The period from 1995 to 2007 (which coincided with the implementation of the Rural Development Project for the Northeastern Provinces) was particularly complex and unstable economically, socially and politically in Argentina. The failure of the neo-liberal economic model (privatization, trade liberalization, reduction of the state) in Argentina in the second half of the 1990s led to a severe economic and social crisis between 1999 and 2002 that slashed GDP by 20 per cent and brought significant setbacks to standards of living. Since then, the Argentine economy has made a rapid recovery and is today one of the continent's most dynamic, with annual growth rates of around 8 per cent over the last five years.
3. The agricultural sector contributed 9.5 per cent of GDP in 2007, down from 11 per cent in 2003. Crops generate almost 60 per cent of the sector's value added and livestock 38 per cent. Argentina is the second largest agricultural exporter in the Latin American region and the third world producer of beef, soybeans and cereals. Agricultural production is concentrated in the Pampean region (accounting for 87 per cent of the country's arable land and 80 per cent of the total GDP of the sector), where extensive and highly mechanized production systems are the norm. However, the rural population in this region represent only 32 per cent of the country's total rural population. Agriculture in other regions of the country (extra-Pampean) has developed producing a wide range of crops (sugar, tobacco, *mate* tea, tung, cotton, wine and fruit) using a range of technology under diverse conditions, both rainfed and irrigated. This expansion is linked with local and regional agro-industrial development. The total number of small producers is between 210,000 and 220,000. These are farming families who work on small plots with little capital and are generally not integrated into agrifood chains.
4. Rural poverty is concentrated and is markedly higher in the north-east and north-west of the country. The latest data collected in the first half of 2008 show that, for the whole of the country, 17.8 per cent of the population live below the poverty line (US\$2.8 per day) and 5.1 per cent below the indigence line (US\$1.2 per day).<sup>1</sup> For the north-east and north-west regions, these percentages are about 30 per cent and 9 per cent respectively. During the period of crisis in the country, broad social sectors saw their living conditions deteriorate markedly. In 2002 (at the peak of the crisis), the level of people who were poor reached 57.7 per cent (double the 1998 figure of 28.5 per cent). The incidence of poverty was much higher in rural areas,

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<sup>1</sup> The assessment of poverty takes into consideration the relation between income and basic needs. Poverty is defined as the level of income that does not allow access to a basic consumption basket, and indigence refers to a level of income that does not allow access to a basic, exclusively food basket (Household Permanent Survey, National Statistics and Census Institute).

reaching 73 per cent according to a nationwide survey conducted by the World Bank in 2002.

5. The country's approach to rural poverty alleviation evolved markedly during the project implementation period. In the late 1990s (within the framework of an agriculture model focused on highly competitive export agriculture), support to vulnerable groups was mostly regarded as compensatory assistance. After the crisis, the Government of Argentina adopted a new approach that envisaged more social inclusion, a strengthening of the production potential of small beneficiaries and promotion of access to markets.
6. Despite the general recovery recorded since 2002, many small and medium-sized farmers have not overcome the effects of the crisis and their situation is still precarious. Between 1998 and 2002, around 100,000 small and medium-sized agricultural holdings disappeared, either abandoned or absorbed into larger holdings. Land rights regularization remains an important outstanding issue for the small producer, with approximately 40,000 agricultural holdings without title/ownership. The general context of rural financial services in Argentina is characterized by limited institutional capacity, with insufficient players in the financial system to serve small farmers.
7. **IFAD-funded operations in Argentina.** Since the beginning of its operations in Argentina in 1988, IFAD has financed five projects in the country for a total loan amount of US\$84 million, and total project cost of US\$158 million (including cofinancing from other development institutions and national counterpart contributions from the Government and beneficiaries). Two of these projects are closed, two are ongoing (one in the north-west and one in the Patagonia region in the south) and one – with national coverage – has recently been signed by the Government of Argentina. The only country strategic opportunities programme (COSOP) prepared for Argentina was adopted in 2004. It states that IFAD-funded operations should concentrate on income generation, human and social capital development, strengthening of public-sector capacity and enhanced interaction with provincial governments.

## **B. The project**

8. The Rural Development Project for the North-Eastern Provinces (PRODERNEA) was formulated and appraised by IFAD in 1995, and approved by the IFAD Executive Board in April 1996. The loan was signed in September 1997 and became effective in October 1998, twenty-nine months after Board approval. After the first four years of very limited progress in implementation, the Government of Argentina and IFAD decided to reorient the project and a loan amendment was approved by the President of IFAD in December 2003. The project was closed in December 2007 after being extended three years beyond its original closing date. The project's executing agency was the Secretariat of Agriculture, Livestock, Fisheries and Food (SAGPyA) and the ministries of production or agriculture in each of the provinces covered (Formosa, Chaco, Corrientes and Misiones).
9. At the time of Board approval, the estimated total project cost was US\$36.4 million. The IFAD loan<sup>2</sup> of US\$16.5 million was provided on ordinary terms.<sup>3</sup> A further US\$11.6 million was to be provided by the Government (US\$11 million from the provinces and US\$0.6 million from the SAGPyA) and US\$8.3 million as cofinancing by the Inter-American Development Bank (IDB), funded through the Provincial Agriculture Services Programme. After the loan amendment, the IDB cofinancing was cancelled and the contribution from the provinces significantly reduced (see paragraph 19). As at December 2007, total project costs stood at US\$20.4 million

<sup>2</sup> The loan agreement was signed with the national Government. Subsidiary loan agreements were subsequently signed between the national Government and each of the provincial governments.

<sup>3</sup> IFAD lends on highly concessional, intermediary or ordinary terms. Ordinary terms are close to market conditions and are usually reserved for middle-income countries.



(US\$16.5 million from IFAD and US\$3.9 million from the Government) and 99 per cent of the IFAD loan had been disbursed. The Andean Development Corporation (CAF) acted as IFAD's cooperating institution and was responsible for loan administration and project supervision.

10. PRODERNEA was the second phase of the IFAD-funded Programme of Credit and Technical Support for Small Producers in Northeast Argentina (PNEA), which closed in 1996. PNEA's main objectives were to promote access to credit and to strengthen farmer's organizations. PNEA was a pioneering programme in a region – and a country – that had very little prior development experience of working with small-scale producers.
11. PRODERNEA's overall objective was to contribute to overcoming the root causes of poverty in the north-east by strengthening the productive capacity of human and natural resources among rural poor people, small producers and indigenous peoples in the north-eastern region, through a sustainable increase in incomes and self-management capacity. The project's specific objectives were: to increase income from productive activities, diversifying production and adopting new technologies; to promote and consolidate small producers' organizations; to contribute to natural resource conservation; and to strengthen public and private rural development institutions in the region.
12. In order to achieve its objectives, the project included four main components: (i) technical services in support of production; (ii) financial services in support of production; (iii) a special fund for indigenous communities (FACA); and (iv) project organization and administration. A specific gender perspective was to be applied across the components with the aim of integrating women into all project activities. After project reorientation, the participation of rural youth was also underlined as a cross-cutting priority.
13. PRODERNEA was implemented in the four north-east provinces (Chaco, Corrientes, Formosa and Misiones), covering an area of more than 200,000 km<sup>2</sup> and involving three agroproductive regions, including semi-arid zones in the *Chaco seco*. The project targeted 53,000 people,<sup>4</sup> including 10,550 indigenous families. The total number of direct beneficiaries was estimated at 14,020, including 10,570 *criollos* and 3,450 indigenous families. The largest concentration of beneficiaries – 5,310 families – was found in Misiones.

## **II. Evaluation objectives, methodology and processes**

14. The completion evaluation of the PRODERNEA project was requested by the Executive Board as part of the annual work programme and budget of the Office of Evaluation (OE) for 2008. The evaluation of the project was conducted by OE from April to December 2008. The evaluation is expected to inform the planned country programme evaluation to be conducted by the Office of Evaluation in 2009.
15. The evaluation had two main objectives: (i) to assess the project's performance and impact; and (ii) to generate a series of findings and recommendations for the design and implementation of other IFAD-funded projects in the country. The evaluation adopted the latest methodology for project evaluations developed by OE, as contained in its Evaluation Manual. This included a focus on assessing the: (i) performance of the project, measured in terms of relevance, effectiveness and

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<sup>4</sup> The target population was constituted by the rural poor in the four provinces of the north-east. The targeting criteria used were the following: farms up to 25 hectares; net annual income below US\$2,500 per family; settlers with regularized land titles occupying land in the agricultural frontier; indigenous peoples.

efficiency;<sup>5</sup> (ii) rural poverty reduction impact,<sup>6</sup> disaggregated by five impact domains (household income and assets, human and social capital and people's empowerment, food security and agricultural productivity, natural resources and the environment, and institutions and policies); (iii) other performance criteria of sustainability, innovation, replication and scaling up; and (iv) performance of partners, including IFAD, the Government and CAF. Each of the above-mentioned criteria has been rated on a six-point scale.<sup>7</sup>

16. The evaluation comprised three distinct phases: (i) the preparatory phase, which entailed the writing of the approach paper, recruitment of the team of consultants for the evaluation and a desk review of available documents;<sup>8</sup> (ii) the fieldwork phase, which consisted of a preparatory mission by the lead evaluator and the consultant's team leader in the first week of June 2008, and the main multidisciplinary evaluation mission in July 2008; and (iii) the report-writing phase, which entailed data and information analysis plus report preparation, including the consideration of comments from IFAD's Latin America and the Caribbean Division (PL) and the Government of Argentina. During the fieldwork phase, the mission held discussions in Buenos Aires with government partners at the central level such as representatives of SAGPyA (including the project management unit), the Ministry of Economy and Public Finances and the Rural Development Commission. The mission also met with international financial institutions present in the country (World Bank and IDB), representatives from the special Commission on Family Farming (REAF), NGOs and research institutions such as the Centre for Studies on State and Society (CEDES).
17. The evaluation team travelled to the four provinces covered by the project and met with representatives from the relevant ministries responsible for implementation (Ministry of Production or Ministry of Agriculture). The mission visited a stratified sample of 22 groups of beneficiaries in the four provinces, including cooperatives, and indigenous communities. The criteria used for selection of the groups included: geographic coverage, productive sector, agroecological conditions and degree of success achieved. Finally, evaluation findings and recommendations were discussed during a learning workshop held in Buenos Aires on 15 December 2008.

### III. Implementation results

18. The implementation of the project should be analysed in two stages: (i) the initial one, from 1998 until late 2002, which ended with a reorientation of the project that made important changes to the original design; and (ii) a second one, from 2003 to closure in 2007. During the first stage, project implementation encountered significant administrative, legal, bureaucratic and political difficulties, which added to the critical situation faced by the country and resulted in an initial slow pace of progress. At the beginning, only the Misiones province joined the project; Chaco joined three years later, Formosa began its support to the beneficiaries on the fifth year (2003) and Corrientes started in the sixth year (2004). This delay is explained by a combination of: (i) financial issues (constraints faced by the provinces in meeting counterpart funding commitments in the context of the economic crisis); and (ii) slow processing of legal and administrative requirements such as approval

<sup>5</sup> Relevance is defined as the extent to which project objectives are consistent with: the needs of rural poor people; IFAD's strategic framework and policies; and the country's current policies and strategies for poverty reduction. The assessment of relevance also covers the internal coherence of design (quality of the logical framework, choice of approaches and activities) and adequacy of resources to meet the project's objectives. Effectiveness is defined as the extent to which project objectives were achieved at project completion. Efficiency is a measure of how economically inputs (funds, expertise, time, etc.) were converted to outputs.

<sup>6</sup> Rural poverty impact is defined as the intended or unintended changes in the lives of rural poor people – as perceived by them and their partners at the time of the evaluation – to which the project's interventions have contributed.

<sup>7</sup> Ratings are given on a scale from 1 to 6, with 6 = highly satisfactory; 5 = satisfactory; 4 = moderately satisfactory; 3 = moderately unsatisfactory; 2 = unsatisfactory; and 1 = highly unsatisfactory.

<sup>8</sup> A completion report was prepared by the project in 2008 following the structure suggested by the OE Evaluation Manual. In addition, the evaluation benefited from the availability of a significant mass of analytical work and self-evaluation carried out by the project.

of authorizations to assume debt at the provincial and national level. Project implementation was concentrated in the years subsequent to the reorientation (75 per cent of the resources were disbursed after 2003), and particularly in the subperiod 2005-2007.

19. The expected participation of the IDB-Provincial Agricultural Services Programme did not materialize. These resources were redirected – at the request of the Government of Argentina – to support activities aimed at mitigating emergencies resulting from the crisis that occurred in the country between 1999 and 2002. The non-realization of cofinancing from IDB posed a major challenge to implementation in the first part of the project, not only because it represented 23 per cent of the original project cost, but because it was to finance 50 per cent of the technical support.
20. The loan amendment did not modify the project objectives, target population or project area, which remained as established at design. On the other hand, the amendment did affect the project's completion date (extended to June 2007), the strategy of some components, implementation arrangements and the budget. It was agreed that the provinces would be relieved of their counterpart funding commitments and that the financing of private technical assistance, training and commercialization activities would be transferred from the provinces to the National Coordination Unit (UNC). The project evolved in line with the new political perspective on rural development of the new Government: reinforcing participatory mechanisms (see section IV on relevance); strengthening the commercialization angle; and aiming to position beneficiaries within value chains.
21. The significant reduction in project resources after the cancellation of the IDB cofinancing and the provincial contributions was somewhat offset by the marked devaluation of the Argentine peso after the crisis, which multiplied by three the amount of resources in local currency of the remaining US\$12.1 million from the IFAD loan.
22. **Technical support services component.** This component is subdivided into three subcomponents: (i) technical productive services in areas such as feeding techniques, improved breeding, use of fertilizers and pest control (approximately 35 per cent of total project resources in its original version); (ii) business and enterprise development (5 per cent); and (iii) training and communication (4 per cent). The component financed 527 individual subprojects that supported the introduction of techniques such as drip irrigation systems, mechanization of soil preparation, cultivation under cover, as well as the consolidation of rural businesses through partnership strategies.
23. The number of beneficiaries who received technical assistance was 3,456 (32.7 per cent of the ex ante target of 10,570 beneficiaries). This low level of target compliance might be explained by two main factors: (i) the conservative strategy adopted by the project to credit delivery in an unstable economic environment, resulting in the application of strict economic and financial viability criteria; and (ii) overestimation at the design stage of the number of members per group (15-20 members) compared with the 7-8 member groups that transpired as a result of the high dispersion of beneficiaries. Some groups only received technical support to develop a project, while others received assistance also in implementation.
24. The productive orientation of the project interventions reveals a clear predominance of cattle (179 subprojects, 34 per cent of a total of 527 subprojects) and horticulture/agriculture (113 subprojects or 22 per cent of total). Activities related to goat's meat were next in importance (75 sub-projects, 14 per cent of total funding), followed by bee-keeping subprojects (50 projects, 9.4 per cent of total).
25. Technical assistance was provided by public and private technical services, in different combinations according to the province. Private technical services were

funded by the UNC at the request of the province, in accordance with the technical assistance plan of each subproject. The transfer of funds directly to beneficiaries for procurement of technical assistance – foreseen in the original design – was very limited. Similarly, there was no evidence of co-payment by beneficiaries to cover the cost of technical assistance.

26. The business development and market access subcomponent funded 56 subprojects (e.g. small cheese factories, saw mills, honey production, handicrafts) to support the implementation of new activities, business management, participation in trade fairs (at the regional and national level) and trade shows.
27. A total of 8,455 families received training (below the target of 10,000) on a variety of topics, including organic certification, blacksmithing, fish farming, fruit and vegetable dehydration, and artificial insemination. Furthermore, two courses were funded for rural development agents, benefiting around 70 young people from the north-east and north-west regions, on a range of themes (public policies, leadership, economic development, formulation and evaluation of projects and others).
28. **Financial services to support production component.** A total of 3,725 beneficiaries had received credit at project closure and the total credit disbursed amounted to US\$6.5 million (exceeding the amount of US\$4.7 million foreseen at design). The average loan was US\$1,740. During the first three years, progress in the disbursement of loans was very slow (69 loans to 441 people totalling US\$1.56 million) due to limited outreach activities by the financial intermediaries and the low level of participation by beneficiaries in project design. After the reformulation of the project, disbursement advanced significantly. The majority (60 per cent) of loans were disbursed over a period of two years (2005-2006). During 2006, nearly US\$2 million was disbursed.
29. Most of the loans (71 per cent) were destined for animal production units, while 18 per cent went to agriculture and only 11 per cent to other production activities (e.g. processing, marketing, handicrafts and services). Most of the credit was used for capital increases in livestock, machinery (e.g. scales, tractors, harvesters) and productive infrastructure such as greenhouses.
30. The rural credit funding mechanism for small producers implemented by PRODERNEA was very flexible in terms of: (i) the programming period (of two, five and even 10 years); (ii) grace periods; and (iii) frequency of annual or semi-annual payments. In many cases, at the request of the producer, the timetable for repayment was rescheduled. Credit granted to beneficiary groups was backed by a joint guarantee mechanism. The organization of the groups was primarily motivated by the requirement imposed by the project's credit handbook, which allowed credit to be extended to groups, but not to individuals.
31. The component was implemented through agreements signed between the provincial implementation units (UPE) and the provincial banks (most of them privatized in the 1990s). The intention was clearly to: (i) dissociate the role of the UPE as the institution responsible for technical support from the role of the financial institution responsible for the credit; and (ii) involve banks in the management of credit. In practice, the banks were only used to disburse the resources and receive payments, but had no role in the management of credit, neither in its review and approval phase nor in the recovery and encashment phase.
32. In addition to the provision of credit to groups of producers, in the province of Misiones the project provided credit to formal associations and cooperatives. The cooperative assumed the responsibility of selecting the credit beneficiaries from among its members, supported the preparation of investment plans, and ensured loan collection, which was flexible and consistent with the production process of each cooperative partner.

33. **Special fund for indigenous communities component.** The FACA component implemented a total of 85 projects totalling US\$1.9 million, for a total of 5,490 beneficiaries (70 per cent above the targets). This increased reach could be explained by the larger number of beneficiaries that integrate the communities supported (compared to estimated targets), as well as by the existence of groups of beneficiaries already conformed prior to the project, which facilitated implementation.
34. Out of the 85 subprojects implemented, 38 were dedicated to productive activities and 47 to infrastructure. Productive activities concentrated on self-consumption (e.g. fruit orchards, maize and cassava) and on support to small-scale agricultural production (livestock, goats, bee-keeping and crafts). Commercialization is still incipient. Community infrastructure financed by the project benefited more than 4,000 families, providing access to services such as water and electricity. The funds allocated to the beneficiaries were non-refundable. Two subcomponents included at the design stage (support for land measurement and land-titling, and establishment of a revolving fund) were never implemented (see paragraph 45).
35. **Project organization and administration.** Overall project management and administration were carried out by the UNC, which is part of the SAGPyA and is located in Buenos Aires. The implementation of project components, financial administration, programming, and monitoring and evaluation (M&E) was the responsibility of the four provincial implementation units located within the relevant ministry (of production or agriculture) in each of the provinces covered by the project. After loan amendment, the UNC not only provided overall coordination, but also participated in implementing some activities such as the provision of private technical assistance. The top decision-making organ was the Project Coordinating Council, which represented the UNC, the UPEs and other government authorities. M&E was undertaken by a coordinator in the UNC and by focal points in each UPE. The project produced a large volume of technical documentation and participatory self-evaluations, which provided an opportunity for stocktaking and lesson learning. However, a dynamic and accurate M&E system could not be installed to provide continuous monitoring of activities, correct deviations with greater precision and facilitate the assessment of project performance and impact, as an M&E plan was designed only after reorientation.
36. **Gender.** The incorporation of the gender perspective was the responsibility of a national focal point for gender in the UNC and three provincial focal points in each of the UPEs (one province never appointed a gender focal point). The project provided training on gender issues to 150 technicians and project staff (against a target of 200) and promoted women's participation in all project activities. At project completion, women represented around one quarter (24 per cent) of the total beneficiaries, below the target of 35 per cent set at design.
37. **Youth.** After its reorientation, the project emphasized support to young people and sought to facilitate their permanence in rural areas by offering them opportunities to enter into productive activities. A total of 3,500 young people (well above the 1,000 target) received vocational training in the four provinces and of these, 434 (11 per cent of beneficiaries) also received technical assistance and credit.

## IV. Project performance

### A. Relevance

38. The original project objective was relevant to the needs of the rural poor in the north-east region, focusing on the provision of production support services – technical assistance and access to credit – as essential levers of development for the target population. However, despite the project's decentralized implementation arrangements, decision-making authority was initially too centralized, resulting in difficult relations between the central and provincial levels and a low level of

ownership by the provinces. Moreover, the provision of services was mostly supply-driven, with little participation by the beneficiaries.

39. Following the reorientation approved in 2003, project design was consistent with the new political and economic approach adopted in Argentina after the crisis and with IFAD's strategy in the country as set forth in the 2004 Argentina COSOP. The project's new approach focused on: favouring a development model with greater social inclusion of beneficiaries, increasing the leading role of the provinces, selecting high-potential production units, moving closer to markets and positioning beneficiaries within virtuous value chains. On the other hand, the design did not assign sufficient importance to two key issues: (i) the land tenure situation, including the promotion of norms on land use, combating evictions and the provision of healthy land titles; and (ii) the region's ecological conditions, which are affected by periodic drought and especially persistent flooding, both very harmful to production.
40. PRODERNEA's decentralization approach is consistent with the principles underlying Argentina's constitution, and is widely recognized as positive in comparison with other national projects with a more centralized approach. The provincial governments took on financial responsibilities (subsidiary loan agreements) as well as operational ones (administration and implementation), and ultimately developed a sense of ownership of the project. On the other hand, the requisite for the provinces to obtain authorization to assume international debt (along with the capacity to respond to cofinancing commitments) involved a lengthy legal and administrative process at both the provincial and the national level. This represented a major bottleneck in the approval process and led to initial delays in implementation, slow incorporation of the provinces, cost increases and rescheduling of deadlines. In addition, the structure required to implement the project was complex and involved five implementation units (a national unit in Buenos Aires [the UNC] and one in each of the four provinces [UPEs]), which generated an intricate web of relations between the UNC and the UPEs, between the UPEs and the provincial governments, and between the UPEs and the service providers (technical and financial).
41. The provision of technical support services for production responded adequately to the demand of the beneficiaries. The technologies chosen were overall moderately demanding in knowledge (in line with the level of technical capacity of the producers) and were labour-intensive, therefore making greater use of the more abundant input in the project area. When more sophisticated techniques were provided, these were accompanied by the required level of technical assistance. The technologies and industrial production activities selected (e.g. small cheese factories, collection and processing of honey, high-tech early season horticulture) required group efforts, which overall were consistent with the social capital available in the groups visited.
42. The objective of developing a market for private technical services encountered difficulties due to: (i) lack of resources in the provinces in a context of austerity and spending constraints (in addition to the non-realization of cofinancing); and (ii) the existence of a long tradition of subsidized technical assistance. After project reorientation, the engagement of private technical assistance was facilitated since the responsibility and funding were transferred from the provinces to the UNC, which hired an officer specifically dedicated to technical services.
43. In relation to rural financial services, project design clearly identified the lack of access to financial services as a limiting factor for the development of the rural population of the north-east region. It also recognized the positive results of the credit experience in the PNEA, where credit was granted for the first time to a population excluded from formal financial systems. On the other hand, several weaknesses in PNEA were never properly tackled in PRODERNEA, even if they were

identified at the design stage. In particular: (i) the effects of political influence – which discourage credit collection and recovery in PNEA – were not addressed;<sup>9</sup> (ii) a mechanism to control portfolios at risk was not implemented; (iii) the credit was only linked to agricultural production, failing to implement more comprehensive rural credit and to include other instruments such as savings; and (iv) the motivation of participating banks was very limited.

44. As a result, the credit component was designed following a “classic” model (directed, with subsidized rates, operated from the provincial government) in an adverse context. In this sense, the debate is still pending on the viability of a credit facility in a highly dispersed population located away from administrative and financial centres, with low profitability production systems, high poverty and an aging population.
45. The indigenous peoples component was an innovation compared with the previous PNEA project as the latter had not included a focus on indigenous peoples in its objectives. The component’s strategy took into account the reform of the Constitution of 1994 with regard to issues such as respect for the identity and land property rights of indigenous peoples, as well as the adoption of International Labour Organization (ILO) Convention 169, which encourages governments to protect indigenous peoples’ rights and to allow them to identify their development priorities. The original design considered relevant issues for the indigenous peoples, e.g. land-titling, strengthening of indigenous culture, technical assistance to improve their capabilities and support to productive micro-initiatives. However, the design did not take into account sufficiently the conditions of extreme poverty and the situation regarding unmet basic needs of these communities, which resulted in the need to redirect the component to the creation of community infrastructure, mainly water supply. Moreover, although the design correctly acknowledged the cultural specificity and difficulties of working with indigenous peoples by recognizing the need for a specialized coordinator for the component and an indigenous representative positioned within provincial structures, these proposals were not implemented.
46. Project design envisaged a growing participation by women in the activities financed and promoted by the project. At implementation, it was necessary to amend credit regulations in order to allow women to obtain credit. Mixed groups were consolidated in the production and training activities, and existing women's groups were further reinforced. Young people were not part of the original design and were only considered after reorientation.
47. All in all, the evaluation concludes that the project’s relevance was moderately satisfactory.

## **B. Effectiveness**

48. Project effectiveness is assessed as the extent to which the development intervention’s objectives were achieved, taking into account their relative importance. It should be noted however that as some project objectives relate directly to the impact domains in the evaluation manual, these aspects will be dealt with under section V in order to avoid repetition.
49. **Increase income from productive activities, diversify production and adopt new technologies.** Income increased (see section V) as a result of improvements in the productive capacity of project beneficiaries combined with better access to markets. The project promoted diversification away from traditional crops such as tobacco and cotton to higher-value crops such as fruit, vegetables and flowers. In addition, other income-generating activities were promoted such as bee-keeping, small poultry farms or preparation of preserved foods.

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<sup>9</sup> In two provinces, the signature of the Minister was required for each credit transaction.

50. A sample of 41 subprojects revealed that 28 of them successfully incorporated ambitious technology (characterized by the development of new or significant changes in the production function). Overall, groups found the technical assistance valuable. The adoption of technology was facilitated by the comparatively high prices attainable for several products (horticultural produce, tropical fruit, milk, timber) and a sense of ownership by beneficiaries. On the other hand, several factors adversely affected the effectiveness of the component: (i) credit was not sufficient for the acquisition of key equipment (e.g. machinery for processing cassava in Corrientes and for plant collection and processing of honey in Chaco); (ii) the proposed technology, in general, lacked prior assessment (technical, economic, social and environmental) which adversely affected its quality and adoption; and (iii) excessive specialization in the field of technical production issues and too little attention to commercialization and the development of social capital and collective action.
51. The project contributed to access to new markets through participation in fairs, which offered the opportunity (especially in national fairs) to showcase traditional products, introduce new ones, understand consumers' requests and demands through direct contact, and develop communication and advertising materials. On the other hand, only a few initiatives were mature enough to go beyond this point. The support to more consolidated associations in the second phase of PRODERNEA (instead of small groups of producers) facilitated the promotion of linkages with regional economic organizations of producers and the formation to value chains.
52. As to credit, although the amounts granted exceeded post-reorientation targets, the approach adopted by PRODERNEA did not contribute to ensuring access by the rural poor to rural financial services, but rather provided loans to a relatively small group of people for a relatively short period of time. The objective of institutional sustainability was not achieved, since the credit fund was not institutionalized in a way that would have enabled it to operate beyond the confines of the project and after closing. The lack of a rural finance policy places a major constraint on financial service development in Argentina. In addition, the relative delay in this area with respect to other countries in the region compromises the sector's competitiveness.
53. The project was effective in improving the living conditions of indigenous communities by supporting community infrastructure projects, improving production for own consumption, and strengthening agricultural production and trade of handicrafts. On the other hand, their legal rights relative to their territories did not improve (the land-titling and land measurement subcomponent was not implemented).
54. **Promote and consolidate small producers' organizations.** The project contributed to this objective through provision of incentives to clustering producers, supported by training on planning and management skills. Most groups did not exist before PRODERNEA and formed in order to receive credit. Groups were formed based on proximity (family, neighbours) and trust. In contrast, the short implementation period in the provinces that joined later in the project constrained the potential of such groups to mature to higher levels of consolidation.
55. **Natural resource conservation.** No specific actions were planned and resources were not allocated to the promotion of environmental sustainability (to managing and conserving surface and underground water resources for instance) with the exception of the development of drinking water infrastructure in indigenous communities. Similarly, the project did not respond to harmful practices such as overgrazing or the over-exploitation and widespread elimination of native bush that have been exacerbated by the marked expansion of the agricultural frontier over the last five years.



56. **Strengthen public and private rural development institutions in the region.** The project has been effective in strengthening public rural development institutions at the national and provincial level. Results are particularly noteworthy at the provincial level, where there was very little experience of rural development interventions focused on small producers and capacity was very limited. Field extension workers received technical training, and the units created to implement the project have now been mainstreamed into the provincial administrations. In 2006, one of the provinces (Corrientes) signed an agreement with the National Institute of Agricultural Technology for the collaboration of their extension workers in the project.
57. **Gender.** The project was effective in fostering a gender perspective in its activities, promoting the active participation of women, and strengthening the capacity of public institutions in gender issues. However, despite project efforts, the presence of women and young people as beneficiaries, i.e. credit holders, was still relatively low. This might be explained by the prevalent patriarchal family structure in the areas covered by the project.
58. **Youth.** This objective was only partially met. Despite the project's acknowledgement of youth as a strategic actor in rural development, results were limited in the development of new initiatives led by young people. The project technicians' orientation towards agriculture activities did not respond to the alternative demands of young people in such areas as services and information technology.
59. Overall the evaluation found project effectiveness to be moderately satisfactory.

### C. Efficiency

60. Project efficiency was affected by a number of factors that increased administration costs such as the large area covered by the project, the high dispersion of beneficiaries in the target area and the heavy organizational structure that involved five implementation units. Organization and administration accounted for 29 per cent of total project costs, while at design they were budgeted at 11.5 per cent of total project costs. This marked increase is mostly explained by the reduction in the project budget (from US\$36.6 million at formulation to US\$20.3 million executed),<sup>10</sup> but also by the increase in administration costs resulting from the extended implementation period (nine years in total).
61. The cost per direct beneficiary was US\$1,837, which is comparable with other IFAD-funded projects in the country and lies in the moderate range of comparable projects in Argentina (such as the Project for the Development of Small Rural Producers [PROINDER]).<sup>11</sup> The ratio of private costs to returns cannot be estimated properly due to lack of information. However, some of the activities supported (related to greenhouse horticulture, ginger, cheese and high quality honey for example) show financial returns above 25 per cent.
62. The efficiency of the financial services rendered to the target population was affected by very low levels of disbursement of credit during the period 1999-2003, which did not allow adequate rotation of the portfolio. In addition, processing credit under PRODERNEA took too long (up to several months).
63. The cost of support for indigenous peoples was US\$284 per beneficiary. The difference (of 43 per cent) compared with the design figure of US\$499 could be explained by the increase in the numbers of beneficiaries and the decrease in the amount allocated per project. This cost is comparable with the US\$278 per

<sup>10</sup> In the original budget, organization and administration costs represented 16 per cent of total project costs, 4.5 per cent higher than the 11.5 per cent budgeted at design.

<sup>11</sup> Financed by the World Bank (75 per cent) and the national Government (25 per cent). The project cost approximately US\$44 million, covering 32,080 beneficiaries and resulting in an unitary cost of US\$1,350.

beneficiary allocated under the Indigenous Communities Development Project funded by the World Bank.

64. In conclusion, the evaluation considers the project's efficiency as moderately satisfactory.

## V. Rural poverty impact

65. **Household income and assets.** According to two studies<sup>12</sup> commissioned by the project, the net household income increased by around 35 per cent for the project beneficiaries with respect to the control groups. These results are more marked in Misiones and Corrientes. Positive changes in net assets were also noted, both in productive assets (e.g. livestock and agricultural capital goods such as silos, barns, warehouses, mills and Australian tanks) and in assets related to the improvement of living conditions (78 per cent of the beneficiaries had a refrigerator and 52 per cent had a telephone, versus 65 per cent and 51 per cent in the control group). The results of the study are commensurate with evidence collected from the fieldwork of the evaluation mission. Out of 22 groups visited, 11 registered a positive impact on earnings. In all provinces, between 40 and 60 per cent of groups used credit to purchase communal goods of varying degrees of complexity in terms of use and maintenance, ranging from an insemination syringe to a harvester. In indigenous communities, the main impact on this domain was the possibility of access to and management of money for craft projects and the introduction of new resources for family finances.
66. **Social capital and empowerment.** The establishment of regulations for common property use and the absence of disputes related to communal use are indicators of the degree of integration achieved within the groups. Despite shortcomings in participation mechanisms, beneficiaries continued to play a leading role in identifying subprojects, and the project's social acceptance rate was high. On the other hand, few groups made progress in autonomous organizational practices and most of the commercialization is still carried out on an individual basis. Women and young people have demonstrated strong commitment to productive activities and their participation in decision-making is increasing. In cooperatives, the results with social capital were significantly better, since these were based on a higher level of integration and took advantage of project support to access business networks and programmes at the regional level.
67. **Agricultural productivity and food security.** Agricultural productivity increased in all areas supported by the project as a result of technical assistance which allowed beneficiaries to be well informed about modern production technologies and improvements in productive infrastructure. The gains are more marked in new areas, mainly fruit and vegetables. Yields of fruits such as pineapple and papaya were comparable with levels obtained in the Brazilian areas close to the project, i.e. 60 tonnes per hectare per year for papaya and 10,000 per hectare per year for pineapple. For vegetables and fruit grown under cover (e.g. strawberry, tomato, peppers), the mission found increases of over 45 per cent in production. These results are linked to the use of inputs such as integrated pest control, fertilization with macro- and micro-nutrients, and plastic cover. Productivity has also increased – although to a lesser extent – in the production of milk and cheese, cattle and honey, in which there are still opportunities to improve the technological level. Food security in indigenous communities improved under the project, although it is still precarious.<sup>13</sup> Interviews with indigenous communities confirmed major improvements in terms of drinking water supplies and honey production. Similarly,

<sup>12</sup> The project commissioned two impact studies which included all four provinces covered by the project. The studies used statistically significant samples and included non-beneficiaries as a control group. One of the studies was conducted by the Latin America Faculty on Social Sciences (FLACSO).

<sup>13</sup> The percentage of indigenous households with unmet basic needs in the region covered by the project is the highest in the country.

increasing the number of goats changed consumption habits and producing carob flour rescued traditional food patterns in some communities such as the *Wichi*.

68. **Natural resources and environment.** Despite being a specific project objective, the project made no positive impact on natural resources and the environment, or on the development of environmental awareness to create favourable conditions for future sustainable development policies. In particular, the strategic value of water as a resource for both production and quality of life was not adequately recognized, even though this was a highly relevant consideration in large areas of the project where water is particularly scarce or its quality is being affected by contamination. It is striking that no study or publication on this topic was carried out, given that the project was characterized by significant production of analytical work and evaluations on the main themes of rural development.
69. **Institutions and policies.** The impact on institutions and policies is possibly one of the most significant results of the project. PRODERNEA was successful in its contribution to building capacity at both the national and the provincial level (to a large extent) to implement rural development programmes. Furthermore, it combined implementation of the project components with activities to increase the visibility of the small family producer sector and support the formulation of specific policies that recognize the importance of family production at the national level. These efforts, which revolved around actions by the national project coordinating unit, took various forms, particularly as of 2004. For instance, the project fostered a national debate on rural development in two main ways: providing technical and financial support to the National Family Agriculture Forum (FONAF);<sup>14</sup> and contributing experiences and documents to the discussion. In addition, the project participated in the REAF, which is the main discussion forum for smallholder agriculture issues at the subregional level within the framework of the Common Market of the South (MERCOSUR). One very important impact to which this institutional effort contributed was the creation in March 2008 of the Office of the Under-Secretary for Rural Development and Family Agriculture within SAGPyA.
70. As a limitation, it is noteworthy that, with the exception of two operations that were in the same coordination area as SAGPyA,<sup>15</sup> PRODERNEA did not take the action necessary to develop systematic and effective coordination with other projects or provincial or national institutions working at the same time in the project area.
71. Overall, the project's impact on rural poverty is satisfactory (5) with especially strong performance in policies and institutions.

## VI. Sustainability and innovation

72. **Sustainability.** The project involved all the main stakeholders at the national and provincial level in planning an exit strategy in 2005, reflecting its commitment to ensuring continuity after the conclusion of external support. Among the achievements of this strategy and serving as important pillars of sustainability were the gradual transfer of management responsibilities to beneficiaries' organizations, the commitment on the part of provincial governments to mainstream the provincial implementation units into their administrative structures and the strengthening of the institutional capacity of SAGPyA with the creation of the new Under-Secretary for Rural Development and Family Agriculture. Other factors contributing to the sustainability of project results were strong beneficiary ownership, the adoption of techniques that were appropriate to the needs and capacity of the beneficiaries and the fact that most of the economic activities supported were profitable.

<sup>14</sup> FONAF was developed in 2006 by SAGPyA as a participative forum for discussion at the national level. Two years later, the forum presented a document "Proposals for a rural development strategic plan" (2008) which synthesizes conclusions reached at various plenaries of the forum.

<sup>15</sup> Programa de Servicios Agrícolas Provinciales el proyecto de Desarrollo de pequeños Productores Agropecuarios (PROINDER).

73. On the other hand, the project's sustainability is constrained by two factors. First, despite the commitment expressed by provincial governments, their staff and budget resources were limited after project completion, constraining the ability to support the beneficiaries and provide them with further technical assistance. Second, due to the limited commitment of provincial banks, the project failed to implement an institutional credit fund to cater for beneficiaries after project closure. Overall, the prospects for the sustainability of project results are moderately satisfactory.
74. **Innovation, replication and scaling up.** The project promoted the introduction of innovations in different fields. From the institutional perspective, it is worth highlighting that despite the challenges faced, provincial management worked with national coordination through the UNC within SAGPyA. With regard to instruments, PRODERNEA adopted new practices such as: (i) trust funds for financial, technical and commercial assistance to beneficiaries which were managed by public or quasi-public agencies; (ii) outsourcing under the FACA component (craft marketing and commercialization) through an NGO; and (iii) a pilot agricultural insurance scheme. In relation to commercialization, the project promoted the holding of *ferias francas*,<sup>16</sup> livestock fairs for transparent marketing by small livestock producers and, in the last stage of the project, liaison with regional producers' organizations and linkages with commercial value chains. Pilot agricultural insurance on a national scale is an innovation being analyzed in the context of the REAF. Other innovations such as trust funds and outsourcing to NGOs are novel in the regional context.
75. It is also worth noting the project's contribution as a promoter of REAF, which has proved an innovative mechanism in both IFAD's regional programme and in other projects supported by the SAGPyA in Argentina. Moreover, the component supporting indigenous peoples is regarded in the context of public intervention in the north-eastern provinces as unique in its valuable differentiated targeting of highly vulnerable social groups in rural areas, offering an alternative to the traditional welfare-based approach.
76. Even though these innovations have been carried out in the project area, they have high potential for replication, which should be taken into account by the most recent project approved by IFAD in Argentina, the National Rural Areas Development Programme (PRODEAR), and future projects that involve indigenous peoples. On the other hand, IFAD's limited engagement with the larger donors present in the country might pose a challenge to ensuring replication and scaling up. All in all, the project's performance was satisfactory in promoting innovation.

## VII. Performance of partners

### IFAD

77. The assessment of IFAD's performance must consider two phases: (i) from formulation to reorientation in 2002 and (ii) from reorientation to closing. During the first phase, IFAD's overall performance was generally weak. At the design stage, IFAD did not ensure the necessary level of participation by either the provincial authorities or the beneficiaries and did not give sufficient consideration to lessons learned from previous projects, particularly in relation to financial services and the component in support of indigenous communities. Moreover, the guidance provided by IFAD Management during the initial years was poor in terms of its support to reinvigorating the project, notwithstanding the adverse political and economic context.
78. In the second phase, in the wave of renewed interest from the Government, IFAD showed commitment, flexibility and response capacity in light of the impact of the economic crisis of 2002 and the changes in the rural development strategy

<sup>16</sup> These fairs are organized in urban centres to facilitate the direct sale by rural producers to consumers, reducing drastically intermediary costs.

promoted by the new Government. IFAD reacted promptly to the Government's call to reorient the project in August 2003 and an amendment to the loan agreement was swiftly approved by IFAD's President in December 2003. The specific roles and responsibilities of IFAD were clearly delineated by the Project Operations Manual (developed in 1996 and amended in February 2003), which helped maintain a positive working relationship with the Argentine public sector and the beneficiaries, a noteworthy achievement in view of the conditions that were being experienced by the country. Since the project's reorientation, more active involvement by IFAD-funded regional programmes<sup>17</sup> was also promoted, which focused on enhancing monitoring and evaluation, market access and gender. Overall, taking into account IFAD's performance from design to project closure, its performance was found to be moderately satisfactory.

### **Government**

79. Similar to IFAD's case, the Government's performance is markedly different in the pre- and post-reorientation stages. During the first phase, the performance was weak. The effectiveness of the project was delayed 30 months from the date of approval by the IFAD Executive Board in April 1996 and compliance with the terms of the loan was very limited. Tense relations between the Government and the provinces provided an unsuitable environment for good project implementation. Moreover, a deepening budget crisis hit the nation and the four provinces. As a result, during this first phase of implementation the planned counterpart resources were not secured and disbursements were delayed.
80. Since the reorientation in 2003, the new Government provided the project with adequate political support and assumed its related responsibilities. In this second phase, the Government regularized the contribution of counterpart resources and provision of disbursements, properly selected the UNC technical team and contributed to the integration and training of the UPE technical teams. The effort made by the UNC in commissioning studies on various areas covered by the project, and managing participatory evaluations is remarkable and constitutes a valuable conceptual and analytical asset. On the other hand, continuous monitoring as a management and performance assessment tool was weak overall.
81. The performance of the provincial governments was heterogeneous, reflecting the diversity of political and institutional cultures involved, the skills of the technical teams available, and the social and economic contexts in play. Ultimately, four strategies were implemented by the project, covering all components. The UNC faced a challenging task in pursuing compliance with the terms of the loan agreement while having to adapt to the specific circumstances of each province.
82. On balance, the Government's performance was found to be moderately satisfactory.

### **Andean Development Corporation**

83. Overall, CAF's performance was good in loan administration, operating efficiently, swiftly and with good technical competence. CAF complied with its responsibilities as defined in the loan agreement and suggested, in general, appropriate remedial action to implementation problems. It is worth highlighting the large quantity of documentation produced as well as the frequency of field visits. The documentation is mostly of an administrative character, while implementation support receives only limited attention. Overall, CAF's performance was satisfactory.

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<sup>17</sup> For example: the Programme for strengthening the regional Capacity on Evaluation of Rural-Poverty Alleviation projects in Latin America and the Caribbean (PREVAL); the Programme for the Support of Rural Micro-enterprises in Latin America (PROMER), and the Programme in support to Gender Equality (PROGENERO).

## VIII. Summary of ratings

84. The table below summarizes the evaluation ratings for the project.

### Performance of the Rural Development Project for the Northeastern Provinces in Argentina

<i>Evaluation criteria</i>	<i>Ratings</i>
<b>Project performance</b>	
Relevance	4
Effectiveness	4
Efficiency	4
<b>Overall project performance<sup>a</sup></b>	<b>4</b>
<b>Rural poverty impact</b>	
Household income and assets	5
Social capital and empowerment	4
Agricultural productivity and food security	5
Natural resources and the environment	3
Institutions and policies	6
<b>Overall rural poverty impact</b>	<b>4.6</b>
<b>Overarching factors</b>	
Sustainability	4
Innovation, replication and scaling up	5
<b>Overall project assessment<sup>b</sup></b>	<b>4</b>
<b>Performance of partners</b>	
IFAD	4
Government	4
CAF	5

<sup>a</sup> The rating for overall project performance is, as per OE project evaluation methodology, calculated as the average of relevance, effectiveness and efficiency.

<sup>b</sup> The overall project assessment rating is, as per OE methodology, assigned by the evaluation team taking into consideration its assessment of project relevance, effectiveness, efficiency, rural poverty impact, sustainability and innovation.

## IX. Conclusions and recommendations

### A. Conclusions

85. PRODERNEA continued the efforts begun in the north-east by PNEA (the first programme focusing on small farmers in the region). The project was strongly influenced by an extremely variable social, economic and political environment. This included a deep-seated economic and financial crisis that unfolded in 2001, adoption of various development approaches, and highly diverse national and sectoral policies, all of which generated an unfavourable environment for rural development. Despite the above, the project was moderately effective and produced a number of complementary results and positive externalities in relation to the institutionalization and enhanced visibility of the smallholder farming sector.
86. The reorientation process that began in 2003 showed an appropriate degree of flexibility and responsiveness, modifying aspects that were not fully functional in the new socio-economic and public policy context. Within this new framework, the project evolved and helped establish a more nuanced and comprehensive vision of rural development.
87. The project as a whole achieved most of its objectives, albeit with limitations. With respect to credit, the project did not contribute to ensuring sustainable access to financial services for the rural poor population. The lack of a policy on rural finance by the Government that could identify for example the needs of the rural poor, provide incentives to the key players and set clear priorities was a major constraint on the development of financial services in the country. Technologies disseminated through the production support services were economically viable and appropriate for smallholder production. The services that were provided focused on aspects of production and to a lesser degree on commercialization, despite the major challenges in this area. Participation by private technical assistance providers was limited. The project's efficiency was affected by initial delays in implementation,

which affected efficiency by increasing the share of administrative costs to the detriment of resources earmarked for beneficiaries.

88. The project had a positive impact on the incomes and assets of the family producers assisted, and also on food security as a result of higher farm production. An improvement was also observed in the living conditions of indigenous communities benefiting from the project, including access to basic services and improved food security. On the other hand, the project did not make a positive contribution to environmental conservation or to raising environmental awareness as it did not invest in much needed activities such as water management, soil fertility improvement and minimization of deforestation.
89. Beyond the results obtained (which were limited by the relatively modest magnitude of investment in a country as large as Argentina), this project is notable for its contribution to mobilizing assets – social, financial and physical – and leveraging investment by the public and private sectors. PRODERNEA was successful in raising the profile of family smallholder production in a country characterized by an extraordinarily entrepreneurial agriculture sector, and in supporting the formulation of specific policies on family production at the national and the subregional level, which culminated in the creation of a new under-secretary role specifically devoted to rural development and family agriculture within the SAGPyA. Moreover, the institutional proposal made by the project, despite the difficulties faced, contributed to improving the climate for relations between the national and the provincial levels and to building capacity at the provincial level to implement rural development programmes.

## B. Recommendations

The evaluation has made the following recommendations:

90. **Negotiate a framework agreement at the national level, within which specific subprojects will be negotiated with each jurisdiction.** In large countries with federal constitutional structures such as Argentina, additional review is needed for any future project proposals calling for decentralized implementation in the provinces. More in-depth consideration needs to be given to the impact of gradually incorporating the provinces over time, as naturally occurs, and to the specificities and autonomies involved in different administrative and political jurisdictions. Each of the projects under the framework agreement would be negotiated with the provincial authorities accompanied by explicit statements of political intent to implement them by stakeholders. Also, operating regulations to support general guidelines should be established in the course of each specific negotiation process.
91. **Strengthen social capital through partnerships among various economic actors in rural development, as a strategic thrust for development policies and projects.** It is important to transcend the bounds of family farming to encompass the development of all relevant territorial actors. The following elements should be integrated into rural development operations: supporting the consolidation of existing local and regional organizations; linking producers and the entire rural population with virtuous commercial and industrial value chains; linking producers with all public and private services that support production and a better quality of life for rural society.
92. **Promoting dialogue, research and design of sound rural finance policies in Argentina.** Some processes under way, such as the policy discussion on rural finance around REAF initiatives, provide an opportunity for dialogue in this regard. IFAD should support such discussion and policymaking processes, identifying success factors in other countries and facilitating exchanges with other projects. In addition, important lessons can be drawn from successful experiences in the country, such as the Social Capital Fund and the examples of cooperatives receiving funding from PRODERNEA in Misiones.

93. **Strengthen the capacity of the rural technical assistance services system to provide holistic responses to producers' demands.** First, the range of technical services should be widened beyond the current concentration on aspects of production to include multidisciplinary teams with experience in areas such as marketing, commercialization and organizational strengthening, making sure that the continuity of the technical assistance is guaranteed throughout the process. Second, initiatives should be supported that develop or strengthen inter-institutional partnerships with public and private organizations, such as the National Institute of Agricultural Technology and others. Third, it is important to promote the development of institutional frameworks that promote cooperative contracting of private technicians, with the collaboration of public authorities when necessary, particularly at the project organization and start-up phases.
94. **Design and implement differentiated and specialized projects to improve living conditions for the indigenous population.** These projects should be independent of those targeted at commercially oriented family farmers and lead to effective affirmative action. Such projects should be designed and implemented by multidisciplinary technical teams trained to work with indigenous peoples in participatory initiatives that focus on improving the lives of the target groups, under the leadership of social actors. Also necessary is a consistent institutional framework that allows the promotion and development of policies that meet the needs of beneficiaries.
95. **Environmental sustainability should play a central role in the rural development strategy.** The growing pressure on natural resources (water, soil, vegetation) as a consequence of the expansion of the agricultural frontier, more intensive production methods and limited environmental awareness is a key issue that cannot be addressed adequately through individual projects alone. This situation calls for policy dialogue focused on environmental sustainability at the local, provincial and national levels.



## **Part B – Agreement at Completion Point**

### **I. Background and introduction**

1. IFAD's independent Office of Evaluation conducted the final evaluation of the Rural Development Project for the North-eastern Provinces (PRODERNEA) in Argentina in 2008. The project evaluation process followed the guidelines set forth in IFAD's Evaluation Policy and the approach paper agreed upon with key evaluation partners at the outset of the process. It is worth mentioning the importance of this evaluation results not only in relation to the project, but also as an input to the country programme evaluation by OE in Argentina scheduled for 2009.
2. The evaluation process included, among other important stages in the evaluation process, a mission to the country in July 2008 that included visits to the field in July 2008. Upon completion of the mission, on 1 August 2008, a meeting was held in Buenos Aires to present an aide-mémoire introducing the main preliminary findings of the evaluation, in order to ensure a first level of feedback and gather stakeholder reactions. As the last stage in to finalize the evaluation process, a workshop was held on 15 December 2008 in Buenos Aires, inaugurated by the new Under-Secretary for Rural Development and Family Farming, Guillermo D. Martini, which offered the opportunity to discuss the main evaluation findings and recommendations.
3. The agreement at completion point (ACP) reflects the agreement between the Government of Argentina and IFAD Management (represented by the Latin America and the Caribbean Division, PL) on the main evaluation findings and the recommendations as well as the commitment to adopt and implement the latter. The ACP incorporates input received during discussions at the workshop that took place on 15 December in Buenos Aires. The Office of Evaluation is not a party to the ACP, although it facilitated the process leading up to it.

### **II. Main findings**

4. PRODERNEA represents the continuation of efforts undertaken in the north-east by the Programme of Credit and Technical Support for Small Producers in North-east Argentina (PNEA), the first programme devoted to smallholder farming in the region. The implementation of the project was strongly marked by an extremely variable social, economic and political environment, including a deep-seated economic and financial crisis that unfolded in 2001, various development approaches, and highly diverse national and sectoral policies, all of which generated an unfavourable environment for rural development. Despite the above the project achieved most of its objectives – although with some limitations – and produced a number of complementary results and positive externalities in relation to the institutionalization and enhanced visibility of the smallholder farming sector
5. The original project design was relevant within the socioeconomic context prevailing in Argentina in the mid-1990s, which was characterized by a predominantly liberal vision in which the State fulfilled a compensatory role. On the other hand, the project's complexity and inherent implementation problems were not given sufficient consideration in the course of design and implementation. The project called for five implementing units (four provincial and one national coordinating unit –UNC–), each with its own human and material resources, together with a highly diversified and complex network linking all the institutions, regulatory frameworks and actors involved. This situation led to an initial delay in project implementation as the provinces were incorporated gradually, as well as cost increases and extensions in deadlines.
6. The reorientation process that began in 2003 showed an appropriate degree of flexibility and responsiveness, modifying aspects that were not fully functional in a new socioeconomic and public policy context. Within this new framework, the

project evolved and helped establish a more nuanced and comprehensive vision of rural development.

7. The project as a whole achieved most of its objectives, albeit with limitations as to scope and varying results in terms of meeting quantitative targets for each component.<sup>18</sup> With respect to the credit component, lending exceeded the targets set post-reorientation. However the approach adopted by PRODERNEA did not contribute to ensuring sustainable access to financial services for the rural poor population. In addition, institutional sustainability was not achieved, since the credit fund was not institutionalized. In this regards it is worth noting that the lack of a policy on rural finance is a major constraint on the development of financial services in the country. Technologies disseminated through the production support services were economically viable and appropriate for smallholder production. Services provided focused on aspects of production and to a lesser degree on commercialization, despite the major challenges in this area. Participation by private technical assistance providers is limited. The project efficiency was affected by the initial delay in implementation that caused project completion to be extended from June 2004 to June 2007, which increased the share of administrative costs, to the detriment of resources earmarked for beneficiaries.
8. The project had a positive impact on improving the incomes and assets of the family producers assisted, and on food security as a result of higher farm production. An improvement was also observed in living conditions for indigenous communities benefiting from the project, including access to basic services (electricity, water) and improved food security (although this continues to be precarious). In addition, despite certain deficiencies in participation mechanisms, the beneficiaries maintained leadership in identifying projects, and the project's social acceptance was high.
9. Beyond the results obtained (which were limited by the modest relative magnitude of investment in a country as large as Argentina), this project is notable for its contribution in mobilizing assets – social, financial, physical – and leveraging investment by the public and private sectors. PRODERNEA was successful in raising the visibility of family smallholder production in a country characterized by an extraordinarily entrepreneurial agriculture sector. In addition it was successful in supporting the formulation of specific policies reflecting the importance of family production at the national level. This activity, which centred around project actions by the national coordinating unit, took place in various ways: fostering national debate, supporting activities in connection with Argentina's participation in the Specialized Meeting on Family Agriculture (REAF) and backing the National Family Agriculture Forum. The latter two activities took shape as of 2004. One very important impact to which this effort contributed was the creation in March 2008 of the Office of the Under-Secretary for Rural Development and Family Agriculture within the Secretariat of Agriculture and Fisheries of Argentina (SAGPyA).
10. In addition, PRODERNEA successfully introduced and consolidated institutional proposals that represented innovations for Argentina. The project promoted provincial management combined with parallel national management (UNC/SAGPyA), improving the climate for relations between the central government and the provinces – which initially was not conducive to collective action. Other innovative experiences included the adoption of new instruments such as linkages with regional economic producers' organizations and with commercial and agroindustrial chains, as well as public-private experiences in providing services to beneficiaries.

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<sup>18</sup> The target set for number of beneficiaries of technical assistance and credit was not met. However, the target set for the amount of credit and number of projects under the Indigenous Communities Support Fund (FACA) was exceeded.

11. The project carried out a significant systematization effort and generated a large volume of participatory evaluations, which have contributed to fostering a culture of dialogue and learning among participants in the region, and served as a platform for important policy dialogue. On the other hand M&E activities were not implemented as a continuous activity and its value was limited as a management tool.
12. The indigenous people component, in the context of public action in the north-eastern provinces, represents a valuable and unique differentiation directed to highly vulnerable social groups in rural areas, as well as an alternative to a traditional welfare-based approach. The results have been positive, in terms of social capital as well as the profile and recognition of indigenous people as economic agents and interlocutors for provincial governments. Nevertheless, the project as formulated did not give sufficient consideration to the critical degree of poverty in terms of the unmet basic needs of communities, and limited attention was paid to indigenous culture. Unlike the efforts dedicated to policy dialogue on family agriculture, no action was taken by the project to influence specific public policy on indigenous people.
13. Project implementation did not make a positive contribution to environmental conservation or to raising an environmental awareness in order to create conditions for demand for sustainable development policy in the future. This, in a region of highly complex climate conditions, exposed to an expanding agricultural frontier under threat by persistent natural resource management practices working against conservation.

### **III. Recommendations agreed upon by the parties**

#### **Recommendation 1. Negotiate a framework agreement at the national level, within which specific Projects will be negotiated with each jurisdiction.**

14. In large countries with federal constitutional structures such as Argentina, additional review is needed for any future project proposals calling for decentralized implementation in the provinces. More in-depth consideration needs to be given to the impact of gradually incorporating the provinces over time, as naturally occurs, and to the specificities and autonomies involved in different administrative and political jurisdictions. Each of the projects under the framework agreement would be negotiated with the provincial authorities accompanied by explicit statements of political intent to implement them by stakeholders. Also, operating regulations – beyond general guidelines – should be established in the course of each specific negotiation process.
  - *IFAD and the Government of Argentina would be responsible for implementing this recommendation, which would be reflected in the new COSOP and future IFAD-funded operations in Argentina*

#### **Recommendation 2. Strengthen social capital through partnerships among various economic actors in rural development, as a strategic thrust for development policies and projects.**

15. It is important to transcend the bounds of family farming to encompass the development of all relevant territorial actors. The following elements should be integrated in rural development: supporting the consolidation of existing local and regional organizations; linking producers and the entire rural population with virtuous commercial and industrial value chains; linking producers with all public and private services providing support for production and a better quality of life for rural society.
  - *SAGPyA should implement this recommendation with support from IFAD, both for projects under way and for future IFAD-supported operations*

**Recommendation 3. Promoting dialogue, research and design of sound rural finance policies in Argentina.**

16. Some processes under way such as the policy discussion on rural finance around REAF initiatives provide an opportunity for dialogue in this regard. IFAD, in particular, should support such discussion and policy-making processes, identifying success factors in other countries and facilitating exchanges with other projects. In addition, important lessons can be drawn from successful experiences in the country, such as the Social Capital Fund (FONCAP) and the examples of cooperatives receiving funding from PRODERNEA in Misiones.
- *The Government of Argentina should lead the implementation of this recommendation with IFAD support, within the framework of platforms for dialogue such as REAF and others.*

**Recommendation 4. Strengthen the rural technical assistance services system able to provide holistic responses to the producers' demands.**

17. To this end it is recommended, first of all, expanding the range of technical services -beyond the current concentration on aspects of production- to include multi-disciplinary teams with experience in areas such as marketing, commercialization and organizational strengthening, making sure the continuity of the technical assistance is guaranteed throughout the process. Second, it is necessary to support initiatives to develop or strengthen inter-institutional partnerships with public and private organisations, such as for example the National Institute of Agricultural Technology (INTA) and others. Third, it is important to promote the development of institutional frameworks that promote cooperative contracting of private technicians, with the collaboration of public authorities when necessary, particularly at the project organization and start-up stages.
- *The Government of Argentina would be responsible for implementing this recommendation with IFAD support.*

**Recommendation 5. Design and implement differentiated and specialized projects to improve living conditions for the indigenous population.**

18. These projects should be independent of those targeted to commercially-oriented family farmers, leading to effective affirmative action. Such projects should be designed and implemented by multidisciplinary technical teams trained to work with indigenous people, in participatory initiatives under the leadership of social actors that focus on improving the lives of the target groups. It is also necessary a consistent institutional framework that provides for advocating and developing policies that meet the needs of beneficiaries.
- *The Government of Argentina should implement this recommendation, with IFAD support, in future IFAD-financed operations.*

**Recommendation 6. Environmental sustainability should play a central role in rural development strategy.**

19. The challenge associated to a larger pressure on natural resources (water, soil, vegetation) as a consequence of the expansion of the agricultural frontier, more intensive production methods, and a limited environmental awareness is a key issue that needs to be addressed beyond the possibilities of individual projects. This situation calls for policy dialogue at local, provincial and national levels focusing on sustainability.
- *The Government of Argentina should lead implementation of this recommendation, with IFAD support, within the framework of platforms for dialogue such as REAF and others.*

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