

**Document of
The World Bank**

Report No: 16620 -AR

PROJECT APPRAISAL DOCUMENT

FOR A

PROPOSED LOAN

IN THE AMOUNT OF US\$75 MILLION

TO THE

ARGENTINE REPUBLIC

FOR A

SMALL FARMER DEVELOPMENT PROJECT

June 27, 1997

**Natural Resources, Environment and Rural Poverty Division
Country Department I
Latin America and the Caribbean Regional Office**

CURRENCY EQUIVALENTS
(Exchange Rate Effective April 1997)

Currency Unit = Argentine peso
US\$1.00 = A\$1.00

FISCAL YEAR
January 1 - December 31

ABBREVIATIONS AND ACRONYMS

ADR	-	Rural Development Area
CAS	-	Country Assistance Strategy
CCN	-	National Coordinating Committee (Comisión Coordinadora Nacional)
CDR	-	Rural Development Commission (Comisión de Desarrollo Rural)
CFA	-	Federal Agricultural Council (Consejo Federal Agropecuario)
CP	-	Provincial Coordinator of PSA (Coordinador Provincial)
DPyDA	-	Directorate of Planning and Agricultural Development (Dirección de Planeamiento y Desarrollo Agropecuario)
ETA	-	Provincial Technical Unit (Equipo Técnico de Apoyo)
FAIR	-	Rural Investment Fund (Fondo de Apoyo a Iniciativas Rurales)
GATT	-	General Agreement on Tariffs and Trade
IDB	-	Inter-American Development Bank
IFAD	-	International Fund for Agricultural Development
INTA	-	National Agricultural Technology Institute (Instituto Nacional de Tecnología Agropecuaria)
M&E	-	Monitoring and Evaluation
MERCOSUR	-	Southern Cone Common Market (Mercado Común del Sur)
MIS	-	Management Information System
NBI	-	Unsatisfied Basic Needs (Necesidades Básicas Insatisfechas)
NGO	-	Non-Governmental Organization
PCD	-	Project Concept Document
POA	-	Annual Operating Plan (Plan Operativo Anual)
PRODERNEA	-	Northeast Rural Development Program (Programa de Desarrollo Rural del Nordeste)
PSA	-	Social Agricultural Program (Programa Social Agropecuario)
SAGPyA	-	Secretariat of Agriculture, Livestock, Fisheries and Food (Secretaría de Agricultura, Ganadería, Pesca y Alimentación)
SIEMPRO	-	Social Programs Monitoring and Evaluation System (Sistema de Información, Evaluación y Monitoreo de Programas Sociales)
SIF	-	Social Investment Fund
TA	-	Technical Assistance
UL	-	Local Unit (Unidad Local)
UNC	-	National Project Coordination Unit (Unidad Nacional de Coordinación)
UP	-	Provincial Coordinating Unit of PSA (Unidad Provincial)
UTCN	-	National Technical Coordination Unit of PSA (Unidad Técnica de Coordinación Nacional)

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ARGENTINA
SMALL FARMER DEVELOPMENT PROJECT

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

Latin America and the Caribbean Regional Office
Country Department I

Project Appraisal Document

Argentina Small Farmer Development Project

Date: June 27, 1997 Draft Final
 Task Manager: Steven N. Schonberger Country Director: Gobind T. Nankani
 Project ID: AR-PA-6041 Sector: Agriculture
 Lending Instrument: Specific Investment Loan PTI: Yes No

Project Financing Data **Loan** **Credit** **Guarantee** **Other [Specify]**

For Loans/Credits/Others:

Amount (US\$m/SDRm): US\$75.0 million

Proposed Terms: Multicurrency Single currency (US dollar)
 Grace period (years): 5 Standard Variable Fixed LIBOR-based
 Years to maturity: 15
 Commitment fee: 0.75%

Financing plan (US\$m):

Source	Local	Foreign	Total
Government	25.0	0.0	25.0
Beneficiaries	8.0	0.0	8.0
IBRD	69.4	5.6	75.0
TOTAL	102.4	5.6	108.0

Borrower: Argentine Republic

Guarantor: N/A

Responsible agency: Secretariat of Agriculture, Livestock, Fisheries, and Food (SAGPyA) in the Ministry of Economy, Public Works and Services

Estimated disbursements (Bank FY/US\$M):	1998	1999	2000	2001	2002	2003
Annual	8.3	23.2	21.4	12.4	7.8	1.9
Cumulative	8.3	31.5	52.9	65.3	73.1	75.0

Retroactive financing of up to US\$ 7.5 million (10% of the Loan amount) for eligible expenditures incurred after July 1, 1997 (but not earlier than 12 months before loan signing) is recommended.

Expected effectiveness date: October 1997

Closing date: June 30, 2003

Block 1: Project Description

1. Project development objectives (see Annex 1 for key performance indicators):

The main project development objective is to increase the productive and organizational capacity in participating poor, rural communities as indicated by: (i) improved production-oriented infrastructure; (ii) increased production of food for family consumption; (iii) diversification of productive activities; (iv) increased value added of production; and (v) conversion or integration of beneficiary groups into organizations. The related subsidiary project development objective is to increase emphasis on rural poverty issues in government's sectoral agenda and to improve coordination of rural development policies and programs as indicated by: (i) the preparation of national and provincial strategies which reflect concerns of broader stakeholders and incorporate available statistical information on rural poverty; and (ii) the incorporation of coordination mechanisms in the operational procedures of SAGPyA and provincial government rural development programs.

2. Project components:

<u>Component</u>	<u>Category</u>	<u>Cost Incl. Contingencies (US\$M)</u>	<u>% of Total</u>
<p>Rural Investment: <i>Rural Investment Fund</i> to finance small grants for demand-based sub-projects (civil works, goods, technical assistance); <i>Support Services</i>, including training, marketing information system and implementation of Participation Action Plan and Indigenous Peoples Strategy (training and studies); <i>Management of Rural Investment Activities</i> at the national, provincial and local levels (technical assistance and equipment).</p>	Physical, Institution-Building	95.8	88.8
<p>Strengthening Rural Development Policy: <i>National Strategy Development</i> (studies, establishment of CDR and rural development database in SAGPyA); <i>Provincial Strategy Development</i> (demand-driven studies and technical assistance); <i>Training</i> for sub-national and national agencies; <i>Appropriate Technology Development</i> (studies and competitive research grants); <i>Institutional Strengthening for DPyDA</i> to manage component activities (equipment and technical assistance).</p>	Institution-Building	8.8	8.1
<p>Project Administration and Monitoring and Evaluation: Technical assistance, studies and equipment to establish project coordination unit and carry out M&E.</p>	Project Management	3.4	3.1
Total		108.0	100.0

3. Benefits and target population:

Target Population: The target population consists of the 130,000 economically-active rural poor households in Argentina. The economically-active rural poor consist primarily of small-holder farmers and rural laborers. Most households combine both activities in their survival strategies. The project's coverage is nation-wide; however, funds would be allocated among provinces based on the proportion of the target population in each province.

Targeting Mechanisms: Due to the interspersed nature of poor and non-poor households in many rural communities in Argentina, three types of specific mechanisms would be utilized to target poor households: (i) *geographic targeting* would prioritize departments within each province with rural poverty rates above the provincial average; (ii) *beneficiary screening* for participant households based on application of easily verifiable criteria which reflect basic needs characteristics (housing, access to water and sanitation), rural residence and productive assets would permit screening by community associations, project staff and intermediaries; and (iii) *participation requirements*, including community management of subprojects and limits on the level of benefits per family, have been designed to encourage self-targeting by beneficiaries as well as facilitate social control mechanisms.

Benefits: The project is expected to directly assist at least 30,000 households comprising 150,000 direct beneficiaries. Participating beneficiaries are expected to increase their household incomes which can be applied to satisfy the unsatisfied basic

needs which define poor households in Argentina. By increasing their asset base - human and physical capital - the benefits are expected to be sustainable beyond the life of the project. Improved social organization, in addition to reducing input and marketing costs, would increase participation of small-scale rural producers in rural economic growth by facilitating access to financial and other privately provided business services.

Incidence: The project has been designed to ensure that at least 60% of project resource transfers flow directly to the target population to support investments managed by poor, rural households, and an additional 20% would finance complementary services (training, preinvestment and TA) provided directly to targeted beneficiaries. Based on beneficiary assessments, indigenous groups, women and rural youth are expected to be significant beneficiaries of project activities and special mechanisms have been designed in the operational procedures (promotional activities, preinvestment, technical assistance, training and project management) and participatory monitoring and evaluation to ensure participation by these groups.

4. Institutional and implementation arrangements:

Project implementation period: 5 years.

Executing Agency: The Secretariat of Agriculture, Livestock, Fisheries and Food (SAGPyA) would implement the project in accordance with the project Operational Manual. Implementation would be guided by the annual operating plans (POAs), presented to the Bank for its no-objection by November 15 of the previous year, which reflect project output and development objectives.

Implementing Agencies: The *Rural Investment Component* would be implemented by SAGPyA's Social Agricultural Program (PSA). PSA would manage the Rural Investment Fund and associated support services through its existing national and provincial units. The *Strengthening of Rural Policy Component* would be implemented by the Direction of Agricultural Planning and Development (DPyDA) in SAGPyA which would establish a Rural Development Area (ADR) composed primarily of existing DPyDA staff supported by specialized, limited term consultants.

Project Administration: SAGPyA would establish a project coordination unit (UNC) within its existing internationally financed project management structure which would provide administrative and technical assistance to PSA and DPyDA and would have primary responsibility for coordinating project-wide implementation issues including development of a project promotional strategy, project monitoring, reporting and evaluation, assisting implementing agencies with procurement and associated communication with the Bank, managing financial record keeping, the Special Account and disbursements.

Project Oversight: Project activities would be presented to the Federal Agricultural Council (CFA), which is comprised of the 23 provincial agricultural ministers or their equivalents. The National Coordinating Committee of PSA (CCN) is chaired by the Secretary of Agriculture and includes representatives of UNC, PSA, DPyDA, other SAGPyA rural assistance programs, NGOs and beneficiaries. CCN would review summary POAs for the Rural Investment Fund activities, as well as biannual progress reports. UPs would carry out a similar oversight function in each province. In addition, the Secretariat of Social Development, through its SIEMPRO unit, monitors all poverty-reduction programs. The Social Council, chaired by the Secretary of Social Development serves as a coordination mechanism across sectoral programs and includes representatives of SAGPyA.

Accounting, financial reporting and audits: UNC would have responsibility for financial accounting, reporting and audits. PSA and DPyDA would be responsible for accounting at the component level and would maintain separate project accounts in accordance with sound and accepted accounting practices, acceptable to the Bank. An audit of the financial status of the program would take place once a year, carried out by an independent auditor acceptable to the Bank according to terms of reference based on the Bank's "Financial Accounting and Reporting and Auditing Handbook" (January 1995).

Monitoring and Evaluation: UNC would have overall responsibility for monitoring and evaluation (M&E), working in collaboration with PSA and DPyDA. Monitoring and evaluation would occur: (i) through internal controls incorporated into the project's Management Information System (MIS), which would generate Monthly Implementation Reports to be reviewed by UNC and provided to the Bank no later than 15 days after the end of each month; (ii) through semi-annual progress reports covering implementation during the first six months and second six months of each calendar year which describe progress against output objectives stipulated in POAs and key monitoring and evaluation indicators; (iii) through annual external financial audits; (iv) through biannual Bank supervision missions; (v) through annual implementation evaluations of subprojects under the Rural Investment component which would focus on compliance with targeting, subproject evaluation and procurement procedures as well as progress towards project output objectives; and (vi) through mid-term and end-of-project external evaluations which would assess project environment, objectives, mechanisms, implementation performance, and progress towards development objectives.

Block 2: Project Rationale

5. CAS objective(s) supported by the project:

The proposed project fully supports the following objectives of the Argentina CAS (Memorandum of the President of the International Bank for Reconstruction and Development to the Executive Directors on a Country Assistance Strategy of the World Bank Group for the Argentine Republic, Report No. 16505-AR, discussed by the Board of Executive Directors on May 15, 1997):

- (i) *Enhance social development, including poverty alleviation and human resource development:* As indicated in the above-referenced CAS, the proposed project would finance investments in human and physical capital to increase the returns to the economic activities of the rural poor. The project would complement other Bank-supported poverty reduction activities which support provision of basic social services and safety nets for children, the aged and the unemployed;
- (ii) *Improve the performance and institutional capacity of government, particularly subnational governments, to deliver key, social, infrastructure and environmental services:* The proposed project would strengthen public sector institutions oriented toward providing the private sector with essential services by improving the technical capacity of public agencies (SAGPyA, provincial and local government) to analyze the needs of small-scale producers in poor, rural communities, develop assistance strategies and competitively contract appropriate assistance to decentralized service providers.

6. Main sector issues and Government strategy:

Rural Poverty: Rural poverty has generally been overlooked in Argentina, due in large part to the dispersion of the rural poor in the regional economies outside of the Humid Pampa Region, far from the major urban centers. The rural population (very narrowly defined as those living in communities of less than 2000 inhabitants) represents only about 13% of the total population but includes 28% of Argentina's poor. According to the 1991 population census, the incidence of poverty amongst rural households, according to the unsatisfied basic needs (NBI) approach, is about 36% (1.5 million people), 2.5 times the urban poverty rate. Although no income or consumption-based measures of poverty are available, other indicators such as the percentage of farms classified as "minifundios" or poor indicate a similar poverty rate within the subcategory of farm families. About 60% of the rural poor are classified as economically active and 40% as inactive (*Argentina's Poor: A Profile*, World Bank Report no. 13318). The economically active rural poor employ a diverse set of survival strategies combining on-farm and off-farm activities, reflecting Argentina's varied agro-ecological zones and social structures. Although NBI indicators show that rural poverty, like urban poverty, declined from 1980 to 1991, reductions were less evident in rural areas, increasing the proportion of the country's poor located in rural areas. More recent case studies, beneficiary assessments and survey information from the Buenos Aires Metropolitan Area indicate that the current recession has reduced off-farm labor opportunities. Seasonal work has diminished due to increased mechanization of larger farms, and sharp employment reductions in local government and in privatized state-owned enterprises has constrained the traditional urban migration safety-valve, leading to civil unrest and some reverse migration back to rural areas.

Sectoral Environment: Argentina's rural sector is undergoing an important restructuring process which should leave it well-positioned to exploit its comparative advantage and maintain strong growth in output and exports. Macroeconomic stabilization has improved the overall investment climate and Government has significantly reduced its role in the agricultural sector over the past five years (Alberto Valdes and Barry Schaeffer, *Surveillance of Agricultural Price and Trade Policies, A Handbook for Argentina*, World Bank Technical Paper, no. 294). Export taxes on key commodities have been eliminated, marketing boards dismantled, and the provision of government financed research and extension services reduced. This process is continuing with the gradual reduction or elimination of crop price supports and protective tariffs under GATT and MERCOSUR accords, and the decentralization of service provision to subnational governments. Macroeconomic and sectoral liberalization, accompanied by sharp appreciation of the Argentine peso has forced the sector to diversify production and increase productivity in order to maintain international competitiveness. This restructuring process, initiated in the Humid Pampa Region, has recently been extended to the regional economies where most of the rural poor are located, demonstrating the ability of these subsectors to significantly increase their production and exports in response to favorable international prices. However, the participation of small-scale rural producers in this positive growth scenario has been constrained by their limited access to the resources necessary to adjust their production systems to the new incentive structure (Lucio G. Reca, "El Impacto del Nuevo Marco Macroeconomico sobre el Sector Agropecuario Argentino" (Washington, D.C.: International Food Policy Research Institute, 1996)).

Government's Rural Development Strategy ("Estrategia de Desarrollo Rural Hacia el Siglo XXI" (Buenos Aires: Secretaria de Agricultura, Pesca y Alimentacion, 1996)) acknowledges the potential productivity advantage of small-scale producers and identifies several opportunities to improve the business climate in poor, rural communities consistent with Government's reduced

role in the sector: (i) Development of community organizations - user groups, farmer associations, cooperatives - to allow producers to benefit from economies of scale in input supply (including technical assistance and information) and output marketing; (ii) Provision of appropriate technical assistance and training services to transfer productivity-enhancing technology, improve natural resource management, diversify production and improve business management; (iii) Provision of targeted financial assistance for physical investments required to implement improved technology; (iv) Rehabilitation of deteriorated community physical infrastructure - roads, warehouses, town markets, small-scale flood control and irrigation works - to improve resource management and access to input and output markets; (v) Regularization of land tenure - particularly among indigenous groups - to improve incentives to undertake on-farm investments to maintain the productivity of land and water resources.

Government's Poverty Reduction Strategy: The objectives of Government's social policy are to satisfy the basic needs of the population and guarantee equality of opportunity by providing opportunities for the population to participate in the process of economic development and to overcome the causes and manifestations of poverty (Letter of Social Policy from Dr. Domingo Cavallo, Minister of Economy and Public Works and Services to Mr. James D. Wolfensohn, dated October 10, 1995).

Government's poverty reduction activities fall into three categories: (i) improving the quality and coverage of basic social services; (ii) providing direct transfers to maintain the income and nutritional levels of the economically active poor; and (iii) investing in the self-help productive activities of the economically active poor to generate income which can be used to satisfy their basic needs. In the past, Government assistance to the economically active rural poor was provided through price subsidies and protective tariffs on the crops which small-holders produce - mainly import substitutes such as cotton, tobacco and sugar. However, as these programs formed part of a general program to offset the effects of direct and indirect taxation of agriculture, a large percentage of the benefits of these expenditures and welfare transfers went to large producers and intermediaries. Programs to improve sectoral productivity, such as sectoral credit lines and extension assistance, were explicitly targeted to larger, export-oriented producers resulting in a large technology gap between small-holders and large farmers. In 1987, Government initiated a decentralized, beneficiary demand-driven approach to channel technical assistance directly to poor, rural communities (Programa de Minifundio). This approach was extended through the Programa Social Agropecuario, Programa Pro-Huerta, PPNEA and PROSUB. Given the absence or weakness of official structures to assist the rural poor, NGOs are contracted as intermediary institutions in addition to the national and provincial extension services and local governments. While these programs are generally credited with being the first to effectively reach rural communities with packages of assistance designed to meet their needs, the weakness of community organizations, absence of supporting infrastructure and absence of qualified intermediaries in many rural communities has limited effectiveness and coverage. Government has requested Bank assistance to build on these experiences to provide a more comprehensive program of support to poor, rural communities consistent with sectoral policy objectives.

7. Sector issues to be addressed by the project and strategic choices:

The proposed project would be the first Bank-financed project to support implementation of the Government's poverty reduction strategy in rural areas with targeted assistance to increase the productivity of the economically active rural poor. The project would expand the scope of the PSA program to include rural laborers in the targeted population and by supporting investments in community infrastructure and other off-farm activities. The project's production-oriented strategy is consistent with the results of a rural household survey carried out by SAGPyA with Bank assistance, which confirmed the productivity advantage of small farms but which also identified the importance of rural organizations, such as producer cooperatives, as a means of transferring technical and managerial skills. The project would build upon Government's decentralized, demand-driven approach which provides the necessary flexibility to adjust interventions to local needs and conditions while introducing improved targeting, reporting and financial control mechanisms to avoid leakage of assistance to the rural non-poor. The proposed project would support Government's decentralization efforts by assisting provincial governments in rural development analysis and strategy development and by developing the capacity of these institutions to eventually assume increased responsibility for project administration and implementation. As a large proportion of service provision would be carried out by NGOs and other non-public service providers under contract, the project would be consistent with a reduced state sector and encouragement of private sector service provision. Regularization of land title would not be financed directly by the project, however technical assistance would be provided to provincial governments to assess titling needs and identify lower-cost titling procedures.

8. Project alternatives considered and reasons for rejection:

(i) *General social fund:* Government has other programs in-place to attend to basic social needs in rural areas (Education Social Program, Potable Water Social Program, Maternal and Child Health and Nutrition Program, Housing Program, Social Investment Fund). Government wishes to complement these basic social assistance programs with extended and improved production assistance best carried out by specialized technical agencies. Project preparation has been coordinated with other sectoral agencies and it is expected that the project would provide assistance to these other programs in reaching the rural poor;

- (ii) *Geographically restricted project*: During the pilot phase, PSA, the primary implementing agency, already has operated with national coverage and its presence in each province serves an important promotional role for investment and non-investment activities oriented toward the rural poor. As funds are allocated in proportion to the percentage of poor, rural households in each province, the primary efficiency trade-off concerns the higher administrative costs incurred in provinces with lower numbers of beneficiaries, however this would be offset by the use of PSA's existing administrative structure;
- (iii) *Rural fund without policy component*: While almost 90% of project funds would be utilized for the Rural Investment Fund and associated support services, the 8% of funds dedicated to improving rural policy at the national and provincial levels is necessary to help Government achieve its objectives of (i) ensuring that the concerns of poor, rural communities are integrated into policy formulation and analysis; and (ii) increasing decentralization of project implementation responsibility (operational and financial) to subnational governments as fiscal status and accountability improves;
- (iv) *Extension assistance without investment finance*: Bank economic and sector work to identify constraints faced by rural producers indicated that a major impediment to adoption of improved technology is the inability to finance the necessary lumpy investments in small-scale equipment and construction from own-savings;
- (v) *Directed credit project*: Worldwide, Government-sponsored credit projects for the rural poor have not performed well, due in large part to (i) the actual or expected reluctance of Government to enforce repayment; (ii) the tendency for the non-poor to expend resources to capture what are generally below market-rate loans; and (iii) the precariousness of the cash-flow, particularly relative to repayment of long-term loans. International experience also indicates that a grant-based program, carefully targeted to the poor, can provide an initial capital infusion which permits sufficient capital accumulation to move towards "bankability". In order to accelerate this process, the Bank is carrying out studies with Government to assist Government in the removal of constraints to broadening the provision of financial services through bank and non-bank financial service providers;
- (vi) *Land reform activities*: Other than the provision of technical assistance to local governments and beneficiary groups, no specific land-reform activities have been included in the project because: (i) land tenure is consistent across farm sizes with 75% ownership; and (ii) for those groups which lack tenure, primarily indigenous groups, a number of well-financed government programs are already being implemented. The project would therefore assist local governments in better using existing resources to improve the tenure status in poor, rural communities;
- (vii) *Provision of small-farmer assistance on an individual, rather than group basis (i.e.: INDAP in Chile)*: While many of the positive lessons learned from INDAP's 30 years of experience assisting small farmers are being incorporated into the project, including the contracting of private sector technical assistance providers, the high costs of providing individual assistance to farmers and the required administrative framework precluded this alternative on cost-effectiveness grounds;
- (viii) *Pre-designed area projects*: The heterogeneity of the agro-ecological and socio-economic conditions associated with rural poverty in Argentina require flexible mechanisms to address the differing needs of beneficiaries. A demand-based approach carried out through experienced, local intermediaries permits Government to capitalize on the experience of NGOs, beneficiary groups and local government agencies already working with the rural poor. Studies carried out by DPyDA as part of the Strengthening Rural Development policy component and the implementation experience of the Rural Investment Fund would be drawn upon to develop regional and micro-regional rural development strategies;
- (ix) *Lending directly to provinces*: Provincial governments are currently undergoing a severe fiscal adjustment process and local governments have little experience addressing rural poverty. However, the provinces would be required to provide technical staff for the provincial-level management units for all rural investment activities and where provincial extension services already exist, they would provide technical assistance to community groups and receive intermediary training. Provincial-level rural development strategies would be prepared by the provinces, with project support, in order to adapt geographic targeting, beneficiary screening criteria and promotional strategies to the priorities and existing assistance programs of the province. Proposed modifications to the operational manual emerging from these strategies would be reviewed by the UNC and the Bank in order to ensure consistency with project objectives;
- (x) *Further decentralization of subproject evaluation and oversight to the municipal level*: Further decentralization is limited by concerns regarding local capacity and transparency. These would be tested during the project through establishment of pilot, local level project units based on the successful Brazil experience and training for local governments, beneficiary associations and NGOs.

9. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned):

<u>Sector issue</u>	<u>Project</u>	<u>Latest Form 590 Ratings</u>	
		<u>IP</u>	<u>DO</u>
<u>Bank-financed</u>			
Provision of basic agricultural services - phytosanitary and research.	Agricultural Services and Institutional Development Project (Ln. 3297-AR - ongoing)	S	S
Basic agricultural services and productive infrastructure - targeted to small- and medium-	Provincial Agricultural Development Project (Ln. 4150-AR - not yet effective)	NA	NA

sized (not smallholders) commercial farmers.			
Decentralized social assistance - health.	Maternal and Child Health and Nutrition Project (Ln. 3643-AR - ongoing)	S	S
Decentralized social assistance - social fund.	Social Protection Project (Ln. 3957-AR - ongoing)	S	S
<u>Other development agencies</u>			
Technical assistance and credit provided to small farmers.	IFAD financed Small-Farmer Assistance Program for the Northeastern Region of Argentina		

10. Lessons learned and reflected in the project design:

OED's evaluation of World Bank experience with rural development from 1965-86 identified a number of problems which accounted for the poor performance of Integrated Rural Development Projects including: adverse policy environment, lack of government commitment, lack of locally proven appropriate technology, neglect of institutional development due to "enclave" nature of projects, lack of beneficiary participation and difficulties in coordinating a wide range of activities across sectoral ministries. More recently successful projects (i.e., Aga Khan Rural Support Program) have verified the importance of flexibility and grass-roots emphasis, in particular, the value of beneficiary and NGO participation, at every stage of the project and level of implementation in order to build ownership and the foundations of long-term institutions.

In order to apply these lessons, the Bank has supported participatory, demand-driven transfer mechanisms to channel assistance to poor, rural communities. The Social Investment Funds (SIFs), which emerged in the 1980s as a rapid response to the social impacts of macroeconomic adjustment, reached their target populations more efficiently than previous programs. As a result, the "fund approach" has evolved into a mainstream transfer mechanism. Experience with SIFs and SIF-like rural development programs supported by the Bank (Columbia Fondo DRI, Mexico Solidaridad, Brazil PAPP) has yielded several important lessons which have been reflected in the design of the proposed project: (i) incorporation of transparent and objective targeting and participation criteria, distribution formulas and operating procedures combined with social control mechanisms to avoid politicization and misuse of funds; (ii) decentralization and streamlining of project processing to permit rapid response to requests for funds; (iii) targeting of promotional activities and technical assistance to poorest communities which often lack capacity to identify, prepare and submit appropriate sub-project proposals; (iv) provision of training to ensure availability of technically proficient intermediaries familiar with group-based, participatory activities; and (v) provision of on-going TA and establishment of O&M arrangements as part of sub-project preparation to improve the sustainability of investments in community infrastructure.

Although Argentina has limited experience with targeted assistance to poor, rural communities, recent government programs and the on-going experience of the projects indicated in Section 9 above confirms the validity of a decentralized, demand-driven, participatory approach in Argentina. Implementation lessons which have emerged from related projects in Argentina are: (i) the importance of well-staffed project coordination units; (ii) the variability among provinces in terms of institutional capacity; and (iii) the positive impact on institutional development resulting from decentralization of project implementation to the local levels.

11. Indications of borrower commitment and ownership:

PSA, the main implementing agency, was created by SAGPyA, without external financing, to pilot a decentralized, demand driven, approach to provide technical and financial assistance to poor, rural producers. The borrower has used own-funds, in addition to a Japanese PHRD Grant, for preparation, including a comprehensive beneficiary assessment exercise. Borrower has also prepared a Rural Development Strategy which provides the context and rationale for the proposed project. The local preparation team for the project and the Rural Development Strategy included SAGPyA staff so as to ensure the project's consistency with Government's policies and activities in the sector.

12. Value added of Bank support:

- (i) Bank support (including organization of study tours, exchange of operational manuals and round-table discussions) has facilitated the incorporation of experience from similar projects worldwide, particularly the phasing-in of community-level project management (Brazil), a greater focus on product marketing (Chile) and community infrastructure (Mexico);
- (ii) Bank participation would reduce uncertainty regarding the level and availability of funding;
- (iii) Emphasis on implementation of an improved MIS system, reporting and monitoring and performance and impact evaluation is expected to accelerate improvement of PSA's administrative capacity;
- (iv) Bank support of other poverty reduction and natural resources focused operations would allow the Bank to support Government's coordination of related activities across sectors.

Block 3: Summary Project Assessments (Detailed assessments are in the project file. See Annex 8)

13. Economic Assessment (see Annex 4): Cost-Benefit Analysis : IERR = 19.0% based on projection of model subprojects whose IERR ranges from 3.6% to 33.5%

Internal Rate of Return

Estimates of the internal economic rates of return (IERR) were calculated for nine pilot subprojects which cover representative geographical areas, and which span the different types of anticipated interventions and technical assistance requirements. In order to test the feasibility of the demand-driven mechanism for subproject identification and preparation, proposals for these subprojects were developed by groups of beneficiaries as part of a comprehensive beneficiary assessment, and reflect their views regarding which interventions could be undertaken to improve their present situation. Prices and technical coefficients were obtained from PSA and INTA technical agents in the respective provinces. Estimated IERRs for the market-oriented pilot subprojects range between 14.2% and 33.5%. Considering the projected annual number of subprojects, an average IERR of 26.3% for all types of subprojects was estimated for the matching grant assistance under the Rural Investment component. An average IERR of 19.0% was calculated for the overall project when the costs of activities under Rural Investment Fund administration and support services, Strengthening of Rural Policy component and Project Administration and Monitoring and Evaluation component are included.

Fiscal impact

Calculation of fiscal impact was based on the pilot subprojects models. The analysis quantified for each case the balance between the subsidy provided and the amount of VAT generated on incremental operating costs and incremental value of production where applicable. The main assumptions made to calculate the present value of the net financial fiscal flows were the same as for the economic analysis: 20 year time horizon and 12% discount rate. From the calculated fiscal impact for the nine pilot subprojects, it was estimated that the rate of return on matching grants for investments would be 95.1% over 20 years.

14. Financial Assessment (see Annex 5): FRR= 13.5%

Fiscal Sustainability

The project has been designed such that government support can be completed by project completion and that further activities could be carried out by beneficiaries. Nonetheless, the project does undertake substantial capacity building investments in the executing agencies (PSA and DPyDA) and provincial governments which could be utilized to expand coverage of the beneficiary population following project completion. Feasibility of project continuation either by SAGPyA at the national level, or the provinces after the five year implementation period was analyzed based on the project's share of budget and the value of agricultural product. At the proposed activity level, project costs represent 0.07% of the overall budget of the national government, and 7.1% of SAGPyA's annual budget. In order to test the feasibility of decentralization of financing to provincial governments, based on available provincial budget data for the last two years, it was estimated that continuation of the project would increase present overall provincial expenditures by an average of 0.12% (0.5% for the most extreme case)

15. Technical Assessment :

The use of a fund-type mechanism to transfer financial and technical assistance is based on the PSA pilot, other programs in Argentina and successful international experience. The project extends these experiences by increasing the participation of beneficiaries and intermediaries at the provincial and national project management levels. Trained technical assistance providers would assist beneficiaries with subproject preparation, implementation and maintenance and operation. The technical quality of individual subprojects would be reviewed during the screening and evaluation process at the provincial level by the multi-disciplinary ETA teams which would analyze the technical, financial and economic viability of each proposed subproject. In cases where additional specialized technical expertise is required, the ETAs would contract such expertise or forward the subproject proposal to the UTCN for review. Development of appropriate technologies would first catalogue existing technologies in each province and then utilize a competitive grants program to develop and test new technology packages in priority areas.

Government's direct role would be primarily to ensure transfer of resources to the target population, and improve coordination amongst beneficiaries and service providers. This approach is consistent with Argentina's technical environment as experience in most of the technical areas required by the project is either primarily or wholly outside of government (INTA is an important exception in agricultural research). In order to support a contract-based system: (i) the qualifications, terms of reference and performance standards for providers have been drafted during preparation and would be finalized based on the results of the first-year technical assistance study in each province; (ii) staff would be provided with training to improve their ability to manage technical assistance; and (iii) technical assistance providers would receive training to learn project procedures and objectives, improve their group-based extension skills, and increase their knowledge of small-holder appropriate technologies.

16. Institutional Assessment:

Project Administration Level: SAGPyA has demonstrated its ability to effectively execute Bank-financed projects through its implementation of the on-going Agricultural Services and Institutional Development and Forestry Development Projects (see Section 9 - Major related projects...). SAGPyA has emphasized the maintenance of project personnel from preparation throughout implementation, an important factor in the success of these projects. Coordination of the proposed project would draw upon this experience by eventually integrating the administrative coordination of the project (procurement, disbursements, overall financial management) with the general project coordination unit being established by SAGPyA to administer the Forestry Development and Provincial Agricultural Development Projects.

Project Management Level - Rural Investment Fund: PSA, the implementing agency for the Rural Investment Fund, has been providing production assistance to poor, rural communities since 1991 with offices in 21 provinces. Staff qualifications vary, but most are agricultural engineers or social workers with previous experience, primarily through NGOs, working with poor, rural communities. PSA has demonstrated: effectiveness in reaching a target population largely ignored by previous government programs; flexibility in utilizing the existing capacity of NGOs and local and national government agencies as service providers; and strong commitment to participatory approaches in all levels of decision making and evaluation. PSA's primary institutional challenges are: (i) to move from a direct provider, as well as contractor, of assistance, to a manager of service provision which sets performance standards, contracts and supervises service providers; (ii) implementation of improved administrative and financial control procedures to provide increased transparency and accountability to insulate the program from political interventions; and (iii) increased coordination with local-level government. The proposed project would assist PSA to achieve this transition by: (i) providing staff training and establishing procedures for evaluating service needs and providers at the provincial level, preparing activity plans and terms of reference, and supervising and evaluating contracted agents; (ii) establishing an improved MIS and financial management systems; and (iii) providing technical assistance to subnational government officials to increase their ability to assume a more significant role in project implementation; and (iv) piloting local-level project management units which would include municipal government representation.

Project Management Level - Strengthening Rural Development Policy: DPyDA, the implementing agency for the Improved Rural Policy component, has been responsible for preparation of the proposed project, including implementation of a rural household survey and contacting of numerous studies of rural households and institutions (see Annex 8 - Documents in the Project File). As Secretariat of CFA, DPyDA is well-placed to provide assistance which responds to the needs of the provincial authorities. Staff qualifications vary with emphasis on agricultural engineers, sociologists and project financial analysts/economists. DPyDA's primary institutional challenges are to: (i) strengthen the capacity of its rural development unit to formulate and analyze rural development policy; (ii) increase coordination within SAGPyA and with other national and provincial government programs involved in rural development; and (iii) increase its analytical capacity to utilize existing statistical and non-statistical information, and contract specialist studies to analyze rural poverty and rural producer needs. The proposed project would assist DPyDA to develop this capacity by: (i) strengthen ADR, including necessary equipment and staff training; (ii) ensuring regular exchanges with national and provincial programs through establishment of the Rural Development Council (CDR) in SAGPyA and organization of workshops focused on key rural development issues; and (iii) providing technical assistance to assist staff in policy and project analysis, and study tours to other countries with similar agencies and mandates.

Project Management and Implementation - Sub-national Governments: Both project components include a substantial role for provincial and municipal governments, but primarily as recipients of assistance or as participants in provincial and local-level project committees. This role is, in part, due to the lack of previous experience of local governments in attending to the needs of the rural poor, and, in part, due to the serious financial constraints faced by provinces in adjustment. Fiscal constraints can be even more acute at the municipal level where many rural areas are under the jurisdiction of "rural communes" without elected representatives. While local government legislation is being revised in many provinces to establish contiguous municipalities and many provinces are rapidly improving their fiscal situation, the national government has chosen to take a gradual approach to provincial and local government participation. Specifically, the project would: (i) provide training and technical assistance to provinces to increase the capacity of provincial and local government staff to analyze rural development needs and formulate strategies; (ii) increase provincial government participation in the provincial-level PSA coordination units through incorporation of a trained technician from the Provincial Agricultural Development Agency being formed under the proposed Provincial Agricultural Development Project; and (iii) increase municipal government participation through establishment of pilot local units.

Project Implementation - Intermediaries: Intermediaries for implementation of rural investment activities would include NGOs, local and national government agencies, universities and independent contractors. In general, these service providers bring relatively extensive experience working in rural communities, and in many cases, with the rural poor. However, technical standards are highly variable and most of these agents lack training in participatory methodologies oriented to the types of producers targeted by the project. In order to improve the quality of service providers, the project would establish service standards and provide associated training in relevant subjects to ensure that field agents have the minimum qualifications to provide technical and organizational assistance to project beneficiaries.

Project Implementation - Beneficiaries: Beneficiaries would be responsible for preparation, presentation, implementation and maintenance of subprojects financed by the rural investment fund. Project preparation included a comprehensive beneficiary assessment (see Section 17 - Social Assessment) which provided an opportunity to assess the project-related skills of potential beneficiaries. Beneficiaries in the target group generally: (i) have limited organizational and technical assistance experience; and (ii) need to improve financial management and marketing skills. The project would increase the organizational and management capacity of participating beneficiary groups by providing: (i) preinvestment and follow-up organizational management assistance, training and back-up supervision; (ii) opportunities for beneficiary representatives to participate in local level (pilots), provincial and national project management and oversight bodies; and (iii) technical assistance, training and experience in financial management and marketing through subprojects.

17. Social Assessment:

A comprehensive social assessment was completed as part of project preparation to address issues regarding poor households' survival strategies, beneficiaries' priorities, potential types of activities to be supported, and participatory mechanisms for project implementation. Secondary data and case studies were analyzed. Based on this information, targeting and eligibility criteria were proposed, an indigenous peoples strategy was developed and a participation action plan was designed (see Section 19 - Participatory Approach).

Indigenous Peoples Strategy

During project preparation, particular attention was given to indigenous groups. A diagnostic of the indigenous population, including legal issues, was prepared by a consultant. Community meetings and workshops were held with indigenous groups to incorporate their needs into the design of the project. The studies carried out and the lessons learned from the ongoing indigenous subcomponent of PSA in Formosa Province, contributed to the development of mechanisms to channel technical and financial assistance to indigenous groups and ensure their participation in project management. The strategy includes the following provisions to ensure the informed participation of indigenous people in the project: (i) special dissemination mechanisms to ensure that indigenous groups would be adequately informed of the project; (ii) culturally appropriate technical assistance and training to ensure that the demand-driven subprojects are prepared with the full participation of indigenous groups; (iii) specific criteria for subproject appraisal, to stimulate subproject proposals from indigenous groups; (iv) specific targeting criteria in Formosa and Salta Provinces to ensure that departments with high concentration of indigenous population would be attended; (v) ensured participation of indigenous representatives in provincial oversight units in Salta and Formosa; (vi) special allocation of resources for supporting subprojects from indigenous communities in Formosa Province; and (vii) coordination mechanisms with other programs and agencies working with indigenous groups. The project would coordinate training activities targeted to indigenous groups with those being undertaken under an Institutional Development Fund Grant managed by the Secretariat of Social Development.

18. Environmental Assessment: Environmental Category: B

A separate environmental analysis of the proposed project was carried out to review: (i) the institutional context; (ii) mitigation measures; and (iii) required technical assistance to support implementation. Project activities which are likely to pose the greatest risk of adverse environmental impact are associated with Rural Investment Fund-supported subprojects. Most of the subprojects are likely to have either positive or neutral impacts on the environment. However, some subprojects which would support agricultural expansion and diversification and improved physical infrastructure could potentially prove to be more problematic. In the absence of specific SAGPyA environmental requirements and procedures, the development of an appropriate, project-specific environmental mitigation plan was deemed prudent and in conformity with existing Bank policies and procedures. Proposed mitigation measures were integrated into the project's subproject screening, evaluation, approval and monitoring procedures so as to be cost-effective and not overly-burdensome. Implementation of these procedures would be supported by training for all ETA technicians and selected intermediaries, and a more intensive course for one ETA technician per province who would assume lead responsibility for final environmental review of sub-projects. Relevant environmental aspects associated with rural development would be integrated in the training courses in policy formulation targeted to national and provincial decision-makers under the Strengthening Rural Development Policy component.

19. Participatory Approach:	Identification/Preparation	Implementation	Operation
Beneficiaries/community groups	IS, CON, COL	IS, CON, COL	IS, CON, COL
Intermediary NGOs	IS, CON, COL	IS, CON, COL	IC, CON, COL
Academic institutions	IS, CON	IS, CON, COL	IS
Local government (provincial and municipal)	IS, CON	IS, CON, COL	IS
Other donors (IFAD, IDB, GTZ, IICA)	IS, CON	IS, CON	IS, CON
Other Government Agencies/Programs (FOPAR/SIEMPRO, INTA, PRODERNEA, CENOC, INAI)	IS, CON, COL	IS, CON, COL	IS, CON, COL
International NGOs (Inter-American Foundation)	IS, CON	IS, CON	IS

The proposed project is one of the LAC Region's Participation Flagship Projects. It was agreed with Government that stakeholder participation was essential throughout preparation of the project because of: (i) the demand driven nature of the project; (ii) the reliance on existing, experienced intermediaries for provision of support services to beneficiaries; (iii) the importance of ownership to ensure sustained maintenance of project-financed investments; and (iv) the explicit project development objective of increasing beneficiary organizational and management capacity. Participation during project preparation started with an initial consultation with key stakeholders throughout the country, including existing small farmers associations, potential beneficiary groups (including groups with special needs such as women, indigenous groups and youth) and intermediary organizations (NGOs, local governments) and existing governmental programs. Beneficiary workshops, focus groups, interviews and mail questionnaires were used to consult with stakeholders regarding rural development issues and specific project design features. Finally, after completing the initial project design, a second wave of consultation with key stakeholders defined a participation action plan for project implementation.

Participation Action Plan: The action plan would facilitate stakeholder participation at all levels of project implementation, and would ensure that information required for decision making is available to all interested parties. *At the national level*, CCN, which includes beneficiary and NGO representatives, would advise PSA on policy issues, coordination with other programs, project priorities and overall programming. CCN would meet twice a year unless special meetings are requested; *at the regional level*, the four beneficiary representatives in CCN would hold four regional meetings annually in each region. These meetings would constitute a mechanism for permanent feedback between representatives of beneficiary groups at the regional level and CCN; *at the provincial level*, beneficiaries would be part of the provincial units responsible for oversight of provincial targeting strategies, promotional and technical assistance strategies, final approval of subprojects, and approval of POAs; and *at the local level* beneficiary participation would occur primarily through preinvestment and implementation activities as part of beneficiary groups. In selected communities, the pilot local units would have responsibility for promotion, subproject screening and supervision. Beneficiary participation would also take place through the monitoring and evaluation system. Annual performance evaluations, as well as mid-term and end-of-project evaluations would be reviewed by the CCN and provincial units as part of beneficiary workshops.

20. Sustainability:

The sustainability of project benefits depends on: (i) Government policy-makers maintaining the existing neutral macro-economic and sectoral policy environment which determines returns on investments; (ii) beneficiary maintenance of subproject investments and use of technical assistance; (iii) minimal interference by politicians which could redirect project assistance away from targeted beneficiaries and activities; and (iv) continued dedication of project staff to achievement of project objectives.

Government policy-makers are unlikely to introduce substantial changes in the current macro-economic and sectoral reform program (see Section 6- Main Issues and Government Strategy). The reform program has been in place for almost six years and has general support from all political parties as well as the major producer groups and other rural associations which have benefited from increased production and exports in all regions of the country.

Beneficiary maintenance of community investments (Rural Investment component) and *use of technical assistance outputs* (Improved Rural Development Policy component) is dependent on beneficiary ownership of the project outputs and sufficient organizational, technical and business management skills. The project's demand-driven approach - both subprojects and TA respond to requests prepared by beneficiaries - provides the best incentive for continued operation and maintenance as the outputs should respond to an expressed need of the beneficiaries. In the case of market-oriented subprojects, technical and economic evaluation would ensure that subprojects generate significant financial flows if maintained. In the case of community infrastructure subprojects, as benefits are less excludable, training and experience with organizational management under the project would provide the basis for managing O&M of investments. An O&M plan assessing technical needs and estimated costs of O&M would be presented as part of all

subproject proposals including plans for accessing the skills and mobilizing the resources necessary through user fees, levees, etc. Annual and mid-term and end-of-project evaluations would indicate if O&M is being carried out. *Political interference* in the operation of the project would be of particular concern during election years due to the project's ability to reach and organize the rural population. While a certain level of political intervention is inevitable in these types of programs, the use of well-defined targeting and screening mechanisms and subproject evaluation criteria, rapid availability of information from the MIS and financial management system, and social control mechanisms at all levels of project management, all serve as disincentives to political interventions which would seek to divert the project from its operational norms and objectives. *Staff of PSA and DPyDA* are generally very dedicated to the objectives and mechanisms of the project, but in the past have suffered from lack of budgetary support and pressure from local political interests. The proposed project would reduce budgetary uncertainty, and Bank participation and reinforcement of targeting, social control and monitoring and evaluation mechanisms would provide greater insulation from political interference. Staff have indicated that a strong training program to improve management and technical skills is an important factor for staff continuity.

21. Critical Risks (see fourth column of Annex 1):

<u>Risk</u>	<u>Risk Rating (Prob/Impact)</u>	<u>Risk Minimization Measure</u>
Project outputs to Development Objectives:		
(i) Poor, rural households have unexploited productive opportunities;	low/high	Research activities and sharing of provincial experience would increase available technological options. Subproject proposal screening would reduce likelihood of funding non-viable subprojects.
(ii) Investments poorly utilized and maintained;	med/med	Investments would reflect beneficiary priorities and would be partially financed by beneficiaries. Acceptable O&M plans would be included in subproject proposal. Follow-up technical assistance and supervision would be provided.
(iii) Low harvests due to climatic or pest problems;	med/high	Technification including introduction of drought and pest-resistant varieties and use of plant and animal health practices reduce probability. Diversification of production and increased value added reduce impact.
(iv) Training participants lack commitment or authority to affect their institution.	high/high	To reduce probability, criteria for participants would be specified to ensure that their institutional responsibility is consistent with training objectives..
Project components to outputs:		
(v) Political interference.	med/med	Targeting, social control and oversight mechanisms increase transparency, and increased participation and training for local authorities increases their association with successful project implementation.
Overall project risk rating:	medium	

22. Possible Controversial Aspects:

(i) Decentralization of project management to the community level is controversial due to concerns that local authorities lack capacity and/or would misdirect resources. Decentralization is therefore being piloted with strong social control mechanisms based on the Northeastern Brazil experience in order to verify its applicability in Argentina. In addition, training and TA would be provided to local governments, NGOs and beneficiary associations to increase local technical, organizational and managerial capacity;

(ii) Use of matching grants to finance rural investments is controversial due to Government preference to utilize a Government-administered revolving fund. Given the history of low repayment rates of directed credit internationally as well as in Argentina and the associated high administrative costs, the Bank has agreed with Government that matching grants would be used for project-financed investments. Careful targeting and monitoring mechanisms would be developed to ensure that funds go to poor, rural communities. However Government wishes to maintain revolving funds for working capital loans using recoveries from the existing program and own-funds. Bank would continue to work with Government to develop alternative means to improve the linkage of the beneficiary population to the formal financial system;

(iii) National coverage of project is controversial in that it raises administrative cost per beneficiary. However the administrative costs per provincial unit are relatively low, and the units fulfill an important promotional role in mobilizing local government and NGO collaboration to address the needs of the rural poor.

Block 4: Main Loan Conditions

23. Effectiveness Conditions:

- (i) Formal establishment of UNC with appointment of all key staff according to TORs and qualifications acceptable to the Bank;
- (ii) Management Information System (including monitoring and evaluation process), acceptable to the Bank, installed and operating in UNC, DPyDA, PSA national office and at least one provincial PSA office with capacity to at least generate Monthly Implementation Report required by Bank;
- (iii) Operational Manual (incl. environmental screening mechanisms, standard TORs and contracts) accepted by Bank and issued;
- (iv) Project Financial Management System, acceptable to the Bank, established and operational;
- (v) Annual Operating Plan for first year of project implementation has been furnished to Bank;
- (vi) First-year POA approved by the Bank.

24. Other:

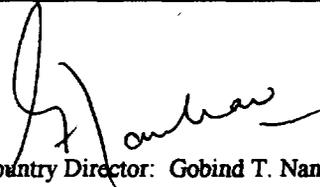
MIS installed and operational in all PSA provincial offices within 180 days of Effectiveness would be a condition of disbursement for the rural investment fund subcomponent.

Block 5: Compliance with Bank Policies

This project complies with all applicable Bank policies.



Task Manager: Steven N. Schonberger



Country Director: Gobind T. Nankani

Annex 1

Argentina Small Farmer Development Project

Project Design Summary

Narrative Summary	Key Performance Indicators	Monitoring and Supervision	Critical Assumptions and Risks
<p>CAS Objective</p> <p>1. Poverty alleviation and development of human resources;</p> <p>2. Improved performance and institutional capacity of government, particularly subnational governments, to deliver key social, infrastructure and environmental services.</p>	<p>1. Family benefits increased by an average of at least 15% after five years and 40% after ten years for at least 28,000 participating rural families.</p> <p>2. Rural development policies formulated and approved by political authorities at national level and in at least 10 provinces by project completion.</p>	<p>1. Comparison of sample of beneficiary profiles at entry, end-of-project and continued monitoring by SAGPyA.</p> <p>2. End-of-project evaluation.</p>	<p>(CAS Objective to Bank Mission)</p> <p>Continued neutral macroeconomic and sectoral policy environment.</p>
<p>Project Development Objectives¹</p> <p>1. Increased productive and organizational capacity in participating poor, rural communities;</p> <p>2. Greater emphasis on rural poverty issues in the sectoral agenda and improved coordination of rural development policies and programs.</p>	<p>1.1 Improved productive infrastructure;</p> <p>1.2 Increased production of food for family consumption;</p> <p>1.3 Increased diversification of productive activities;</p> <p>1.4 Increased value-added of production;</p> <p>1.5 Conversion or integration of beneficiary groups into producer organizations;</p> <p>1.6 Group input purchases and product marketing increased;</p> <p>2.1 Provincial rural development policies focused on beneficiary population prepared in participating provinces;</p> <p>2.2 Rural development strategies incorporate available statistical information and stakeholders' views regarding characteristics and needs of target population;</p> <p>2.3 Coordination</p>	<p>Baseline, midterm and end-of-project evaluations.</p>	<p>(Development Objectives to CAS Objective)</p> <p>Output prices elastic at the local level;</p> <p>Diversification reduces risk increasing total income;</p> <p>Economies of scale in input and output markets;</p> <p>Improved strategies applied to assistance programs.</p>

¹ Baseline and targeted values to be determined through baseline studies during first year of project.

	mechanisms incorporated into operational procedures of SAGPyA and provincial rural development programs.		
<p>Project Outputs</p> <p>1.1 Rural production support needs identified and prioritized in poor communities, and packages of appropriate services and goods to respond to prioritized needs identified and delivered to clients;</p> <p>2. Technical assistance provided to national and subnational authorities to improve rural development strategy formulation.</p>	<p>1.1 At least 30,000 eligible beneficiaries formed in 1,800 groups with lists of priority needs developed by end of project;</p> <p>1.2 At least 70% of subproject proposals are technically satisfactory;</p> <p>1.3 At least 80% of subprojects satisfactorily completed within expected time period;</p> <p>1.4 9 ULs created by 2000.</p> <p>2.1 Rural development data base operational;</p> <p>2.2 At least 16 provincial technical assistance projects completed;</p> <p>2.3 56 training courses/workshops on rural development for sub-national institutions completed;</p> <p>2.4 40 appropriate technology research projects completed.</p>	<p>Semi-annual Implementation Progress Reports.</p>	<p>(Outputs to Development Objectives)</p> <p>Poor, rural households have potential to increase productivity;</p> <p>Beneficiaries maintain subprojects;</p> <p>Climate;</p> <p>Provincial training and technical assistance recipients have required commitment and authority to influence their organizations.</p>
<p>Project Components</p> <p><u>1. Rural Investment Fund</u></p> <p>1.1 Funds transferred to provincial units and beneficiaries;</p> <p>1.2 Assignment, training and supervision of staff;</p> <p>1.3 Ex-ante and ex-post evaluation of subprojects;</p> <p>1.4 Information and financial management;</p> <p>1.5 Contracting, training and supervision of preinvestment, TA and marketing agents;</p> <p>1.6 Provision of assistance to groups;</p> <p>1.7 Training of beneficiaries.</p> <p><u>2. Strengthening of Rural Development Policy</u></p> <p>2.1 Assignment, training and supervision of ADR staff;</p>	<p>Input:</p> <p>Rural Investment Fund: US\$ 95.8 million;</p> <p>Strengthening Rural Development Policy: US\$ 8.8 million;</p> <p>Project Administration: US\$ 3.4 million.</p> <p>TOTAL COST: \$108.0</p>	<p>Management and Financial Information Systems:</p> <p>1.1 Financial records, contracts with groups;</p> <p>1.2 Organizational chart, training evaluations;</p> <p>1.3 Evaluation reports;</p> <p>1.4 Reports;</p> <p>1.5 Contracts, training and performance evaluations;</p> <p>1.6 TA agent reports;</p> <p>1.7 Training evaluations.</p> <p>2.1 Organizational chart, training evaluations;</p> <p>2.2 Contracts;</p>	<p>(Components to Outputs)</p> <p>Political interference.</p>

<p>2.2 Contracting studies; 2.3 Organization of workshops.</p> <p><u>3. Project Administration and Monitoring and Evaluation</u></p> <p>3.1 Hire, train and supervise staff; 3.2 Establish MIS and Financial Control System; 3.3 Manage procurement; 3.4 Prepare monthly and biannual reports and annual operating plans; 3.5 Contract evaluation activities.</p>		<p>2.3 Workshop invitations.</p> <p>3.1 Organizational chart, training evaluations; 3.2 MIS, Financial Reports; 3.3 Procurement records; 3.4 Reports; 3.5 Contracts.</p>	
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Annex 2

Argentina Small Farmer Development Project

Detailed Project Description and Implementation Arrangements

Rural Investment - US\$ 93.1 million (Approximately 90% of project base costs).

The Rural Investment Component would support the establishment and operation of a grants fund to channel financial and technical assistance to poor, rural communities in order to carry-out small-scale, self-help subprojects to improve economic infrastructure and intensify and diversify productive activities. Communities would be required to provide, at a minimum, manual labor and some local materials as well as the working capital to operate and maintain the investments. The Rural Investment Fund (FAIR) would incorporate design elements of successful social and rural investment funds throughout Latin America. These elements include: (i) demand-driven subproject selection based on proposals prepared and submitted by eligible project participants; (ii) decentralized project review to facilitate rapid response to assistance requests and maintain closer contact with potential participant needs; and (iii) flexibility to adjust project mechanisms to the needs of the target population subject to consistency with project objectives. In addition to financing approved subprojects, the project would finance equipment, technical assistance and training for the executing agency, PSA, and training for qualified intermediaries and beneficiaries.

Rural Investment Fund (US\$77.8 million). Subprojects expected to be submitted for FAIR financing were determined based on experience under the pilot project and a comprehensive beneficiary assessment carried out during project preparation. Typical subprojects are of five types: (a) Preinvestment subprojects would assist communities, through the provision of technical assistance, in the formation of beneficiary groups, identification of priority needs and preparation of a subproject proposal; (b) Household Production subprojects, directed at communities with limited, formal organizational experience, would increase the variety of own-produced food and develop group management skills through provision of technical assistance and inputs; (c) Commercially-oriented Technology Transfer subprojects, directed to beneficiaries with demonstrated, basic organizational capacity, would provide technical assistance and goods for production intensification through the introduction of improved varieties of crops or animals, production diversification through the introduction of additional on-farm activities such as horticultural crops or small-scale animal husbandry, and value-added and off-farm enterprise such as the production of preserves, packaged nuts, flour, and furniture; (d) Community Infrastructure subprojects would provide technical assistance, small civil works and goods for activities such as rehabilitation and extension of small-scale irrigation systems, construction of wells, land rehabilitation, agro-forestry, small bridges and road rehabilitation in communities. The scale and complexity of the subprojects would depend on the community's management experience; and (e) Marketing Assistance subprojects, consisting primarily of technical assistance, which would assist beneficiaries in establishing linkages to buyers, quality control and packaging.

FAIR activities would be implemented by PSA through its existing National Technical Coordination Unit (UTCN) and provincial offices (UP, CP and ETA). UTCN would allocate funds amongst provinces according to targeting criteria contained in the Operational Manual. UTCN would also be responsible for: assignment and supervision of staff; regional and national training for staff, intermediaries and beneficiaries; approval of annual provincial-level operating plans (POAs); preparation of a consolidated POA for the component; transfer of funds to provincial units; maintenance of financial records of the component; and implementation monitoring including monthly operational summaries and biannual progress reports for component activities to be consolidated by UTCN. UTCN staff would also work with provincial-level technical staff to develop programs and provide technical guidance in training, environmental assessment and mitigation, and quality control of preinvestment, implementation and marketing technical assistance for subprojects.

The Provincial Units (UPs), participatory oversight units which include representatives of project beneficiaries, local governments, NGOs and other intermediary organizations. UPs would determine local promotional strategies, oversee implementation of promotional and technical assistance strategies and POAs, and provide final approval of subproject proposals. The provincial coordinators (CPs) technical units (ETAs) would be responsible for implementation of project activities at the provincial level, including promotion, record keeping and reporting, technical evaluation of subprojects (ex-ante and ex-post) and supervision of intermediaries contracted for technical assistance and training. Subprojects, presented by beneficiary groups to the CP would be screened and evaluated by the ETAs based on social, technical and economic criteria appropriate to the type of subproject. Subprojects considered viable would be presented to the UP for final approval. A list of approved subprojects would be sent to

UTCN every month with the disbursement needs for those and ongoing projects in the coming month. UTCN would make the appropriate transfer through an independent financial service provider which would credit an account, in a local bank or postal service office, in the name of the beneficiary group. Beneficiaries would identify, design and implement subprojects, including the contracting of appropriate works, goods and technical assistance, with the assistance of intermediaries, and would present receipts to the CP which would maintain records for individual subprojects. Each CP/ETA would also establish technical qualifications and assist beneficiary groups with the identification and management of technical assistance providers for preinvestment, investment implementation and marketing assistance, as well as organizing local training and studies. Beneficiaries would have responsibility for operation and maintenance of subprojects with assistance from contracted intermediaries. In the case of the nine pilot, local units (ULs), responsibility for managing promotional, beneficiary screening, preinvestment, and preliminary subproject evaluation would be decentralized to municipal- or departmental-level councils which would include municipal government, local NGO (including churches) and beneficiary representatives. The pilot experiences would be monitored and evaluated at project mid-term to determine the conditions for expansion to other communities.

Support Services (US\$ 7.2 million). Support services would include: (a) training of staff, intermediaries and beneficiaries; (b) establishment of a marketing information system; and (c) implementation of the beneficiary participation and indigenous peoples action plans.

The project would incorporate a comprehensive training program targeted to: (i) targeted communities; (ii) private and public sector providers of technical assistance; and (iii) PSA staff. A basic menu of courses would be offered to the different audiences. In order to ensure that training activities respond to the needs and changing priorities over time of the targeted audiences, courses would be programmed through a demand driven approach. Participatory methodologies would be used to plan and evaluate the project's training activities. Beneficiary training would include organizational management, marketing, natural resources management and other technical skills. In order to improve the availability and quality of production-support services provided to targeted communities, training would also be provided to public and contracted intermediaries including NGOs, provincial and municipal agencies, beneficiary organizations and private extensionists on community planning techniques, group-based technical assistance and specific technical issues, such as smallholder resource management, relevant to each region and province. Training topics for PSA staff would include: use of the Management Information System, managing technical assistance, subproject selection and evaluation, and communications skills.

A marketing information system would be established in each province to: (i) provide on-line information on prices in local, regional and national markets; (ii) describe product demand characteristics including varieties, quality grading and packaging requirements; and (iii) identify marketing mechanisms. The information would be utilized by beneficiaries and technical assistance providers for subproject preparation and marketing of product, and by ETA staff for technical evaluation of subproject proposals.

The Participation Action Plan would strengthen the integration of stakeholders - beneficiaries, NGOs and local government - in all phases of project implementation. Stakeholders would participate in the policy and decision-making councils at the local, provincial, regional and national levels. Annual performance reviews would include semi-structured beneficiary interviews, and mid-term and final project evaluations would include participatory workshops to ensure incorporation of stakeholder views regarding project implementation progress, effectiveness, and needs for modifications in the operational procedures. The Indigenous Peoples Strategy would ensure the informed participation of indigenous people through special dissemination mechanisms, technical assistance and training methodologies, and subproject evaluation criteria, and, in the case of the provinces of Salta and Formosa, through the participation of indigenous representatives on the UPs.

Management of Rural Investment Fund (US\$8.1 million). Short-term consultancies, equipment, and recurrent costs (travel costs, insurance, rent, repair and maintenance, communications, office supplies) would be provided to the PSA staff to support implementation of FAIR. Consultancies would consist primarily of specialized professional services for administrative needs, such as installation and maintenance of MIS in each province, and to support technical and marketing assistance, environmental screening, and participant and intermediary training activities. Equipment would consist of vehicles, computers and office equipment for the PSA national and provincial coordination offices. Establishment of the nine pilot ULs would be supported with technical assistance and some office equipment.

Strengthening Rural Development Policy - US\$7.6 million (Approximately 7% of project base costs).

The Strengthening Rural Development Policy Component would improve rural development policy and program formulation and analysis at the national and provincial levels by financing technical assistance, training and studies at the national and provincial levels to improve the capacity of governmental and non-governmental agencies to carry out policy formulation and program design

directed at rural poverty reduction. These activities would assist provinces to establish the necessary technical preconditions for increased decentralization of rural development activities. Activities under the component would be managed by the Directorate of Planning and Agricultural Development (DPyDA) in SAGPyA which was responsible for project preparation and has experience in monitoring and evaluation of rural development activities. DPyDA staff would have responsibility for implementation of component activities, including procurement and accounting, preparation of POAs, monthly implementation reports and semi-annual progress reports, but would be supported by an administrative assistant, project coordination unit staff, and limited-term technical consultancies. DPyDA also serves as the secretariat to the Federal Agricultural Council (CFA) and would work closely with CFA in capacity strengthening at the sub-national level. The Rural Development Commission (CDR), to be established in SAGPyA and supported by ADR would ensure coordination amongst SAGPyA's rural development activities. Identification of priority themes for training and studies, largely identified during project preparation, would be confirmed with CDR during the first year of project implementation. Appropriate technology research would be carried out in collaboration with the *Minifundio* unit of INTA.

National Strategy Development (US\$0.7 million). Studies, surveys, establishment of a rural development data base in DPyDA to support rural development policy formulation and program preparation and evaluation in SAGPyA. Technical support would be provided to CDR, comprised of representatives of the various SAGPyA rural development programs, in order to improve coordination of activities and ensure consistency in supporting SAGPyA's evolving Rural Development Strategy;

Provincial Strategy Development (US\$3.5 million). Demand-driven technical assistance and equipment would be provided to participating provinces to improve rural poverty analysis and increase their capacity to manage rural development activities. The primary outputs would be provincial rural development strategy documents which would support design and implementation of provincial and nationally funded and administered rural development activities in the provinces;

Training (US\$0.6 million). National, provincial and municipal government staff, representatives of NGOs, beneficiary organizations and other providers of rural development services, would receive training in priority strategic areas including: project and policy formulation, implementation, monitoring and evaluation methodologies;

Appropriate Technology Development and Dissemination (US\$1.7 million). Studies to catalogue information on existing appropriate technologies and identify needs for poor, rural communities, and provide competitive research grants to finance development of appropriate technology packages in priority areas;

Institutional Strengthening for DPyDA (US\$1.1 million). Specialized technical assistance and equipment would be provided to SAGPyA to strengthen the Rural Development Area (ADR) within the Directorate of Planning and Agricultural Development to coordinate activities under the component and improve rural poverty analysis, program monitoring and policy development in SAGPyA. The ADR would be comprised primarily of existing staff complemented with short-term consultants to assist in the organization of the unit and the development and supervision of its work program.

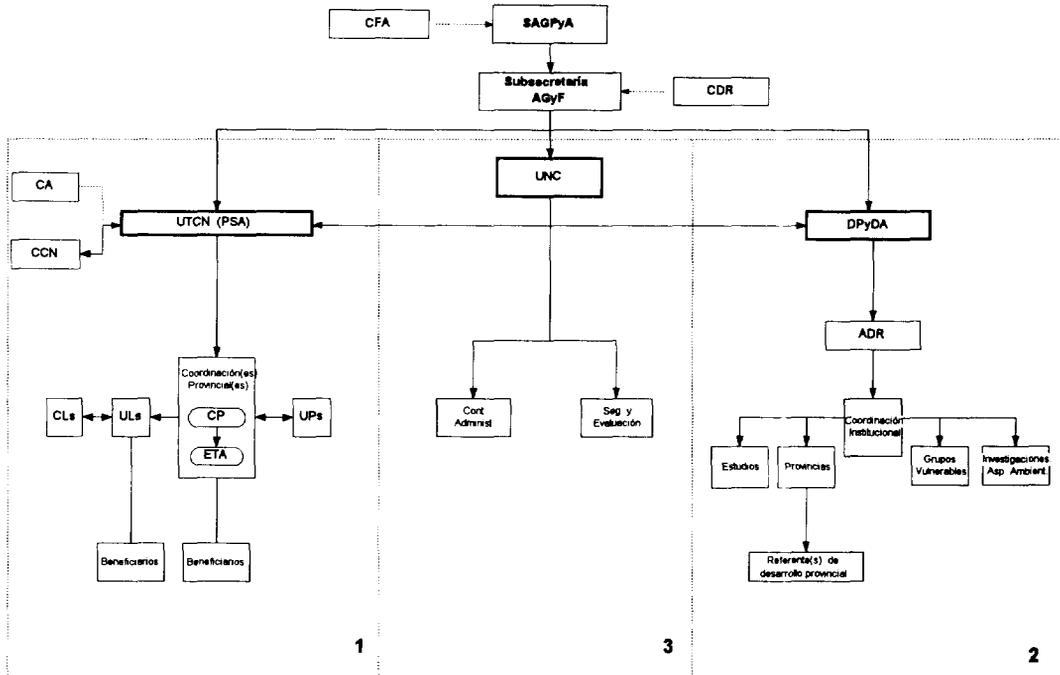
Project Administration, Monitoring and Evaluation - US\$2.9 million (Approximately 3% of project base costs).

The Project Administration Component would finance the establishment and maintenance of the Project Coordination Unit (UNC) and the execution of its administrative and monitoring and evaluation responsibilities.

Project Administration (US\$1.9 million). The UNC would include a national coordinator, a procurement and monitoring specialist, a financial administration/disbursement specialist, a financial management assistant, an MIS specialist, a general administrative assistant and a secretary. The UNC would ensure coordination between the activities of the other two project components as well as provide administrative support and oversight for project implementation including procurement and disbursements, project accounting, and reporting (consolidation of Monthly Implementation Reports, Annual Operating Plans, Semi-Annual Implementation Progress Reports).

Project Monitoring and Evaluation (US\$1.0 million). The UNC would carry out monitoring and evaluation activities in collaboration with DPyDA and PSA. In addition to establishment and maintenance of the project MIS, project monitoring would occur through: annual financial audits; annual procurement reviews; and annual implementation reviews (starting in the second year) of subprojects financed by the Rural Investment Fund. Evaluation activities would include establishment of baseline impact indicators during the first year of the project, and external evaluation studies at mid-term and project completion.

Project Implementation Structure



- CDR Comisión de Desarrollo Agropecuario
- CFA Consejo Federal Agropecuario
- SAGPyA Secretaría de Agricultura, Ganadería, Pesca y Alimentación
- SAGyF Subsecretaría de Agricultura, Ganadería y Forestación

1 - Rural Investment Component

- CA Consejo Asesor del PSA
- CCN Comisión Coordinadora Nacional
- CL Consejo Local
- CP Coordinador Provincial
- ETA Equipo Técnico de Apoyo
- PSA Programa Social Agropecuario
- UL Unidad Local
- UP Unidad (Coordinación) Provincial
- UTCN Unidad Técnica de Coordinación Nacional - PSA

2 - Strengthening Rural Policy Component

- ADR Area de Desarrollo Rural
- DPyDA Dirección de Planeamiento y Desarrollo Agropecuario

3 - Project Administration, Monitoring and Evaluation Component

- UNC Unidad Nacional de Coordinación - PROINDER

Annex 3

Argentina Small Farmer Development Project

Estimated Project Costs

(US\$ million)

<u>Project Component</u>	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
A. RURAL INVESTMENT FUND			
1. Rural Investment Subprojects			
a. Subprojects	72.4	3.4	75.8
b. Financial Transfer Services	2.0	-	2.0
<i>Subtotal Subprojects</i>	74.4	3.4	77.8
2. Support Services			
a. Training	5.2	0.3	5.5
b. Marketing Support	0.3	0.1	0.4
c. Participation & Indigenous Peoples Action Plans	1.2	0.1	1.3
<i>Subtotal Support Services</i>	6.7	0.5	7.2
3. Management of Rural Investment Activities			
a. National Technical Coordination Unit	1.2	0.1	1.3
b. Provincial Technical Coordination Units	6.1	0.5	6.6
c. Local Technical Units	0.2	-	0.2
<i>Subtotal Management</i>	7.5	0.6	8.1
<i>Subtotal Rural Investment Fund</i>	88.6	4.5	93.1
B. STRENGTHENING RURAL DEVELOPMENT POLICY			
1. National Strategy Development	0.6	0.1	0.7
2. Provincial Strategy Development	3.3	0.2	3.5
3. Training	0.5	0.1	0.6
4. Appropriate Technology Development	1.5	0.2	1.7
5. Institutional Strengthening of DPyDA	1.0	0.1	1.1
<i>Subtotal Strengthening Rural Development Policy</i>	6.9	0.7	7.6
C. PROJECT ADMINISTRATION, MONITORING and EVALUATION			
1. Project Administration	1.7	0.1	1.9
2. Monitoring and Evaluation	0.9	0.1	1.0
<i>Subtotal Administration, Monitoring and Evaluation</i>	2.6	0.2	2.9
Total BASELINE COSTS	98.1	5.4	103.6
Physical Contingencies	2.4	0.1	2.5
Price Contingencies	1.9	0.1	2.0
Total PROJECT COSTS	102.4	5.6	108.0

Annex 4

Argentina Small Farmer Development Project

Cost Benefit Analysis Summary

(Indicate currency, units, and base year)

	Present Value of Flows*		Fiscal Impact	
	Economic Analysis	Financial Analysis	Taxes	Subsidies
Benefits				
Costs	60280	66877	98212	67353
Net Benefits:	44772	54205		
IERR:	21087	12672		
	19%	13.5%		

* Estimate based on weighted average of Benefits and Costs of model subprojects.

Internal Economic Rate of Return

The project's demand driven approach for the specific investment proposals to be supported, made it impossible to calculate an exact internal economic rate of return. Nevertheless, based on participatory assessment workshops, nine model subprojects were defined and modeled to determine their technical and economic viability. These models: (i) cover the five geographic regions of the country; (ii) are based on productive systems commonly found in agro-ecological zones that encompass more than 70% of the target beneficiary population; (iii) depict interventions that benefit small producer families while simultaneously promoting the intervention of specific groups such as women, youth and native population; and (iv) cover the main areas of intervention detected through the participatory workshops. PSA provincial coordinators and INTA agents helped delineate the necessary technical parameters and carried out detailed surveys needed to portray the baseline situation of the groups involved.

Estimated IERRs for the model subprojects range from 14% to 36% for commercial ventures. Only economically sound proposals - those with IERR above 12% - would be financed, with the exception of those destined to enhance the quality and quantity of on farm consumption. These may be financed even if economic returns are below 12%, since they would be considered initial projects to promote group formation. From the estimated IERRs for the nine model subprojects, it has been calculated that the IERR for the Rural Investment Fund subcomponent, which includes funds for matching grants and technical assistance for subprojects, would be approximately 26.3%. When adding full project costs, including FAIR's support services and management, and the Project Administration, Monitoring and Evaluation and the Strengthening Rural Policy components, the overall IERR for the entire project was estimated to be 19.0%.

**Economic Analysis of Model Subprojects
(US\$ Dollars)**

Pilot Subproject	Initial Investment		Increased Cash Flow*	IERR (%)
	Total	p/Family		
Spinning/marketing of mohair and wool	1,561	223	2,451	14.2
Vegetable production for on-farm consumption	702	117	(144)	3.6
Diversification with goat milk production	31,500	1,500	61,890	33.5
Storage/marketing of horticultural products	32,025	1,281	65,033	-.-
Diversification with citrus production	9,000	1,500	9,383	32.8
Tool bank and direct marketing of production	28,014	1,334	11,958	21.5
Infrastructure for livestock production	9,608	1,201	4,640	18.2
Small agricultural services undertaking	22,976	1,436	8,301	27.8
Diversification of sugar cane varieties	3,895	205	7,329	28.5

* At full development

Main Assumptions:

Discount rate: 12%

Time horizon: 20 years

Growth in real prices of output: constant

Real Exchange Rate: constant

Input prices: constant third quarter 1996 prices

Output prices: constant average 1994 - 1996 harvest season prices at farmgate

Switching values of critical items over all model subprojects:

Critical Item	Highest Sensitivity	Lowest Sensitivity
Value of Production (price x yield)	-12% (Small Agricl. Services)	-186% (Tool Bank and Marketing)
Production Costs	29% (Small Agricl. Services)	>1000% (Spinning/Mktg. of Mohair)
Investment Costs	136% (Small Agricl. Services)	>1000% (Storing/Mktg. of Horticult.)
Shadow wage rate	18% (Spinning/Mktg. of Mohair)	>1000% (Tool Bank and Marketing)

Fiscal Impact Analysis

The main national taxes imposed on rural producers are the Value Added Tax (VAT), Income Tax, and Personal Goods (Patrimony)Tax. At the provincial level the two main taxes that may affect rural producers are the Gross Income Tax, and the Property Tax. The Income Tax and Personal Goods Tax don't generate income within the universe of the target population for the project, since beneficiaries fall below the taxable minimum income and level of patrimony. The present VAT rate is 21%, and it is applied to all value added by productive activities. The amount of VAT paid on inputs that small producers are able to recover (pass on) in the price of products sold, depends on the producer's status with the Revenue Service. Most targeted beneficiaries are not registered with the Revenue Service. When producers buy inputs, they are charged the 21% standard VAT rate if they are registered, and an additional 10% rate when they are not - a total 31% VAT. When registered producers sell products, buyers act as retention agents and deposit part of the VAT directly into fiscal accounts to the name of the seller, and the rest is kept by the seller. The net VAT liability of producers is generated by the balance between VAT generated by products sold (VAT charged by producers), and VAT paid on inputs purchased. When producers are not registered with the Revenue Service, the full amount of the VAT generated by products sold is deposited into the fiscal account, and producers are not able to deduct (recover) any of the amount of VAT paid on inputs purchased.

For the analysis it was assumed that most producers are not registered, and that they sell their products through informal markets. In this situation, the conservative approach taken for the fiscal impact was to account only for the VAT paid on inputs purchased, and only at the standard 21% rate level. However, in the case of products, a distinction was made between those models where marketing of products is done directly to final consumers, from those where marketing is carried out through middlemen who withhold part of the VAT generated, thus generating an incremental fiscal impact. This was the case of citrus fruits, onions and sugar cane. With regards to provincial taxes, both the Gross Income Tax and the Property Tax do not apply to the models analyzed. Gross Income Tax will be discontinued next year. In the case of the Property Tax, the tax on the incremental land value due to the project would be negligible.

Calculation of fiscal impact was based on the model subprojects. The analysis quantified for each case the balance between the amount of matching grant and the amount of VAT generated on incremental operating costs and incremental value of production where applicable. The following table summarizes the fiscal impact balance for each model subproject, and it shows that in almost all cases the balance is positive. The main assumptions made to calculate the present value of the net financial fiscal flows were the same as for the economic analysis: 20-year time horizon and 12% discount rate. From the calculated fiscal impact for the nine model subprojects, it has been estimated that the rate of return on grants for investments would be 95.1% over the 20 years of the project.

**Fiscal Impact Analysis of Model Subprojects
(US\$ Dollars)**

Pilot Subproject	Present Value of Net Fiscal Flow	IFRR (%)
Spinning/marketing of mohair and wool	417	29.0
Vegetable production for on farm consumption	(515)	(8.3)
Diversification with goat milk production	3,714	59.8
Storage/marketing of horticultural products	10,203	259.3
Diversification with citrus production	(436)	8.1
Tool bank and direct marketing of production	2,164	61.0
Infrastructure for livestock production	578	26.9
Small agricultural services micro-enterprise	(312)	7.7
Diversification of sugar cane varieties	2,065	383.7

Annex 5

Argentina Small Farmer Development Project

Financial Summary

Years Ending December 31
(US\$; 1997 base year)

	Implementation Period					
	1997	1998	1999	2000	2001	2002
Project Costs						
Investment Costs	1.5	20.2	38.3	16.5	15.1	4.5
Recurrent Costs	0.3	1.8	2.9	2.4	2.4	2.1
Total	1.8	22.0	41.2	18.9	17.5	6.6
Financing Sources (% of total project costs)						
IBRD/IDA	77	68	68	71	71	75
Government	23	21	21	21	21	22
Beneficiaries	0	11	11	8	8	3
Total	100	100	100	100	100	100

Annex 6

ARGENTINA: Small Farmer Development Project

Procurement and Disbursement Arrangements

Procurement

Primary responsibility for procurement would be with the UNC, which would supervise and support procurement carried out by PSA and DPyDA, including training of staff of these agencies based on the procedures and standard documentation contained in the Operational Manual. Communication of required procurement procedures to each beneficiary group would be the responsibility of the PSA provincial-level technical units and procurement procedures would be described in the subproject grant agreements signed by PSA and the beneficiary groups. Equivalent procedures would govern procurement under appropriate technology research grants and assistance to the provinces under the Strengthening Rural Development Policy component.

Subprojects (Rural Investment Fund) consist of packages of small civil works, goods and technical assistance with an expected average cost of approximately US\$20,000. No individual subproject contract would cost more than US\$100,000 equivalent. Most subprojects are expected to be implemented directly by local communities, assisted by contracted intermediaries including NGOs. Civil works or goods would be contracted based on national shopping. On an exceptional basis, up to a total of US\$20 million, direct contracting of civil works costing less than \$20,000 and goods costing less than \$5,000 would be permitted in cases where, due to the remoteness of the rural communities, obtaining three quotations is not considered economical or feasible. Standard designs, including representative costs for goods and services, would be developed for commonly proposed and accepted subprojects (i.e.: community warehouses, greenhouses) based on project experience. Local communities would be assisted by the provincial technical units in the identification and selection of qualified technical assistance providers.

Goods, other than those procured under the subprojects, would be limited primarily to vehicles, photocopiers, personal computer hardware and software, and other office equipment and supplies for the UNC, PSA (national and provincial units) and DPyDA offices and small purchases in 23 provinces under the Strengthening Rural Development Policy Component for a total estimated amount of US\$1.7 million equivalent. Purchases of over US\$350,000 would be made following International Competitive Bidding (ICB) procedures, and for smaller purchases, whenever feasible, purchases of similar items (vehicles, computers and office equipment) would be grouped into packages estimated to cost more than US\$100,000, and a National Competitive Bidding (NCB) process would be followed, up to an aggregate amount of US\$900,000. Goods estimated to cost less than US\$100,000 would be procured following National and International Shopping procedures, up to an aggregate amount of US\$800,000.

Consultant Services would be procured for: long-term technical assistance to SAGPyA for project administration; short-term technical assistance to PSA and DPyDA for project implementation; short-term technical assistance for studies and training; and technical assistance to beneficiaries under subprojects. Approximately US\$ 4.2 million is expected to be contracted to consulting firms, of which Quality and Cost Based Selection (QCBS) would be utilized for at least US\$0.2 million, with the remaining based on Fixed Budget (FB) - US\$1.2 million; Consultants' Qualifications - US\$1.2 million; Least Cost Selection (LCS) - US\$0.1 million and procedures described in the Operational Manual for Appropriate Technology Research Grants - US\$1.5 million. The short list for consultancies estimated to cost less than US\$100,000 could be comprised entirely of national consultants. All other consultancies are expected to involve the hiring of individuals with selection based of their qualifications for the assignment.

Training would include consultant services, renting of facilities, purchase of training materials and other associated costs which would be procured in accordance with the applicable procurement guidelines for consultant services and goods. Most training is expected to form part of an annual training program which would be presented to the Bank every year for its no-objection as part of the POA.

Monitoring of procurement practices would be carried out to ensure consistency with Bank guidelines and the Operational Manual. Prior review would be required for all ICB and NCB procurement of goods. In the case of consulting contracts, Bank prior review would be required of corresponding terms of reference, short lists and draft contracts for consultant contracts estimated to cost the equivalent of US\$20,000 or more, and for assignments of a critical nature including all UNC staff, the financial manager in DPyDA, design and establishment of the MIS and financial management systems, audits, procurement reviews and the midterm and final evaluation studies. In the case of contracts with firms estimated to cost \$100,000 or more, Bank prior review of technical evaluation reports prior to opening of financial proposals would also be required. Prior review for training activities - all are seminars for beneficiaries and intermediaries with an estimated average cost of less than US\$10,000 - would be based on an annual training program proposal submitted each year as part of the POAs for the Bank's review. In addition, standard terms of reference for activities such as technical assistance to beneficiary groups, supervision of subprojects and research grants have been incorporated into the Operational Manual. Approximately 53% of centrally procured goods and 68% of centrally procured consultant services would receive prior review. An additional 23% of centrally procured consultants services would have received prior review of standard TORs and the annual training plan. However, as about 70% of procurement would take place under subprojects and would not be subject to prior review, ex-post procurement reviews would be carried out as part of annual implementation reviews to ensure that the procurement procedures specified in the loan agreement and the operational manual for the project are being followed.

Disbursements

Special Account: Payments from the loan proceeds would be administered by the UNC from a Special Account. The Special Account would be maintained in US dollars in a commercial bank selected by the Borrower and acceptable to the World Bank. The authorized allocation, sufficient for about four months of financeable expenditures, would be US\$6 million, however the initial allocation would be limited to US\$3 million until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank shall be equal to or exceed US\$10 million. The Special Account would be managed by UNC which would be responsible for preparing disbursement requests. These requests would be submitted monthly or when the Special Account has been drawn down by a third of the initial deposit, whichever occurs first. The Special Account would be audited annually by independent auditors acceptable to the Bank.

Retroactive Financing of up to US\$ 7.5 million (10% of the Loan amount) would be provided for eligible expenditures incurred since July 1, 1997 (but not earlier than 12 months before loan signing).

Table A1: Project Costs by Procurement Arrangements

(in US\$million equivalent)

Expenditure Category	Procurement Method				Total Cost (including contingencies)
	ICB	NCB	Other	N.B.F	
1. Subprojects			75.8 ^a (57.7)		75.8 (57.7)
2. Goods		0.9 (0.7)	0.8 ^b (0.6)		1.7 (1.3)
3. Consultants' Services			10.0 ^c (10.0)		10.0 (10.0)
4 <u>Miscellaneous</u>					
Training			8.6 ^d (6.0)		8.6 (6.0)
Incremental Recurrent Costs				9.9 ^e	9.9
Financial Transfer Fees				2.0 ^f	2.0
Total		0.9 (0.7)	95.2 (74.3)	11.9	108.0 (75.0)

Note: ICB = International Competitive Bidding; NCB = National Competitive Bidding;
N.B.F. = Not Bank-financed.

Figures in parentheses are the amounts to be financed by the Bank loan.

^a National shopping for civil works and goods, and contacting of individual consultants and firms based on qualifications. Direct contracting of works costing less than \$20,000 and of goods costing less than \$5,000 would be accepted on an exceptional basis in cases where, due to the remoteness of the rural communities, obtaining three quotations is not considered economical or feasible.

^b National or International Shopping.

^c Services should be procured in accordance with World Bank, *Guidelines: Selection and Employment of Consultants by World Bank Borrowers* (Washington, D.C., January 1997).

^d Includes national shopping, direct contracting and consultant services for training activities.

^e Includes insurance, rent, financial service fees, repairs and maintenance, office supplies and travel incurred by UNC, PSA and DPyDA.

^f Service fees charged by financial intermediary to transfer funds to beneficiaries and PSA provincial offices.

Table A2: Consultant Selection Arrangements

(in US\$million equivalent)

Consultant Category	Selection Method					Total Cost (including contingencies)
	QCBS	FB	CQ	LCS	Other	
A. Firms	0.2 ^a (0.2)	1.2 ^a (1.2)	1.2 ^a (1.2)	0.1 ^b (0.1)	1.5 ^c (1.5)	4.2 (4.2)
B. Individuals					6.0 ^d (6.0)	6.0 (6.0)
Total	0.2 (0.2)	1.2 (1.2)	1.2 (1.2)	0.1 (0.1)	7.5 (7.5)	10.2 (10.2)

Note: QCBS = Quality- and Cost-Based Selection; FB = Selection under a Fixed Budget; CQ = Selection Based on Consultants' Qualifications; LCS = Least-Cost Selection. Figures in parenthesis are the amounts to be financed by the Bank loan.

- ^a For small assignments (less than \$100,000), the short list may consist entirely of national consultants.
^b For accounting assignments of less than \$100,000.
^c Appropriate technology research grants with selection based on criteria described in the Operational Manual.
^d Individuals selected on the basis of qualifications of consultant.

Table B: Thresholds for Procurement Methods and Prior Review

Expenditure Category	Contract Value (Threshold)	Procurement Method	Contracts Subject to Prior Review	
1. <u>Works</u>	<100,000	Three Quotations*	None	
2. <u>Goods</u>	>350,000	ICB	All	
	100,000 to 350,000	NCB	All	
	<100,000	National or International Shopping*	None	
3. <u>Consultant Services</u>				
	Firms	>100,000	QCBS, FB	All (including technical evaluation report)
		20,000 to 100,000	QCBS, FB, LCS, CQ	All (except technical evaluation report)
Individuals	<20,000	QCBS, FB, LCS, CQ	None**	
	>20,000	Qualifications	All	
	<20,000	Qualifications	None**	

* In the case of Rural Investment Fund subprojects, direct contracting would be accepted on an exceptional basis for civil works whose cost does not exceed \$20,000 or goods whose cost does not exceed \$5,000 in cases where, due to the remoteness of the rural communities, obtaining three quotations is not considered economical or feasible, up to an aggregate amount of \$20 million.

** Exemption from prior review does not apply to consultants contracts below the thresholds in cases of: assignments of a critical nature and amendments to contracts raising original contract value above the thresholds.

Table C: Allocation of Loan Proceeds

<u>Expenditure Category</u>	<u>Amount in US\$million</u>	<u>Financing Percentage</u>
1. <u>Rural Investment Fund</u>		
a. Grants	57.7	85%
b. Goods and Equipment	0.9	80%
c. Technical Assistance and Studies	0.6	100%
d. Training*	4.8	70%
2. <u>Strengthening Rural Policy</u>		
a. Goods and Equipment	0.3	80%
b. Technical Assistance and Studies	5.9	100%
c. Training*	0.3	70%
3. <u>Project Administration</u>		
a. Goods and Equipment	0.1	80%
b. Technical Assistance and Studies	2.0	100%
4. <u>Unallocated</u>	2.4	
Total	75.0	

* Consultant services, training materials, rental of facilities and other expenses associated with preparation and implementation of training courses.

Annex 7

Argentina Small Farmer Development Project

Project Processing Budget and Schedule

A. Project Budget	<u>Planned</u> (At final PCD stage)	<u>Actual</u>
Staff time, travel, consultants:	US\$180,000	US\$170,000 (to date)
B. Project Schedule	<u>Planned</u> (At final PCD stage)	<u>Actual</u>
Time taken to prepare the project (months):	12 months	16 months (From effective start of preparation to appraisal)
First Bank mission (identification):	<u>3/10/1995</u>	<u>3/10/1995</u>
Appraisal mission departure:	<u>5/10/1997</u>	<u>4/07/1997</u>
Negotiations:	<u>7/15/1997</u>	<u>6/02/1997</u>
Planned Date of Effectiveness:	<u>10/30/1997</u>	

Prepared by: Argentina's Secretariat of Agriculture, Livestock, Fisheries and Food (SAGPyA)

Preparation assistance: Japanese PHRD Grant TF 22731; FAO/CP; Canadian Consultant Trust Fund.

Bank staff who worked on the project included: Steven Schonberger (Task Manager), Estanislao Gacitua (Social Scientist), Beatriz Iraheta (Staff Assistant), Thomas Wiens (Principal Agricultural Economist), Livio Pino (Financial Management Specialist), Tulio Barbosa (Agricultural Economist), and Jean-Jacques de St. Antoine (Senior Financial Analyst). Assistance was also provided by Andres Abramovich (Senior Agricultural Economist), Hans Binswanger (Senior Policy Advisor) and Matt McMahon (Senior Agriculturalist). Others contributors to project preparation were: Selim Mohor, Dino Fransescutti, Random Dubois, Jean-Claude Sallier, Alvero Soler and Fernando Rodriguez-Schuller (FAO/CP); Neil Thomas and Violetta Manoukian (Canadian Consultant Trust Fund).

Annex 8

Argentina Small Farmer Development Project Documents in the Project File

A. Project Implementation Plan/Operational Manual

B. Bank Staff, FAO/CP and Consultant Assessments

Social/Targeting Assessment

Participation/Community Promotion Assessment

Institutional Assessment

Training Assessment

Technical Assistance Needs Assessment

Technical Assistance Assessment

Research Assessment

Marketing Assessment

Monitoring and Evaluation Assessment

Project Costs and Economic/Financial Analysis

C. Other Documents Prepared by SAGPyA Project Preparation Unit

01. Metodología de diagnóstico sobre la pobreza rural;

02. Pobreza rural: datos recientes y diversidad de situaciones ocupacionales;

03. Relevamiento y síntesis de estudios de casos sobre pobres rurales;

04. Análisis de Programas de desarrollo rural;

05. Talleres de diagnóstico-participativo regionales: beneficiarios y auspiciantes. Sistematización de resultados;

06. Programas sociales que atienden población rural pobre, pertinentes para el PROINDER;

07. Diagnóstico de la pobreza rural en la Argentina. Propuesta para la detección y selección de beneficiarios, entes auspiciantes e iniciativas en un proyecto de desarrollo para pobres rurales;

08. Encuesta de hogares rurales sobre niveles de vida y producción;

09. Capacidad institucional a escala local;

10. Pequeños productores minifundistas en las regiones agroecológicas de la Argentina;

11. Sistematización y análisis de estrategias y operatorias del Programa Social Agropecuario;

12. Estructura económica, contexto sectorial y estrategia de desarrollo;

13. Organización para la ejecución;

14. Fortalecimiento institucional;

15. Focalización, asignación de recursos y criterios de elegibilidad;

16. Asistencia técnica del FAIR;

17. Capacitación del FAIR;

18. Comercialización del FAIR;

19. Organización institucional del FAIR;

20. Seguimiento y evaluación;

21. Plan de difusión del PROINDER;

22. Costos del proyecto;

23. Análisis financiero y económico de subproyectos modelos;

24. Análisis del impacto fiscal;

25. Evaluación social;

26. Aspectos ambientales

27. Aspectos legales

28. Resumen del proyecto PROINDER

D. Other

Estrategia de Desarrollo Rural Hacia el Siglo XXI (SAGPyA)

Rural Poverty Report (World Bank)

Annex 9
Argentina Small Farmer Development Project
Statement of Loans and Credits
A. Statement of IBRD Loans and IDA Credits in Argentina (as of April 30, 1997)

Project ID	Loan or Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US\$ Millions				Difference Between actual and expected Disbursements a/
					IBRD	IDA	Cancellations	Undisbursed	
Number of Closed Loans/credits: 50									
AR-PE-5945	L26410	1986	GOVERNMENT	WATER SUPPLY	60.00	0.00	20.03	1.65	21.68
AR-PE-5968	L28540	1987	SEGBA	SEGBA V	276.00	0.00	0.00	68.45	68.45
AR-PE-6009	L32970	1991	GOVT OF ARGENTINA	INA AG SERVICES&INST DEV	33.50	0.00	0.00	4.28	2.38
AR-PE-5977	L32810	1991	ARGENTINE REPUBLIC	WTR SUPPLY II	100.00	0.00	0.00	71.04	61.31
AR-PE-6005	L32800	1991	REPUBLIC OF ARGENTINA	PROVINC DEV PROJ	200.00	0.00	0.00	56.15	56.15
AR-PE-6003	L36110	1993	GOVT OF ARGENTINA	INA RD MAINT & REHAB SCT	340.00	0.00	0.00	157.48	120.30
AR-PE-6036	L35200	1993	GOVERNMENT	YACYRETA II	300.00	0.00	0.00	3.28	3.10
AR-PE-6051	L35210	1993	ARGENTINA	FLOOD REHABILITATION	170.00	0.00	0.00	8.15	8.15
AR-PE-6062	L37100	1994	MIN OF ECONOMY	CAPITAL MKT TA	8.50	0.00	0.00	5.75	4.28
AR-PE-5988	L37090	1994	REP OF ARGENTINA	A CAPITAL MKT DEVT	500.00	0.00	0.00	393.64	-106.36
AR-PE-6025	L36430	1994	GOVT OF ARGENTINA	INA MTNAL CHLD HLTH & N	100.00	0.00	0.00	52.92	25.75
AR-PE-6018	L38770	1995	ARGENTINE REPUBLIC	PROV DEVT II	225.00	0.00	0.00	223.50	21.18
AR-PE-6060	L38600	1995	GOVT OF ARGENTINA	MUNIC DEVT II	210.00	0.00	0.00	201.48	-1.20
AR-PE-5992	L37940	1995	GOVT OF ARGENTINA	INA SECONDARY ED I	190.00	0.00	0.00	171.78	101.55
AR-PE-6035	L38360	1995	REP OF ARGENTINA	PROV. REFORM	300.00	0.00	0.00	.37	-66.30
AR-PE-45687	L40040	1996	REP. OF ARGENTINA	H. INSURANCE TA	25.00	0.00	0.00	19.97	1.97
AR-PE-40909	L40030	1996	REP. OF ARGENTINA	H. INSURANCE REFORM	100.00	0.00	0.00	100.00	0.00
AR-PE-6057	L39710	1996	GOV'T OF ARGENTINA	SECNDARY ED 2	115.50	0.00	0.00	115.50	23.47
AR-PE-37049	L39580	1996	GOVT OF ARGENTINA	PUB. INV. STRENGTHG	16.00	0.00	0.00	16.00	4.72
AR-PE-6040	L39480	1996	GOVERNMENT	FORESTRY/DV	16.00	0.00	0.00	15.56	.63
AR-PE-6055	L39270	1996	GOVT. OF ARGENTINA	MINING SCTR DEVT	30.00	0.00	0.00	19.95	-1.35
AR-PE-34091	L39210	1996	REP OF ARGENTINA	HIGHER ED REFORM	165.00	0.00	0.00	154.27	52.94
AR-PE-40909	L40020	1996	REP. OF ARGENTINA	H. INSURANCE REFORM	250.00	0.00	0.00	100.00	-1.25
AR-PE-6030	L39310	1996	REPUB OF ARGENTINA	PROVCL HLTH SCTR DEV	101.40	0.00	0.00	96.63	15.23
AR-PE-35495	L39570	1996	SEC. OF SOC. DEVT (OFFICE	SOCIAL PROTECTION	152.00	0.00	0.00	28.28	10.98
AR-PE-38883	L39600	1996	REPUBLIC OF ARGENTINA	ENT. EXPORT DV.	38.50	0.00	0.00	34.45	16.95
AR-PE-40904	L39260	1996	REPUBLIC OF ARGENTINA	BANK REFORM	500.00	0.00	0.00	166.00	166.00
AR-PE-6010	L41500	1997	GOA	PROV AG DEVT I	125.00	0.00	0.00	125.00	0.00
AR-PE-6052	L41170	1997	GOVT OF ARGENTINA	FLOOD PROTECTION	200.00	0.00	0.00	200.00	0.00
AR-PE-46821	L41310	1997	GOVT. OF ARG	PENSION TA	20.00	0.00	0.00	20.00	1.56
AR-PE-44445	L41160	1997	REPUBLIC OF ARGENTINA	PROV. PENSION1	300.00	0.00	0.00	150.00	25.00
AR-PE-40808	L40850	1997	GOA	N. FOREST/PROTC	19.50	0.00	0.00	19.50	0.00
AR-PE-5980	L40930	1997	GOVT OF ARGENTINA	PROV ROADS	300.00	0.00	0.00	300.00	8.67
Total					5,486.90	0.00	20.03	3,101.04	

	Active Loans	Closed Loans	Total
Total Disbursed (IBRD and IDA):	2,365.83	6,044.76	8,410.59
of which has been repaid:	183.82	2,805.41	2,989.23
Total now held by IBRD and IDA:	5,283.06	3,241.49	8,524.55
Amount sold :	0.00	12.79	12.79
Of which repaid :	0.00	12.79	12.79
Total Undisbursed :	3,101.04	2.13	3,103.17

- a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.
- b. Rating of 1-4: see OD 13.05, Annex D2. Preparation of Implementation Summary (Form 590). Following the FY94 Annual Review of Portfolio performance (ARPP), a letter based system will be used (HS = highly Satisfactory, S = satisfactory, U = unsatisfactory, HU = highly unsatisfactory): see proposed Improvements in Project and Portfolio Performance Rating Methodology (SecM94-901), August 23, 1994.
- c. Following the FY94 ARPP, "Implementation Progress" will be reported here.

B. Statement of IFC's Committed and Disbursed Portfolio
As of 31-Mar-97
In Millions US Dollars

FY	Approval	Company	Committed				Disbursed			
			IFC				IFC			
			Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1960		Acindar	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1977		Alpargatas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1978		Minetti	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1981		Minetti	.67	0.00	0.00	0.00	.67	0.00	0.00	0.00
1984		Alpargatas	0.00	1.05	0.00	0.00	0.00	1.05	0.00	0.00
1985		ROPASA	0.00	.05	0.00	0.00	0.00	.05	0.00	0.00
1986		Alpargatas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1986		Minetti	.23	0.00	0.00	1.17	.23	0.00	0.00	1.17
1987		BGN-Bolland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1987		BGN-CENCOSUD	.07	0.00	0.00	0.00	.07	0.00	0.00	0.00
1987		BGN-CILSA	.01	0.00	0.00	0.00	.01	0.00	0.00	0.00
1987		BGN-Flichman	.02	0.00	0.00	0.00	.02	0.00	0.00	0.00
1987		BGN-Longvie	.03	0.00	0.00	0.00	.03	0.00	0.00	0.00
1987		BGN-Noroeste	.03	0.00	0.00	0.00	.03	0.00	0.00	0.00
1987		BGN-Sebastian	.07	0.00	0.00	0.00	.07	0.00	0.00	0.00
1987		BGN-TBR	.21	0.00	0.00	0.00	.21	0.00	0.00	0.00
1987		BGN-Vandenfil	.03	0.00	0.00	0.00	.03	0.00	0.00	0.00
1987		BRLP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1987		Minetti	.47	0.00	0.00	2.33	.47	0.00	0.00	2.33
1987		Terminal 6	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1987		BGN-Moldeada	.07	0.00	0.00	0.00	.07	0.00	0.00	0.00
1987		BGN-Tevycom	.02	0.00	0.00	0.00	.02	0.00	0.00	0.00
1987		BGN-COLORTEX	.07	0.00	0.00	0.00	.07	0.00	0.00	0.00
1987		BGN-Valley	.03	0.00	0.00	0.00	.03	0.00	0.00	0.00
1988		Alpargatas	0.00	0.00	1.37	0.00	0.00	0.00	1.37	0.00
1988		Bunge y Born	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1989		Banco Frances	4.31	0.00	0.00	1.14	4.31	0.00	0.00	1.14
1989		BGN-Algodonera	.32	0.00	0.00	0.00	.32	0.00	0.00	0.00
1989		BGN-Bolland	.27	0.00	0.00	0.00	.27	0.00	0.00	0.00
1989		BGN-Ferrum	1.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00
1989		BGN-Flichman	.20	0.00	0.00	0.00	.20	0.00	0.00	0.00
1989		BGN-Genaro	.82	0.00	0.00	0.00	.82	0.00	0.00	0.00
1989		BGN-Parafina	.75	0.00	0.00	0.00	.75	0.00	0.00	0.00
1989		BGN-Willmor	.82	0.00	0.00	0.00	.82	0.00	0.00	0.00
1989		ROB-COMESI	.38	0.00	0.00	0.00	.38	0.00	0.00	0.00
1989		ROB-Fracchia	.21	0.00	0.00	0.00	.21	0.00	0.00	0.00
1989		Terminal 6	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1989		ROB-INTA	.38	0.00	0.00	0.00	.38	0.00	0.00	0.00
1989		BGN-Interpack	.30	0.00	0.00	0.00	.30	0.00	0.00	0.00
1989		BGN-FRIGOTOBA	.15	0.00	0.00	0.00	.15	0.00	0.00	0.00
1990		CIP	0.00	.08	0.00	0.00	0.00	.08	0.00	0.00
1990		Petroken	8.33	0.00	5.00	3.67	8.33	0.00	5.00	3.67
1990		Terminal 6	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1991		BCA	1.89	0.00	0.00	2.40	1.89	0.00	0.00	2.40
1991		Minetti	.58	0.00	0.00	0.00	.58	0.00	0.00	0.00
1991		ROB-Alimenticia	.28	0.00	0.00	0.00	.28	0.00	0.00	0.00
1991		ROB-Emprigas	.38	0.00	0.00	0.00	.38	0.00	0.00	0.00
1991		ROB-Guilford	.20	0.00	0.00	0.00	.20	0.00	0.00	0.00
1991		ROB-Interpack	.33	0.00	0.00	0.00	.33	0.00	0.00	0.00
1991		ROB-Jugos	.06	0.00	0.00	0.00	.06	0.00	0.00	0.00
1991		ROB-Mendoza	.38	0.00	0.00	0.00	.38	0.00	0.00	0.00
1991		ROB-Surfactan	.04	0.00	0.00	0.00	.04	0.00	0.00	0.00
1991		ROB-Longvie	.45	0.00	0.00	0.00	.45	0.00	0.00	0.00
1992		Bridas	24.36	0.00	15.00	38.14	24.36	0.00	15.00	38.14
1992		BRLP	10.78	0.00	0.00	1.95	3.24	0.00	0.00	1.95
1992		FEPSA	10.80	0.00	0.00	12.67	8.60	0.00	0.00	10.27
1992		Malteria Pampa	7.19	0.00	0.00	13.27	7.19	0.00	0.00	13.27
1992		Oleaginosa Oeste	6.87	0.00	5.00	10.27	6.87	0.00	5.00	10.27
1992		Rioplattense	6.33	1.00	0.00	2.00	6.33	1.00	0.00	2.00
1992		San Jorge	0.00	27.00	0.00	0.00	0.00	0.00	0.00	0.00
1993		Argentina Equity	0.00	4.00	0.00	0.00	0.00	4.00	0.00	0.00
1993		Bunge y Born	4.25	0.00	0.00	32.08	4.25	0.00	0.00	32.08
1993		Cadipsa	8.57	0.00	5.00	10.40	8.57	0.00	5.00	10.40
1993		Malteria Pampa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1993		Minetti	1.62	0.00	0.00	0.00	1.62	0.00	0.00	0.00
1993		Molinos	0.00	4.31	0.00	0.00	0.00	4.31	0.00	0.00

FY Approval	Company	Committed				Disbursed			
		IFC		Quasi	Partic	IFC		Quasi	Partic
Loan	Equity	Loan	Equity			Loan	Equity		
1993	Nuevo Central	7.50	3.00	0.00	12.50	7.50	3.00	0.00	12.50
1993	Yacylec	8.80	5.04	0.00	31.84	8.80	5.04	0.00	31.84
1994	Aceitera	15.00	10.00	0.00	15.00	15.00	10.00	0.00	0.00
1994	Aguas	35.06	7.00	0.00	98.63	35.06	7.00	0.00	98.63
1994	Alpargatas	11.54	5.00	5.00	16.57	11.54	5.00	5.00	16.57
1994	BGN	12.00	0.00	3.00	0.00	12.00	0.00	3.00	0.00
1994	Cia. Combustible	0.00	15.00	0.00	0.00	0.00	15.00	0.00	0.00
1994	EDENOR	19.50	0.00	15.00	88.33	19.50	0.00	15.00	88.33
1994	La Maxima	0.00	10.19	0.00	0.00	0.00	10.19	0.00	0.00
1994	LBAR	0.00	1.17	0.00	0.00	0.00	.64	0.00	0.00
1994	Molinos	0.00	1.24	0.00	0.00	0.00	1.24	0.00	0.00
1994	MASISA	9.63	0.00	0.00	0.00	9.63	0.00	0.00	0.00
1994	Petroken	15.91	0.00	0.00	2.27	15.91	0.00	0.00	2.27
1994	Quilmes	12.64	0.00	0.00	11.25	12.64	0.00	0.00	11.25
1994	LBAV	0.00	3.62	0.00	0.00	0.00	3.62	0.00	0.00
1995	Acindar	13.75	0.00	10.00	17.78	13.75	0.00	10.00	17.78
1995	Aguas	40.00	0.00	0.00	161.47	40.00	0.00	0.00	161.47
1995	Banco Roberts	0.00	0.00	20.00	0.00	0.00	0.00	20.00	0.00
1995	Bridas	20.00	10.00	0.00	40.00	20.00	10.00	0.00	40.00
1995	CEPA	12.33	0.00	0.00	3.60	12.33	0.00	0.00	3.60
1995	EDENOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1995	Kleppe/Caldero	6.00	0.00	0.00	0.00	6.00	0.00	0.00	0.00
1995	La Maxima	0.00	0.00	4.00	0.00	0.00	0.00	3.96	0.00
1995	Mastellone	37.14	0.00	0.00	31.50	37.14	0.00	0.00	31.50
1995	Nahuelat	30.00	5.00	0.00	0.00	30.00	5.00	0.00	0.00
1995	SanCor	20.00	0.00	20.00	30.00	20.00	0.00	20.00	30.00
1995	SIDECO	0.00	15.00	0.00	0.00	0.00	15.00	0.00	0.00
1995	Terminales Port.	9.66	2.00	0.00	0.00	8.66	2.00	0.00	0.00
1995	Tower Fund	0.00	18.71	0.00	0.00	0.00	5.54	0.00	0.00
1995	Tower Fund Mgr	0.00	.13	0.00	0.00	0.00	.03	0.00	0.00
1995	Socma	24.99	0.00	0.00	0.00	24.99	0.00	0.00	0.00
1996	Aguas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1996	Alpargatas	15.00	0.00	0.00	81.00	10.00	0.00	0.00	81.00
1996	Banco Frances	40.00	0.00	0.00	0.00	2.31	0.00	0.00	0.00
1996	Banco Galicia	30.00	0.00	0.00	200.00	30.00	0.00	0.00	200.00
1996	Bansud	25.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1996	CAPSA	12.00	0.00	5.00	33.00	8.67	0.00	5.00	23.83
1996	Grunbaum	8.00	0.00	2.00	0.00	8.00	0.00	2.00	0.00
1996	Malteria Pampa	6.00	0.00	1.00	0.00	6.00	0.00	1.00	0.00
1996	Minetti	10.00	0.00	10.00	30.00	4.10	0.00	10.00	12.30
1996	MBA	0.00	.16	0.00	0.00	0.00	.16	0.00	0.00
1996	Neuquen Basin	0.00	26.40	0.00	0.00	0.00	17.10	0.00	0.00
1996	Refisan	20.00	0.00	0.00	30.00	20.00	0.00	0.00	30.00
1996	Terminal 6	10.50	0.00	0.00	6.50	10.50	0.00	0.00	6.50
1996	Transconor	25.00	0.00	20.00	210.00	25.00	0.00	20.00	210.00
1996	Zanon	14.00	0.00	6.00	0.00	12.00	0.00	6.00	0.00
1996	Brahma - ARG	18.50	0.00	0.00	33.00	18.50	0.00	0.00	33.00
1997	Acindar	25.00	0.00	15.00	0.00	0.00	0.00	15.00	0.00
1997	Milkaut	10.00	0.00	10.00	0.00	10.00	0.00	10.00	0.00
1997	Vicentin	25.00	0.00	0.00	10.00	0.00	0.00	0.00	0.00

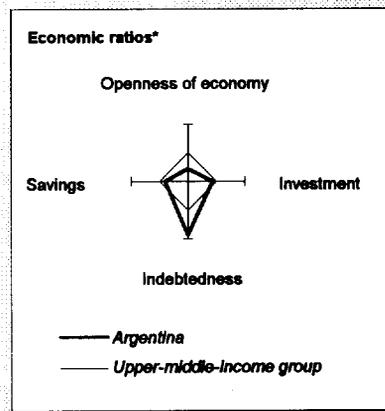
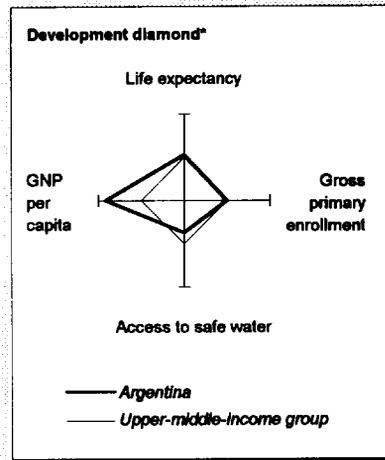
Pending Commitments		Loan	Equity	Quasi	Partic
1996	* AGUAS III - INC	15.00	0.00	0.00	75.00
1994	* EDENOR INCREASE	0.00	0.00	0.00	8.00
1996	* EDESUR II BLINC	0.00	0.00	0.00	108.00
1996	* EDESUR REHAB	40.00	0.00	0.00	80.00
1993	* FEPSA (II)	0.00	0.00	0.00	4.00
1997	* FRIAR	10.00	0.00	2.50	7.00
1997	* GUIPEBA	15.00	0.00	5.00	20.00
1995	* R-E-C TOLL H'WAY	20.00	0.00	0.00	61.00
1997	* TGN II BLINC	0.00	0.00	0.00	10.00
1996	* TRANSCONOR II	5.00	0.00	0.00	0.00
1996	* WESTERN ACCESS	30.00	0.00	5.00	130.00

Annex 10

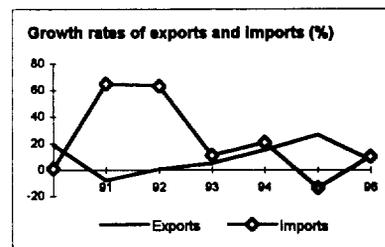
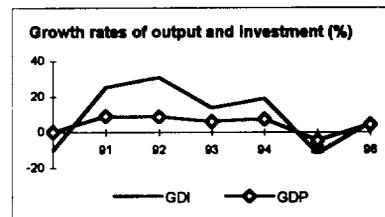
Argentina at a glance

6/3/97

	Argentina	Latin America & Carib.	Upper-middle-income		
POVERTY and SOCIAL					
Population mid-1995 (millions)	34.6	478	438		
GNP per capita 1995 (US\$) **	7,770	3,320	4,260		
GNP 1995 (billions US\$)	268.8	1,586	1,868		
Average annual growth, 1990-95					
Population (%)	1.2	1.7	1.7		
Labor force (%)	2.0	2.3	2.0		
Most recent estimate (latest year available since 1989)					
Poverty: headcount index (% of population)	26	..	..
Urban population (% of total population)	88	74	73		
Life expectancy at birth (years)	73	69	69		
Infant mortality (per 1,000 live births)	22	37	35		
Child malnutrition (% of children under 5)	5	..	..
Access to safe water (% of population)	64	80	86		
Illiteracy (% of population age 15+)	4	13	13		
Gross primary enrollment (% of school-age population)	107	110	107		
Male	108	..	..
Female	107	..	..
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1975	1985	1995	1996	
GDP (billions US\$)	52.4	88.4	280.8	300.5	
Gross domestic investment/GDP	29.4	17.6	18.3	18.5	
Exports of goods and services/GDP	5.8	11.7	8.5	9.0	
Gross domestic savings/GDP	29.3	23.1	18.4	18.1	
Gross national savings/GDP	26.9	16.5	17.5	17.2	
Current account balance/GDP	-2.5	-1.1	-0.9	-1.3	
Interest payments/GDP	0.9	5.0	2.1	2.3	
Total debt/GDP	14.7	57.8	32.0	32.2	
Total debt service/exports	44.7	60.1	47.4	46.7	
Present value of debt/GDP	29.5	..	
Present value of debt/exports	332.1	..	
	1975-85	1986-96	1995	1996	1997-05
(average annual growth)					
GDP	0.6	3.0	-4.6	4.4	5.0
GNP per capita	-1.8	2.0	-6.5	2.8	3.9
Exports of goods and services	5.1	7.6	26.4	7.4	8.0



STRUCTURE of the ECONOMY		1975	1985	1995	1996
<i>(% of GDP)</i>					
Agriculture		6.6	7.6	7.4	7.1
Industry		50.1	39.3	36.0	36.2
Manufacturing		38.2	29.6	..	..
Services		43.3	53.1	56.6	56.7
Private consumption		58.1	66.5	72.3	73.3
General government consumption		12.6	10.4	9.4	8.5
Imports of goods and services		6.0	6.3	8.5	9.3
		1975-85	1986-96	1995	1996
<i>(average annual growth)</i>					
Agriculture		1.6	1.5	2.3	0.3
Industry		-1.5	2.7	-8.5	4.9
Manufacturing		-1.6	0.9	..	..
Services		2.2	3.3	-3.0	4.6
Private consumption		..	..	-8.6	5.7
General government consumption		..	..	-6.6	-5.4
Gross domestic investment		-3.5	5.7	-11.9	5.4
Imports of goods and services		2.4	14.5	-14.0	10.0
Gross national product		-0.3	3.4	-5.1	4.0



Note: 1996 data are preliminary estimates. Figures in italics are for years other than those specified.

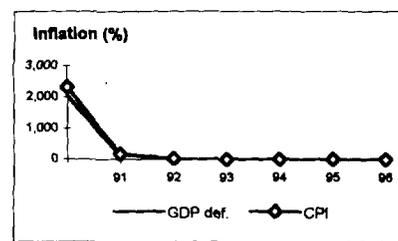
* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

** GNP per capita is LA1C2 estimate.

Argentina

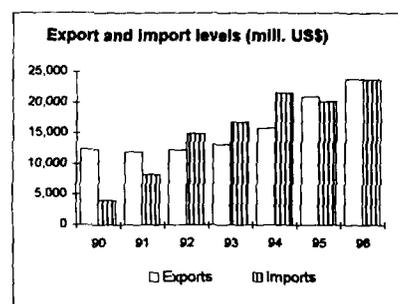
PRICES and GOVERNMENT FINANCE

	1975	1985	1995	1996
Domestic prices (% change)				
Consumer prices	182.6	672.3	3.4	0.1
Implicit GDP deflator	198.2	618.2	4.5	2.5
Government finance (% of GDP)				
Current revenue	..	..	16.7	16.5
Current budget balance	..	..	-0.2	-1.1
Overall surplus/deficit	..	..	-1.1	-2.4



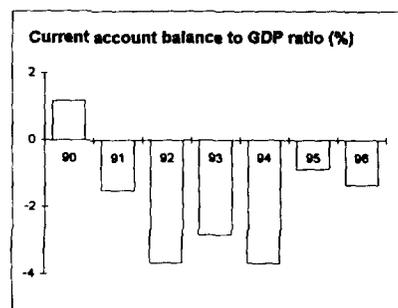
TRADE

	1975	1985	1995	1996
(millions US\$)				
Total exports (fob)	2,961	8,396	20,964	23,774
Food	1,969	2,203
Meat	1,582	1,955
Manufactures	10,836	12,004
Total imports (cif)	3,947	3,814	20,120	23,733
Food
Fuel and energy	809	846
Capital goods	4,746	5,647
Export price index (1987=100)	118	124
Import price index (1987=100)	115	120
Terms of trade (1987=100)	102	103



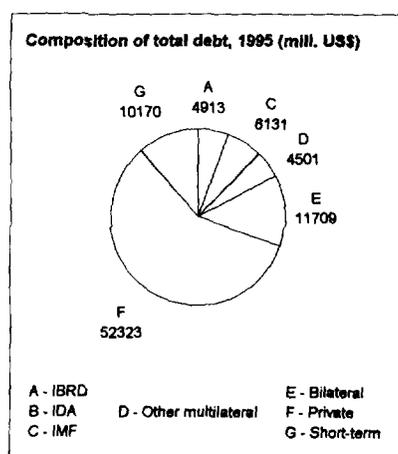
BALANCE of PAYMENTS

	1975	1985	1995	1996
(millions US\$)				
Exports of goods and services	3,498	10,039	23,889	27,076
Imports of goods and services	4,324	5,285	23,826	27,900
Resource balance	-826	4,754	63	-824
Net factor income	-466	-5,706	-2,941	-3,523
Net current transfers	6	0	432	334
Current account balance, before official capital transfers	-1,286	-952	-2,446	-4,013
Financing items (net)	208	2,200	2,515	231
Changes in net reserves	1,078	-1,248	-69	3,782
Memo:				
Reserves including gold (mill. US\$)	848	4,703	15,992	19,774
Conversion rate (local/US\$)	3.7E-10	6.0E-05	1.0	1.0



EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1994	1995
(millions US\$)				
Total debt outstanding and disbursed	7,723	50,946	77,434	89,747
IBRD	341	700	4,109	4,913
IDA	0	0	0	0
Total debt service	1,603	6,209	6,693	9,732
IBRD	43	114	709	565
IDA	0	0	0	0
Composition of net resource flows				
Official grants	0	6	16	36
Official creditors	59	217	731	1,411
Private creditors	-111	2,350	5,824	5,674
Foreign direct investment	0	919	603	1,319
Portfolio equity	0	0	1,205	211
World Bank program				
Commitments	0	0	509	2,272
Disbursements	19	144	548	941
Principal repayments	17	68	425	259
Net flows	1	75	123	682
Interest payments	26	46	284	306
Net transfers	-25	30	-161	376



IMAGING

Report No.: 16620 AR
Type: PAD