

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**ARGENTINA**

**SUPPORT PROGRAM FOR SMALL WINE PRODUCERS IN ARGENTINA II  
(PROVIAR II)**

**(AR-L1353)**

**LOAN PROPOSAL**

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## ABBREVIATIONS

AGN	Auditoría General de la Nación [Office of the Auditor General of the Nation]
CAS	Comité Aprobación y Seguimiento del Programa [Program Approval and Monitoring Committee]
CDVs	Centros de Desarrollo Vitícola [Wine sector development centers]
COVIAR	Corporación Vitivinícola Argentina [Argentine Grape and Wine Corporation]
DIPROSE	Dirección de Programas y Proyectos Sectoriales y Especiales [Sector and Special Programs and Projects Directorate]
EIRR	Economic internal rate of return
ESMF	Environmental and social management framework
ESMS	Environmental and social management system
ESPF	Environmental and social policy framework
IAR	Impact assessment report
INTA	Instituto Nacional de Tecnología Agropecuaria [National Institute of Agricultural Technology]
INV	Instituto Nacional de Vitivinicultura [National Wine Institute]
MAGyP	Ministry of Agriculture, Livestock and Fisheries (now SAGyP)
MECON	Ministry of Economy
MSMEs	Micro, small, and medium-sized enterprises
NDC	Nationally determined contribution
NPV	Net present value
PEVI	Plan Estratégico Argentina Vitivinícola [Argentina Wine Sector Strategic Plan]
SAGyP	Agriculture, Livestock, and Fisheries Secretariat
SEPYME	Small and Medium-Sized Enterprises Secretariat
SESR	Summary environmental and social review
SSRFID	Undersecretariat for International Financial Relations and Development

## PROJECT SUMMARY

### ARGENTINA SUPPORT PROGRAM FOR SMALL WINE PRODUCERS IN ARGENTINA II (PROVIAR II) (AR-L1353)

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility <sup>(a)</sup>	
Argentine Republic			Amortization period:	25 years
Executing agency:			Disbursement period:	5 years
Ministry of Economy (MECON)			Grace period:	5.5 years <sup>(b)</sup>
Loan modality:			Interest rate:	SOFR-based
Specific Investment Loan				
Source	Amount (US\$)	%	Credit fee:	(c)
			Inspection and supervision fee:	(c)
IDB (Ordinary Capital): <sup>(d)</sup>	40,000,000	80	Weighted average life:	15.25 years
Local:	10,000,000	20	Approval currency:	United States dollar
Total:	50,000,000	100		
Project at a glance				
<b>Project objective/description:</b> The general objective of the program is to contribute to the social, economic, and environmental sustainability of Argentina’s grape and wine sector. The specific objectives are to: (i) increase the adoption of technologies by small and medium-sized grape producers, prioritizing more efficient water use; (ii) increase the marketing capacity of small and medium-sized wineries; and (iii) foster participation in the grape and wine production chain by micro, small, and medium-sized enterprises led by young people and women.				
<b>Special contractual conditions precedent to the first disbursement of the loan:</b> (i) the program Operating Regulations have been approved by the executing agency and are in force, under terms previously agreed upon with the Bank. These will include the environmental and social requirements, with the environmental and social management system and the environmental and social action plan included as annexes (paragraph 3.5); (ii) the subexecution and resource transfer agreement between the executing agency and the subexecuting agency has entered into force (paragraph 3.4); and (iii) the borrower, acting through the executing agency, has presented evidence of the designation of a subexecuting unit within the subexecuting agency, with the structure, functions, and minimum staffing envisaged in the program Operating Regulations (paragraph 3.3).				
<b>Special contractual conditions of execution:</b> Annex B of the summary environmental and social review sets out the program’s contractual requirements on environmental and social issues.				
<b>Exceptions to Bank policies:</b> None.				

Strategic Alignment			
<b>Challenges:</b> <sup>(d)</sup>	SI <input checked="" type="checkbox"/> PI <input checked="" type="checkbox"/> EI <input type="checkbox"/>		
<b>Crosscutting themes:</b> <sup>(e)</sup>	GE <input checked="" type="checkbox"/> and DI <input type="checkbox"/>	CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>	IC <input type="checkbox"/>
<b>Sustainable Development Goals:</b> <sup>(f)</sup>	SDG1 <input checked="" type="checkbox"/> , SDG2 <input checked="" type="checkbox"/> , SDG3 <input type="checkbox"/> , SDG4 <input type="checkbox"/> , SDG5 <input checked="" type="checkbox"/> , SDG6 <input type="checkbox"/> , SDG7 <input type="checkbox"/> SDG8 <input checked="" type="checkbox"/> , SDG9 <input checked="" type="checkbox"/> , SDG10 <input checked="" type="checkbox"/> , SDG11 <input type="checkbox"/> , SDG12 <input checked="" type="checkbox"/> , SDG13 <input type="checkbox"/> , SDG14 <input type="checkbox"/> SDG15 <input type="checkbox"/> , SDG16 <input type="checkbox"/> , SDG17 <input type="checkbox"/>		

- (a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.
- (b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.
- (c) The credit fee and the inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.
- (d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- (e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).
- (f) SDG (Sustainable Development Goal). Further information on the SDGs is available [here](#); and the IDB Group SDG project classification methodology can be consulted [here](#).

## I. DESCRIPTION AND RESULTS MONITORING

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

- 1.1 **Background.** Argentina is the world's fifth largest wine producer, thanks to agro-climatic conditions that are highly suitable for wine production; the strength of domestic consumption; and the research, innovation, and investment efforts made in recent decades. The grape and wine sector contributes 0.4% of the gross value-added of the Argentine economy and 1.7% of its total exports. Primary production is located mainly in Mendoza and San Juan (85.2% of all vineyards) and to a lesser extent in La Rioja, Salta, and the Patagonian provinces (7.6%). In 2020, 85.1% of the vineyards belonged to small and medium-sized producers cultivating less than 15 hectares.
- 1.2 **Macroeconomic context.** Argentina has challenges ahead to sustain growth and reduce the fiscal deficit, inflation, and poverty under conditions of international volatility. In March 2022, a new arrangement was signed with the International Monetary Fund (IMF). The IMF Executive Board approved the first two revisions of the arrangement, corresponding to the first and second quarters of 2022, in the months of June and October, respectively. Between 2018 and 2020, economic activity shrank by a cumulative 14% under the weight of the COVID-19 pandemic. Despite a 10.3% recovery in 2021, gross domestic product (GDP) is still 5.2% below the 2017 level. Growth of 4.1% is forecast for 2022. Annual inflation rose to 50.9% in 2021 amid strong monetary issuance, and the pace accelerated again in 2022, for a forecast of 100.3%. The deficit in the primary balance had reached 0.4% of GDP in 2019 but grew to 6.4% of GDP in 2020 due to the impact of the COVID-19 pandemic. In 2021, it contracted to 3%, and a target of 2.5% was set with the IMF for 2022. Recently, net international reserves have recovered and are expected to top US\$7.3 billion by the end of the year and US\$12.1 billion in 2023. Unemployment and poverty rates had climbed to 11% and 42%, respectively, in the last quarter of 2020, largely as a result of the pandemic, but then started to improve, with unemployment falling to 6.9% and poverty declining to 36.5% in the second quarter of 2022.
- 1.3 According to data from the National Wine Institute (INV), in 2021 there were 23,278 vineyards and 1,247 wine producers (wineries) in Argentina. Between 1996 and 2020 the number of grape and wine producing properties decreased significantly from 34,692 to 23,699 (CEP 2020), with those of less than 5 hectares declining from 24,496 to 14,041. At the same time, the share of properties larger than 25 hectares grew from 34% to 45%. According to the INV, the sector generated exports of US\$1.016 billion in 2021. Micro, small, and medium-sized enterprises (MSMEs) accounted for US\$378 million of this total, representing US\$4 out of every US\$10 earned (Ministry of Productive Development). The sector generates 106,000 direct jobs, representing 1.8% of all private-sector employment. In a country like Argentina, with an unemployment rate of 8.2% and the highest youth unemployment in the Southern Cone in 2020, it is relevant to note that one hectare of vineyard generates more employment than any other agricultural activity (Argentine Wine Observatory, 2021).

- 1.4 **Problem to be addressed.** The grape and wine sector has been stagnant since 2010 when its cultivated area<sup>1</sup> peaked at 228,270 hectares, coinciding with record exports in 2012. Compounding this, average productivity has dropped by 12% according to the [Argentine Wine Observatory](#). In addition, alongside the growth in the average size of grape and wine producing properties, new sector challenges are emerging in terms of productivity and competitiveness. The key challenges are commercial, climatic, and technological.
- 1.5 **Commercial challenge.** The international market is dynamic, and competitive producer countries continue to emerge. In the domestic market, other beverages have displaced wine consumption to some extent. In this context, large integrated producers have been able to grow their market share through branding strategies in the higher value-added segments.<sup>2</sup> In contrast, small and medium-sized growers and wine producers are finding it increasingly hard to sustain their operations, because they lack the financial, technological, and business capabilities needed to compete in the more profitable commercial segments. For these two groups, one of the factors contributing to their low levels of productivity and competitiveness is their relative failure to adopt production technologies. Although irrigation is essential for productivity, only 7.2% use technically-based irrigation (paragraph 1.6), and most small-scale bottling wineries have not adopted the technological innovations needed for winemaking according to international standards. These establishments work with a traditional generic wine production model, without certification; and they have problems of scale and use obsolete equipment.
- 1.6 **Climate challenge.** This relates mainly to the growing scarcity of water for irrigation, aggravated by climate change, particularly in regions that are fed by the rivers that flow down from the Andes. In the province of Mendoza, the total volume of water available in provincial rivers was 3,880 hm<sup>3</sup> in 2020, compared to a historical average of 7,714 hm<sup>3</sup>. According to the Drought Atlas 2022, the last 13 years have been the driest in the last 600. Rising temperatures and water scarcity affect the quantity and quality of grapes directly, since the flavor, color, and productivity of the vine depend on specific temperature and precipitation conditions (Cretazzo, 2015).
- 1.7 **Technological challenge.** This challenge mainly concerns irrigation systems but is also related to the other challenges, since nearly all grape production uses irrigation; and its maintenance, proper use, and technical upgrading are essential to maintain the sector's competitiveness and to adapt to climate change. In the grape and wine sector, surface irrigation systems are the most common, the furrow method being the most widely used (55.1%), followed by border (*melga*) irrigation (37.2%).<sup>3</sup> In

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<sup>1</sup> Considering the modern stage of the wine industry in Argentina which is focused on wines of higher quality and differentiation.

<sup>2</sup> In particular, Elías, J., García Negro, A., Ferro, G., and De Salvo, P. *Análisis sobre el conocimiento y la innovación en el sector vitivinícola argentino*. IDB, 2020; and Aylward, D. and Zanko, M., Emerging interorganizational structures in the Australian wine industry: implications for SMEs, Proceedings of the 5th Global Conference on Business and Economics, Cambridge, July 2006.

<sup>3</sup> According to INTA (2014), in the border irrigation method (riego por melgas), the water flows from higher to lower ground along strips of soil defined by two raised borders constructed for the purpose. This method is useful for irrigating pastures, cereal crops, and fruit trees.



contrast, pressurized/drip irrigation systems are still used only marginally (7.2%).<sup>4</sup> The most commonly used on-farm water conduction system is the non-waterproof irrigation ditch (89.5%), while other more efficient systems, such as waterproof ditches and hoses, are used less (5%). In the country's main grape and wine producing region of Cuyo, grape cultivation uses water inefficiently owing to the lack of investment in the water network, scant adoption of technically-based irrigation, and systems in very poor condition that need to be refurbished or replaced. According to the INV, 87.8% of vineyards in the province of Mendoza use gravity and hose irrigation (35-50% efficiency), 11.9% use drip irrigation (95% efficiency), and the remaining 0.23% use sprinklers (70% efficiency). Thus, drip irrigation has the smallest water footprint since it uses less water ([Civit, 2012](#)) and is better suited to gravity irrigation. However, there are major constraints that hamper the adoption or upgrading of irrigation systems, such as lack of access to financing, lack of knowledge of the optimal use and maintenance of irrigation systems, and ignorance of agronomy practices that can optimize water resources.

- 1.8 **Gender gap.** In Argentina there are 222,060 producers and partners in agricultural enterprises that have legal status either as sole traders or unregistered partnerships. Of these, 21% are women, and just 18% of permanent workers are female.<sup>5</sup> According to the United Nations Entity for Gender Equality and the Empowerment of Women, (UNWomen), "Gender differences in access to land and credit affect the relative ability of female and male farmers and entrepreneurs to invest, operate to scale, and benefit from new economic opportunities."<sup>6</sup> Although women's participation in the sector has increased in recent years, they still occupy only 10% of managerial or senior positions. In terms of financing, bank loans are used to finance 15.4% of the working capital of enterprises run by women, and just 4% in the case of investments. The equivalent proportions in firms led by men are 31% and 25%, respectively. In terms of pay, there is a gender wage gap of 7.5%. according to the criteria proposed by Trombetta and Cabezon (2021). Although the sector is one of the key job creators, some population groups face difficulties in obtaining secure and well-paid employment. The youth [unemployment rate](#) is almost three times the adult rate, while joblessness is higher among women than among men (28.8% versus 23.9%).<sup>7</sup> The government assists this population segment with [programs to promote education](#) and job creation by providing support for MSMEs. These firms can play a central role in creating jobs for young people and women, since they form a major network of agricultural, industrial, and service-provider enterprises that make up the grape and wine value chain, creating jobs in small places (paragraph 1.6).<sup>8</sup> The growing demand for flexible and skilled labor in the grape and wine sector calls for reconsideration of the production model. This

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<sup>4</sup> Socioproductive characterization of the wine grape growers linked to the wine grape sector development centers project, Santi C. and Parera C. (2017).

<sup>5</sup> INDEC (2021). National Agricultural Census 2018.

<sup>6</sup> Valenciano, J., Capobianco, M., and Uribe, J. (2017). *Vulnerabilidad laboral de la mujer rural latinoamericana in Nôesis*. Revista de Ciencias Sociales y Humanidades, vol. 26, number 52, pp. 130-151.

<sup>7</sup> Economic Commission for Latin America and the Caribbean (ECLAC), Economic Survey of Latin America and the Caribbean, 2021 (LC/PUB.2021/10-P/Rev.1), Santiago, 2021.

<sup>8</sup> Prioritization Profile for the Secretariat of Strategic Affairs (SAE) of the Program to Support Small-scale Wine Producers in Argentina II (PROVIAR II). 2022.

requires the development of service enterprises with appropriate technology to meet the demands of the value chain.<sup>9,10</sup>

- 1.9 **Climate change.** Argentina is highly vulnerable to climate change and natural disasters, since it covers a very large area and has ecosystems that are exposed directly to the impacts of global warming, with numerous populations in flood-prone coastal areas (*German Watch*, 2021). Floods have already cost approximately US\$3 billion per year over the last two decades; and desertification is expected to undermine agricultural productivity progressively in some parts of the country in the coming years ([IDB, 2020](#)). According to the [G20 Climate Risk Atlas](#), Argentina could suffer systemic losses and adverse growth impacts because of climate change. Projections see GDP reduced by 2.8% by the end of the century in a low-emissions scenario, but by 8.2% if emission levels are higher. Agricultural productivity losses associated with climate change could reduce agricultural GDP in some countries in the region by an estimated 3% to 17%, mainly as a result of diminished or lost harvests ([ECLAC, 2012](#)). In the case of Argentina, net agricultural income could be reduced by an estimated 20% to 50% ([G20 Climate risk atlas](#)). According to Argentina's second Nationally Determined Contribution, its main wine-producing provinces are highly vulnerable; and the projected climate impacts include more frequent and lengthier periods of water scarcity; and restrictions on the availability of water for irrigation, for hydroelectric power generation, and for other industries. More frequent periods of extreme drought are also projected, which foster conditions for the propagation of wildfires in forest, rural, and grazing areas ([NDC, 2020](#)). For the Mendoza region, studies forecast a reduction in precipitation of approximately 10% by the end of this century.<sup>11</sup> Accordingly, it is vitally important to promote irrigation systems that are more efficient and have a small water footprint.
- 1.10 In this context, public policy intervention to support the sector is justified for the following reasons: (i) the sector's importance in generating foreign exchange, in relation also to the macroeconomic situation; (ii) its potential to create employment, especially for young people and women; (iii) its contribution to sector-level and geographic diversification of the national economy; and (iv) the public-good nature of more efficient water use given the increasing water stress caused by climate change. Accordingly, the program aims to: (i) increase the adoption of production technologies, prioritizing those that use water more efficiently; (ii) increase the marketing capacity of wineries by overcoming the barriers that thwart their competitiveness; and (iii) encourage participation by MSMEs. These firms have the capacity to create jobs in the grape and wine chain and incorporate the sector's underemployed young people and women, help them to put down roots in the rural area, and thus meet the value chain's demand for labor. All of this will help improve the sector's productivity and competitiveness while also contributing to its social, economic, and environmental sustainability.

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<sup>9</sup> *Observatorio Vitivinícola Argentina and Corporación Vitivinícola Argentina*. 2016. Strategic workshops 2015 - Comprehensive analysis of the Argentina grape and wine sector. New scenarios and public-private actions.

<sup>10</sup> The Argentine Grape and Wine Sector Plan, Update of the Strategic Grape and Wine Sector plan to 2030.

<sup>11</sup> Pérez, S. et al. (2015). Changes in Average Annual Precipitation in Argentina's Pampa Region and Their Possible Causes. *MDPI. Climate*. 3(1), 150-167.

- 1.11 **Rationale.** The Government of the Argentine Republic implemented PROVIAR I (loan [2086/OC-AR](#)), with financial support from the Bank, between 2009 and 2014. The program had a budget of US\$50 million plus US\$25 million in counterpart funding, and aimed to enhance the profitability and income stability of small-scale producers in the grape and wine chain. The intervention strategy was based on drawing up integrated business plans, of which a total of 189 were implemented, encompassing 2,869 growers and 106 winemakers in eight Argentine provinces. In addition, the technical cooperation project entitled “Smart Viticulture Program” (operation ATN/OC-18317-AR), currently in execution (for a total amount of US\$350,000, of which 54% has already been disbursed), is providing technical support to the sector. This involves a series of geological, climatic, and agro-environmental studies to characterize the country’s grape and wine-producing areas; and it is supporting the systemization of this information nationally, to inform public and private decision-making on issues related to the sustainable development of the grape and wine sector.
- 1.12 The PROVIAR I impact assessment<sup>12</sup> reported positive results: participants produced 9.4% more than producers that were not part of the program, and also increased their yield by 7.7% over nonparticipants.
- 1.13 The PROVIAR I experience provided evidence of the advantages of partnering strategies, both vertical, to integrate into the chain and improve prices, and horizontal, to dilute structural costs on smaller farms, while facilitating the adoption of modern technologies.<sup>13</sup> Some of these generate lower average costs when adopted jointly, as in the case of irrigation improvement structures and investments in specific machinery. In other cases (such as varietal replacement, soil analysis and fertilization, preventive pest controls) it is the action of partnering that improves the quality of adoption and results in a significant reduction in unit costs. Preparation of the new program has drawn on these experiences, and, specifically, incorporates the following lessons learned: (i) consensus among public stakeholders (the National Institute of Agricultural Technology (INTA), the Ministry of Agriculture, Livestock and Fisheries (MAGyP), and the INV) and public-private stakeholders (the Argentine Grape and Wine Corporation (COVIAR)); (ii) clear and transparent procedures for the allocation and delivery of direct support; (iii) leveraging of the knowledge of the wine sector development centers (CDVs), which made it possible to expedite the creation of small producer groups; and (iv) flexibility in the program’s technical assistance modalities through linkage with beneficiaries.
- 1.14 At the institutional level, the Agriculture, Livestock and Fisheries Secretariat (SAGyP) of the Ministry of Economy (MECON), formerly the Ministry of Agriculture, Livestock and Fisheries (MAGyP), is currently tasked with designing and implementing public policies in Argentina’s agriculture sector (paragraph 1.37). It exercises oversight of the INV, a decentralized agency that acts specifically in the grape and wine sector. The INV guarantees the quality of the products and coordinates a Technical Advisory Commission comprising private sector organizations. It is supported by the actions of two other decentralized agencies: the

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<sup>12</sup> Gibbons, M. A., Maffioli, A., and Rossi, M. A. (2016). Money for Wine? Complementarities in the provision of private and public goods to wine producers, IDB Working Paper Series (IDB-WP-689).

<sup>13</sup> See empirical evidence from the literature in the monitoring and evaluation plan.

research and extension agency, INTA, and the National Agrifood Health and Quality Service (SENASA), which implements national policies on animal and plant health and food safety. This sector-level institutional framework also includes public and private universities and the governments of the provinces with the highest levels of grape and wine production in the country. Another actor is COVIAR, a non-state public entity that coordinates the actions needed to meet the objectives of the Argentine Grape and Wine Sector Strategic Plan (PEVI). COVIAR has a board of directors consisting of representatives from 13 private sector organizations, plus the INV, INTA, and provincial governments. The country's strategy for the grape and wine sector is framed by the PEVI, which was updated in 2021 setting objectives for 2030. Within this framework, actions are undertaken to promote public-private partnerships for sector development, along with various other public policy measures having the sector as the main target. Among the main initiatives, it is worth noting that, in 2020, the then Ministry of Productive Development (currently the Secretariat for Industry and Productive Development) and the Foreign Ministry jointly launched Plan 1000, which seeks to generate US\$1 billion of bottled and bulk wine exports by 2023. In 2022, the then Small and Medium-Sized Enterprises and Entrepreneurs Secretariat, currently the Small and Medium-Sized Enterprises Undersecretariat (SSEPYME) of the same ministry, and Banco de la Nación Argentina (BNA) jointly created a credit line for MSMEs to finance the cost of harvesting and transporting grapes and/or producing wine products for the 2022 harvest.

- 1.15 The program is aligned with the Bank's country strategy with Argentina 2021-2023 (document GN-3051) and its priority areas, in particular "Economic recovery and productive development 4.0" (paragraph 1.34).

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

- 1.16 **Objective and scope.** The general objective of the program is to contribute to the social, economic, and environmental sustainability of Argentina's grape and wine sector. The specific objectives are to: (i) increase the adoption of technologies by small and medium-sized grape producers, prioritizing more efficient water use; (ii) increase the marketing capacity of small and medium-sized wineries; and (iii) foster participation in the grape and wine production chain by micro, small, and medium-sized enterprises led by young people and women.
- 1.17 **Component 1: Technological and organizational innovation for grape production (IDB: US\$25.5 million; Local: US\$4.5 million).** This component will foster the adoption of modern technologies for small and medium-sized producers, prioritizing more efficient water use (Specific objective 1) through calls for proposals targeting these producers, particularly those organized in partnership groups, to present project ideas for the formulation of a business plan. It will finance technical assistance for the formation of groups, the formulation of the project ideas, and supporting grants for implementing these plans. If the proposals presented exceed the amount available, the call for proposals will apply prioritization criteria as specified in the program Operating Regulations. These will include: (i) producers that are part of partnership groups (new or existing ones); (ii) proposals that foster commitment to the rural area and greater participation by rural women and young people in grape production; (iii) investment in climate change adaptation or

mitigation; and (iv) a focus on productivity and/or the quality of grape products with a rising trend of global demand.

**1.18 Subcomponent 1.1. Technical assistance and training for small and medium-sized grape producers (IDB: US\$4.5 million; Local: US\$1.5 million).**

Technical assistance will be provided to producers, and training will be provided to technical assistants on forming partnership groups, with emphasis on the application of technological packages and agronomy techniques. Support will be provided for the formation of new partnership groups and the strengthening of existing ones, and for the formulation of project ideas, with assistance from agronomy and social science professionals. Eligible project ideas will receive technical assistance to formulate of business plans, and those that are selected will receive support from technical experts throughout their implementation. Throughout the program implementation stage, the technical assistance will assist the producer in maximizing the benefits derived from the investments made and strengthening the partnership structures.

**1.19 Subcomponent 1.2. Infrastructure and operational capacity for small and medium-sized grape producers (IDB: US\$21 million; Local: US\$3 million).**

Investments will be financed that focus on the optimization of water use for irrigation, reduction of operating costs, and technological innovation. Special attention will be devoted to investments aimed at improving the quality of grape products or serving niches with high market potential. The technological packages will be those formulated in the approved business plans and may include the following: irrigation, energy, climate protection, varietal and infrastructure replacement, equipment, adoption of good agricultural practices (GAP), and environmental certifications. Implementation will be supported by the technical assistance provided in Subcomponent 1.1.

**1.20 For access to Component 1 of the program, the following minimum eligibility criteria were established:**

- a. Maximum age of 65 years (up to 70 years when there is a clear situation of generational turnover).
- b. The producers will be owners of the land receiving the investment, or else they will have worked them for the last two years and have a guarantee of continuity for another five years; and
- c. The maximum hectares of vine under production per producer and the minimum proportion of income derived from grape-growing activity will be as follows:

Size category	Area under vine (Ha)	Minimum income from grape and wine production (US\$ per year and percentage)
1	< 0.5	(20%)
2	0.5 - 2.50	(40%)
3	> 2.50 - 5.00	(50%)
4	> 5.00 - 10.00	(65%)
5	> 10.00 - 30.00	(75%)

- 1.21 The following parameters have been established for the individual amount of the supporting grant:
- a. For producers who are not beneficiaries of PROVIAR I, a supporting grant of up to US\$20,000, representing no more than 75% of the total investment.
  - b. For producers who are beneficiaries of PROVIAR I, a supporting grant of up to US\$13,000, representing no more than 60% of the total investment.
- 1.22 **Component 2. Marketing support for small and medium-sized wineries (IDB: US\$9 million; Local: US\$3 million).** This component will help strengthen the marketing capacity of small and medium-size grape and wine producing enterprises (wineries) (Specific objective 2) by inviting them to present proposals for project ideas with a view to formulating a business plan. It will finance technical assistance for formation of the groups, and for the formulation of the project ideas and business plans; and it will finance grants to support the latter. The activities will be aimed at enhancing the bargaining power of the wineries, promoting improvements in the quality of grape and wine products in line with market trends, reducing production costs, and increasing the efficiency of water and energy use. If the proposals exceed the amount available in the call for proposals, prioritization criteria will be applied, as specified in the program Operating Regulations. These will include the following: (i) incorporation of the wineries into partnership arrangements; (ii) a focus on the quantity and quality of grape and wine products for which demand is increasing; (iii) proposals that foster commitment to the rural area and greater participation by rural women and young people in grape and wine production; and (iv) more efficient water and energy use.
- 1.23 **Subcomponent 2.1. Technical assistance for partnership-based marketing groups (IDB: US\$500,000; Local: US\$500,000).** Technical assistance will be provided to owners and/or managers of the wineries, and training will be provided to technical assistants in the formation of partnership groups, application of technological packages, and grape and wine marketing and winemaking techniques.
- 1.24 **Subcomponent 2.2. Operational capacity and infrastructure for partnership-based marketing groups (IDB: US\$8.5 million; Local: US\$2.5 million).** Investments will be financed to develop activities that facilitate the joint sale of grape and wine products, seeking to shorten the marketing channels between the producer and the end consumer, and to ensure that more products from small and medium-sized wineries reach consumers. Priority will be given to investments that involve a larger number of wineries, promote brand and product unification, and innovative strategies, as well as novel products that make it possible to serve new market niches. Two types of investment will be considered: (i) investments aimed at consolidating and strengthening the commercial activity of the partnership-based marketing groups; and (ii) investments in infrastructure and equipment, prioritizing those that enhance the quality of the products to be marketed and/or facilitate adherence to good manufacturing practices (GMP) and other certifications, e.g. environmental ones. Implementation will be supported by the technical assistance provided in subcomponent 2.1.
- 1.25 For access to Component 2 of the program, the following minimum eligibility criteria were established:
- a. Registration with the National Wine Institute (INV) is required.

- b. Producers of wine and will belong to the small and medium-sized enterprise categories, as classified by COVIAR.
  - c. In no case may the total income of the winery exceed the limit specified for the “small” enterprise category by the Small and Medium-Sized Enterprises Undersecretariat (SSEPYME).
  - d. The grape and wine producing activity must generate at least 65% of the establishment’s gross income.
  - e. The export activity of the wineries may not exceed 10% of their production volume or 15% of their billing, also measured as a three-year average.
  - f. The winemaking establishments will be owners of the properties in which the investment will be made. If not, they will present documentation that proves that they have possessed the property for more than three years (dedicated to winemaking activity) and that they have the right to use the property for a further seven years.
  - g. PROVIAR I beneficiary wineries may participate in PROVIAR II, as of the third call for proposals, provided they can document their registration with the INV, have no observations or unfulfilled contracts related to PROVIAR I, and have a cooperative registration or an MSME certificate issued by SSEPYME.
- 1.26 In terms of the financial amount, the investments will receive supporting grants of up to US\$60,000, which will represent no more than 70% of the total investment.
- 1.27 **Component 3. Support for micro, small, and medium-sized enterprises led by young people and women (IDB: US\$4.5 million; Local: US\$1.5 million).** This component will help encourage participation in the grape and wine chain by MSMEs led by women and young people (Specific objective 3), through calls for proposals inviting women and young people (up to 35 years old) to present project ideas with a view to formulation of a business plan. Business plans that focus on the incorporation of technologies, machinery, equipment, and infrastructure for the enterprises will be financed through supporting grants. Rural women and young people, either individually or in partnership groups, may participate in these tenders. Component 3 of the program will offer technical assistance for formation of the groups and for the formulation of the project ideas and business plans. To be eligible, more than 65% of the partnership-based groups will consist of rural women or young people. The project ideas will be aimed at creating or promoting MSMEs that provide rural services, or promote diversification of production or generational renewal in rural areas. To be eligible, project ideas will promote: (i) the consolidation of MSMEs providing rural services; (ii) the generation of new employment alternatives and diversification of production in rural areas, linked to the grape and wine chain; (iii) generational renewal; (iv) technological innovations linked to improving the efficiency of water and energy use, primary production, and value-added; and/or (v) the development of techniques and inputs for the production of sustainable crops.
- 1.28 **Subcomponent 3.1. Technical assistance for putting down roots in rural areas (IDB: US\$500,000; Local: US\$500,000).** Technical assistance will be provided to rural women and young people; and training will be provided to technical assistants in entrepreneurship, the formation of partnership-based groups, and the application of technological packages. Agronomy, commercial, and social science professionals



will provide support for the creation of new partnership groups and the formulation of project ideas.

- 1.29 **Subcomponent 3.2. Infrastructure and operational capacity to strengthen the commitment to rural areas (IDB: US\$4 million; Local: US\$1 million).** Investments will be financed in technological applications, machinery, equipment, and infrastructure, to encourage women and young people to put down roots and remain in rural areas. The focus will be on three types of initiative: (i) creation and promotion of MSMEs providing rural services; (ii) diversification of production; and (iii) generational renewal.
- 1.30 For access to Component 3 of the program, the following minimum eligibility criteria were established:
- a. Individual or partnership-based projects presented by women and young people (men or women), with at least five years' residence either in a rural area or less than 20 km from the location of the vineyard or winery in which they carry on their activity.
  - b. In the case of partnership-based projects, whether formal or informal, more than 65% of the members must be rural young people or women.
  - c. In the case of young people, the maximum age is 35 years, while in the case of women it is 65, except in situations of generational transfer, in which case the maximum age is 70.
- 1.31 Investment support will be provided through grants of up to US\$10,000 per beneficiary. The investments will include a counterpart contribution from the beneficiaries. The grant may represent up to 90% of the total investment.
- 1.32 **Management and evaluation (IDB: US\$1 million; Local: US\$1 million).** These funds will finance the program's administrative expenses, as well as monitoring and evaluations, including the strategic evaluation and audit of the program. The program will also undergo an impact assessment, which will provide relevant information for evaluating methods, strategies, and the ex post return on the investment financed by the loan from the Bank.
- 1.33 **Main outcome indicators, benefits, and beneficiaries.** The program's main outcome indicators are, in the case of Specific objective 1: the percentage of the cultivated area with gravity irrigation system upgraded and in use relative to the baseline; and the percentage of the cultivated area with a new technically upgraded irrigation system in use; Specific objective 2: Level of compliance with the good manufacturing practices (GMP) standard; Specific objective 3: Creation of MSMEs led by young people (women and men up to 35 years of age) or by women (over 35 years of age). This program is expected to directly benefit approximately 1,860 small and medium-sized grape producers, 250 small and medium-sized wineries, and 300 MSMEs (of which 120 are led by women and 180 by young people). The indirect beneficiaries will be the suppliers of technological packages, inputs, services, and logistics related to small and medium-sized producers and small and medium-sized wineries. The program is expected to reach 18,000 indirect beneficiaries.



## C. Strategic alignment

- 1.34 The program is consistent with the second Update to the Institutional Strategy (document AB-3190-2) through the following development challenges: (i) Productivity and innovation, by increasing the use of technological solutions in the grape and wine sector that aim to improve levels of productivity (grape producers) and marketing (wineries); and (ii) Social inclusion, by fostering participation by MSMEs that are led by young people and women, and by supporting small-scale grape producers and small wineries. The operation is aligned with the crosscutting themes of: (i) Gender equity, since it focuses on the technological upgrading of grape and wine producing MSMEs led by women; and (ii) Climate change and environmental sustainability, since it promotes technological investments that reduce the sector's environmental footprint and help it adapt to climate change. It also contributes to the Corporate Results Framework (CRF) 2020-2023 (document GN-2727-12) with respect to the following indicators: (i) Enterprises provided with technical assistance; and (ii) Farmers with improved access to agricultural services and investments.<sup>14</sup> The program is consistent with the following sector framework documents: (i) Agriculture (document GN-2709-10), in its Line of Action 1: Foster investments that assist in boosting the productivity of the Agriculture sector in line with a sustainable management of natural resources; and (ii) Food Security (document GN-2825-8), in its Dimension of success 3: Increase food access for the most vulnerable population in Latin America and the Caribbean through income generation that leads to higher consumption; and its activity to implement cost-effective mechanisms to stimulate the adoption of technological innovations that are profitable, environmentally appropriate, and contribute to climate change adaptation among producers, with a particular focus on vulnerable groups. According to the multilateral development banks' [joint methodology](#), an estimated 41.14% of the Bank's funding will be invested in climate finance for technological investments in irrigation with a small water footprint, more energy efficient equipment, and the use of renewables and climate protection systems, thus contributing to the Bank's climate lending target. The operation is included in the 2022 Operational Program Report (document GN-3087). Lastly, the program complements other operations financed by the Bank in Argentina: the Program for Provincial Water Resource and Aqueduct Management in Argentina (loan AR-L1346), given that it contributes to improving water use efficiency in the country's wine-producing provinces; the Program to Support the Digital Transformation of MSMEs for to Industry 4.0 (loan AR-L1360), given that it promotes the competitiveness of small wine-producing businesses; and the Credit Program for the Reactivation of Production in the Province of San Juan (loan AR-L1334) and the Credit Program for the Reactivation of Production in the Province of Neuquén (loan AR-L1356), given that it supports the economic recovery of small wine-producing businesses in these two provinces.

## D. Viability analysis

- 1.35 **Technical viability.** The program's technical viability was analyzed for each component separately and reflects the technical and academic consensus among the key public and private stakeholders in Argentina's grape and wine producing

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<sup>14</sup> The Results Matrix identifies outputs that contribute to these two CRF indicators.

sector. Lessons learned from other rural development and agrifood programs implemented in the country have also been taken into account. First, each of the three components includes a subcomponent on technical assistance, based on a horizontal partnership-based model. In the case of primary producers, the results obtained with PROVIAR I, in particular, the role of the wine sector development centers (CDVs)<sup>15</sup> have been taken into consideration. In addition, there are other national experiences in the application of the “technology transfer model based on producer groups”<sup>16</sup> that have also been an important reference for the design of this program. Given the possibility of reducing certain fixed production and/or marketing costs, the partnership-based strategy enables individual production units to improve their economic performance. For Component 2, the partnership-based strategy is based on very specific precursors in Argentina<sup>17</sup> and elsewhere, having been validated in the case of the South Australian grape and wine producing chain.<sup>18</sup> The investments proposed at the primary production level can be divided into those aimed at cost reduction and environmental improvement (irrigation, energy, and equipment), which have already been technically validated in PROVIAR I; and those aimed at improving the unit value of production (varietal replacement, certifications). In this case too, their favorable economic impact has already been demonstrated.<sup>19</sup> The partnership-based strategy for the winemaking stage is similar to the case of primary production, since it aims to reduce production costs and also to improve the commercial coordination of the wineries, in both domestic and foreign markets, and thus increase unit turnover and the profitability of these small and medium-sized wineries. This strategy is supported by international experience in promoting the competitiveness of this enterprise segment.<sup>20</sup> Lastly, the program includes a novel component aimed at the creation of service enterprises, diversification of production, and generational renewal, with emphasis on women and young people. For this component, investment incentive strategies that have been validated in Argentina and elsewhere are proposed, taking into account the role of new firms in the creation of value and employment.<sup>21</sup>

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- <sup>15</sup> Santi, C. and C. Parera (2017) *Caracterización socio-productiva de los viticultores vinculados al proyecto Centros de Desarrollo Vitícola*. Colección Investigación, Desarrollo e Innovación. 46 p. Buenos Aires: Ediciones INTA.
- <sup>16</sup> Landini, F. P. and M. R. Beramendi (2020). *Objetivos priorizados y metodologías más utilizadas por los extensionistas rurales argentinos*. [Cuadernos de Desarrollo Rural](#), Vol. 17, 19 p.
- <sup>17</sup> Liendo, M. and A. Martínez (2001), *Asociatividad. Una alternativa para el desarrollo y crecimiento de las PyMEs*. Paper presented at the sixth research workshop of the Faculty of Economic Sciences and Statistics of the National University of Rosario, November 2001.
- <sup>18</sup> Spinoglio, F. (2013) *Wine Cluster Competitiveness in South Australia and Piedmont (Italy): Strategies to address challenges resulting from the Global Financial Crisis*. A report prepared for the Department of the Premier, Government of South Australia, 112 p.
- <sup>19</sup> Espíndola, R. (2009) *Análisis económico de la brecha tecnológica en la producción de uva de mesa sanjuanina*. Thesis submitted for the degree of Master of Science in Viticulture and Enology, Faculty of Agrarian Sciences, National University of Cuyo, Argentina.
- <sup>20</sup> Festa, G., M.V. Ciasullo, D. Vrontis, and A. Thrassou (2017) Cooperating for competing - a small Italian wineries' internationalisation strategy case study, *Global Business and Economics Review*, Vol. 19, number 5, pp.648-667.
- <sup>21</sup> North, D. and D. Smallbone (2000) Innovative Activity in SMEs and Rural Economic Development: Some Evidence from England. *European Planning Studies*, Vol. 8, number 1, pp. 87-106, DOI: [10.1080/096543100110947](https://doi.org/10.1080/096543100110947).

- 1.36 **Socioeconomic viability.** A cost-benefit analysis of the investments of the three components was performed both separately and globally. The main benefits that were quantified correspond to increased productivity and production, savings in operating costs, better prices, and increased sales. The cost side included all investments, both for the financing of the program, including technical assistance, and for the beneficiaries' investments in their grape growing properties, wineries, or MSMEs, and any additional social costs. The analysis reported an economic internal rate of return (EIRR) greater than 12% and a net present value (NPV) greater than 0 for each component. Overall, the EIRR is 16.1% and the NPV is US\$10.9 million, with a benefit-cost ratio of 1.22. Sensitivity analyses of the main variables were performed, giving results that are consistent and do not change significantly. Lastly, it was verified that the program remains profitable even with a 17.5% reduction in the benefits while maintaining break-even (NPV=0).
- 1.37 **Institutional viability.** Program preparation included institutional assessments, both of the Sector and Special Programs and Projects Directorate (DIPROSE) of the current Federal Competitiveness and Development Planning Secretariat (SEPLAN) of the Ministry of Economy,<sup>22</sup> in its role as program executing agency, and of the INV as subexecuting agency. DIPROSE has extensive experience in the execution/implementation of externally financed sector investment programs, including a robust track record with the Bank and other multilateral lending agencies. In this connection, it has developed and consolidated an administrative, financial, and technical management structure, supported by procedures and systems that enable it to execute investment programs directly, and to manage governance and project implementation mechanisms in direct coordination with decentralized agencies, as in the case of this loan. For its part, the INV has a satisfactory governance structure, as well as administrative/fiduciary and control capacity, to assume the responsibilities of subexecution of the program, including the presence and adequate use of the national government's integrated financial management systems, accompanied by the corresponding internal controls. For program execution purposes, these fiduciary and technical capacities to manage investment programs are reinforced by the governance of this loan through COVIAR and INTA, which will contribute their solid technical expertise and direct work with the program beneficiaries at the local level.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 **Financial modality and structure.** The program will be financed through a specific investment loan, since the outputs to be financed are associated with specific objectives, and their successful implementation depends on the indivisibility of the program itself.

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<sup>22</sup> Decree 451 of 3 August 2022 amended the Ministries Act (Law 22,520) and adjusted responsibilities in the different federal ministerial jurisdictions in Argentina. Decree 480/2022 of 10 August 2022 established the new organization chart of the Argentine National Administration up to the level of Undersecretary. As a result, the SAGyP of the new Ministry of Economy assumed the functions of the former MAGyP, maintaining the institutional capacity of DIPROSE.

- 2.2 The cost of the program is US\$50 million, of which US\$40 million will be financed by the Bank from its Ordinary Capital in U.S. dollars, and US\$10 million will be the local contribution. The works and interventions analyzed cover 100% of the available financing. The amounts that appear below in Table 2 at the subcomponent level are indicative.

**Table 2. Estimated program costs (US\$)**

<b>Components</b>	<b>IDB</b>	<b>Local</b>	<b>Total</b>	<b>%</b>
<b>1. Component 1. Technological and organizational innovation for grape production</b>	<b>25,500,000</b>	<b>4,500,000</b>	<b>30,000,000</b>	<b>60.0</b>
1.1 Technical assistance and training for small and medium-sized grape producers	4,500,000	1,500,000	6,000,000	12.0
1.2 Infrastructure and operational capacity for small and medium-sized grape producers	21,000,000	3,000,000	24,000,000	48.0
<b>2. Component 2. Marketing support for small and medium-sized wineries</b>	<b>9,000,000</b>	<b>3,000,000</b>	<b>12,000,000</b>	<b>24.0</b>
2.1 Technical assistance for partnership-based marketing groups	500,000	500,000	1,000,000	2.0
2.2 Operational capacity and infrastructure for partnership-based marketing groups	8,500,000	2,500,000	11,000,000	22.0
<b>3. Component 3. Support for micro, small, and medium-sized enterprises led by young people and women</b>	<b>4,500,000</b>	<b>1,500,000</b>	<b>6,000,000</b>	<b>12.0</b>
3.1 Technical assistance for putting down roots in rural areas	500,000	500,000	1,000,000	2.0
3.2 Infrastructure and operational capacity to strengthen the commitment to rural areas	4,000,000	1,000,000	5,000,000	10.0
<b>4. Management and evaluation</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>2,000,000</b>	<b>4.0</b>
4.1 Administration	850,000	1,000,000	1,850,000	3.7
4.2 Strategic evaluation (Undersecretariat for International Financial Relations and Development – SSRFID)	150,000	-	150,000	0.3
<b>Total</b>	<b>40,000,000</b>	<b>10,000,000</b>	<b>50,000,000</b>	<b>100.0</b>

**Table 3. Disbursement schedule (US\$ millions)**

<b>Components</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
IDB	4.2	7.7	7.9	12.0	8.1	40.0
Local contribution	1.1	2.0	2.0	2.9	2.0	10.0
<b>Total</b>	<b>5.3</b>	<b>9.7</b>	<b>9.9</b>	<b>14.9</b>	<b>10.1</b>	<b>50.0</b>
%	10.6	19.4	19.8	30.0	20.2	100.0

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

- 2.3 In accordance with the Bank's environmental and social policy framework (ESPF) and based on environmental and social due diligence, this program is classified as a Category "B" operation, since minor and potentially moderate, localized, and temporary negative risks and impacts are expected. These will be associated mainly with irrigation efficiency works, modernization of equipment and small or medium-sized agricultural infrastructure, and the potential use of agrochemicals. The risks in question include workplace accidents, soil compaction and erosion,

natural drainage, possible contamination of soil and water resources, etc., for which mitigation measures of proven effectiveness are in place.

- 2.4 Based on the type of interventions and their location within the private properties of small-scale grape and wine producers, the following will not be eligible: works that have impacts on natural or critical habitats or cause biodiversity loss; interventions involving impacts on protected areas, physical and economic displacement, or land purchase; those affecting tangible or intangible cultural heritage; those with adverse impacts on indigenous communities or vulnerable groups, or with impacts that differ according to gender or sexual identity. The inclusion, among program beneficiaries, of women, persons with disabilities, indigenous communities, and other vulnerable groups will be a priority.
- 2.5 The environmental and social risk of the program is considered moderate, owing to the small scale and lack of complexity of the physical interventions to be undertaken, and the executing agency's institutional capacity in socioenvironmental management, which is characterized as sound. Although the provinces in which the program will operate contain protected areas and indigenous territories, projects that cause negative impacts in these areas will not be eligible.
- 2.6 An environmental and social management system (ESMS) was developed, with a preliminary version of its seven pillars that are ready for dissemination. These include the requirements of Environmental and Social Performance Standards (ESPS) 1 to 10. In addition, as part of the ESMS, a strategic environmental and social analysis was performed (including a preliminary sociocultural analysis that did not detect any sociocultural impacts), along with a strategic environmental and social management plan (ESMP) and a stakeholder engagement plan.
- 2.7 The consultation process, which was meaningful, complies with ESPS 10 of the Environmental and Social Policy Framework (ESPF). It culminated in a mixed face-to-face/virtual event on 15 July at INV headquarters, and the final documents, including the consultation report, will be published pursuant to the deadlines specified in the ESPF. Vulnerable, affected, and beneficiary stakeholders, including women, persons with disabilities, and small-scale producers, were included. The questions concerned the importance of Internet connectivity for small-scale producers, the training courses offered by DIPROSE and INV, and comments from an organization of persons with disabilities that included suggestions for making the program more inclusive. No one raised or identified new or undetected impacts or risks; and in general, there was strong support for the program. The summary environmental and social review (SESR) elaborates further on the mitigation measures, the consultation process, and conditions to ensure compliance with the requirements of the 10 environmental and social performance standards in the ESMF.

### **C. Fiduciary risks**

- 2.8 During program preparation, the following medium fiduciary risk was identified: any delay in the submission of expenditures, owing to the subexecution arrangement and the use of supporting grants to finance a significant amount of the investments, could cause delays in program execution. This risk will be mitigated by: (i) requiring a minimum 70% justification for the replenishment of advances of funds; (ii) defining and formalizing, in the program Operating Regulations, the procedures and

documentation required for the submission of expenses; and (iii) strengthening and training of the subexecuting agency in relation to these procedures. Lastly, during program execution, timely annual registration of the loan and counterpart resources with the National Budget Office (ONP) is crucial for securing the corresponding annual appropriations and installments under the loan contract between the Nation and the Bank, during the program's five years of execution, and hence for its sustainability.

#### **D. Other risks and key issues**

2.9 Development and sustainability risks have been identified that could adversely affect the three investment components, both during and after the execution period. Specifically, these include the vulnerability of producers to adverse technical, productive, and climate factors that impact production. This could restrict their operational and financial capacity in the short and medium terms, thereby complicating fulfillment of their program contribution commitments. To this end, the INV, in conjunction with COVIAR, will continue to consolidate dialogue with lenders with a view to meeting the sector's working capital needs, and to identify lending windows and guarantee structures/companies, in conjunction with provincial and local organizations. Second, inflation and devaluation factors could have an impact on the cost structures programmed in the investments and technical assistance actions. Accordingly, the subexecuting agency will periodically update the reference costs for the different inputs, assets, professional and other services, to ensure proper implementation of the program, including the functioning of the supporting grants, and the impact thereof on local markets and suppliers. Lastly, the program Operating Regulations will specify eligibility criteria to enable the program's technical assistance resources and projects to be distributed adequately among the different grape and wine-producing provinces, both those higher and lower levels of development in the sector.

2.10 **Sustainability:** Upon completion of program execution, it is expected that a series of technical assistance activities will continue to provide ongoing support to the partnership-based groups of small-scale producers and wineries, thereby contributing to the sustainability of the program's investments and interventions. For this purpose, and based on the experience gained in PROVIAR I, COVIAR will draw on its own resources and sector development programs to help maintain the technical assistants' links with the partnership-based groups benefiting from the program, as a way of monitoring and supporting the producers and wineries. Similarly, the coordination tasks with the CDVs under the INTA and COVIAR agreements will enable continuous dissemination of PEVI 2030; and they will serve as vehicles of promotion, dissemination, and productive social knowledge, and technical outreach. The presence of the CDVs also provides social endorsement of the allocation of resources, as well as sustained support to the partnership-based groups that need this most. In addition, the special provisions of the Bank's loan contracts include a clause on works maintenance, in which the borrower undertakes, through the executing agency, to ensure that the program works and equipment are properly maintained in accordance with generally accepted technical standards.

### III. ARRANGEMENTS FOR IMPLEMENTATION AND MONITORING OF RESULTS

#### A. Implementation arrangements

- 3.1 The borrower will be the Argentine Republic. The Ministry of Economy (MECON), through the Federal Competitiveness and Development Planning Secretariat (SEPLAN), acting through the Sector and Special Programs and Projects Directorate (DIPROSE), will be the executing agency. The National Wine Institute (INV), a decentralized entity acting in the orbit of the abovementioned Ministry, will perform functions corresponding to a subexecuting agency. In addition, for the strategic evaluation activities, the executing agency will be responsible for fiduciary execution, and MECON, through the SSRFID, which reports to the International Economic and Financial Affairs Secretariat, will be responsible for technical and methodological execution. Should there be changes in the organizational structure of the executing agency in the future, it may act through areas or units that have similar responsibilities and duties to those they replace, subject to prior approval by the Bank for purposes of this program.
- 3.2 The executing agency will be in charge of dealings with the Bank in all matters pertaining to program execution, including its operational, administrative, budgetary, and financial-accounting management and execution. The executing agency will designate a social specialist and an environmental specialist as focal points at DIPROSE for socioenvironmental management of the program.
- 3.3 Meanwhile, the subexecuting agency will be responsible for the technical execution of the program, for which a subexecuting unit will be established. The subexecuting unit will have the structure and functions and the necessary staffing, as detailed in the program Operating Regulations, including a general coordinator, the financial and technical coordinators, and at least one environmental and one social specialist. In order to ensure the functioning of the subexecuting unit, **a special contractual condition precedent to the first disbursement will require the borrower, acting through the executing agency, to have presented evidence of the designation of a subexecuting unit with the subexecuting agency, with the structure, functions, and minimum effective staffing necessary as envisaged in the program Operating Regulations.**
- 3.4 The executing agency will transfer program funds to the subexecuting agency, in the amounts needed to finance eligible activities under each component. The requirements for such transfers and the reporting of expenditures will be specified in the program Operating Regulations. **A special contractual condition precedent to the first disbursement of the loan will require the subexecution and resource transfer agreement between the executing agency and the subexecuting agency to have entered into force.**
- 3.5 For the approval and selection of the project ideas to be financed by the program and to assist in its operation, a program approval and monitoring committee (CAS)

will be formed, with the participation of [COVIAR](#)<sup>23</sup> and [INTA](#),<sup>24</sup> in addition to the executing and subexecuting agencies. The CAS will also serve as a mechanism for strategic discussion on the program. The creation, functions, requirements and procedures applicable to each call for proposals, and the operation of the CAS, among other aspects, will be included in the program [Operating Regulations](#). All of these requirements make the approval of the program Operating Regulations a necessary condition precedent to the first disbursement. Therefore, a **special contractual condition precedent to the first disbursement of the loan will require the executing agency to have approved the program Operating Regulations, and that these are in force, under terms previously agreed upon with the Bank. These should include the environmental and social requirements, with the environmental and social management system and the environmental and social action plan included as annexes.**

- 3.6 **Socioenvironmental eligibility.** Projects or interventions classified as Category “A” according to the Bank’s ESPF will not be eligible (paragraph 2.5).
- 3.7 **Procurement.** Procurement will be specified in the procurement plan approved by the Bank and will be executed according to the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15).
- 3.8 **Fiduciary management.** The fiduciary arrangements and requirements for program execution are set out in Annex III. The executing agency, through DIPROSE, will be responsible for the administrative, procurement, financial, and accounting management of the program. The INV will serve as subexecuting agency.
- 3.9 **Financial management.** The loan proceeds may be disbursed either as advances of funds, or as reimbursements, and/or as direct payments. For advances of funds, disbursements will be made on the basis of a financial plan to cover program needs for up to six months. For fund replenishment, at least 70% of funds already advanced must be justified, given the subexecution arrangement and the use of supporting grants to finance a significant amount of the investments. The External Loan Executing Units (UEPEX) system will be used by the executing and subexecuting agencies.
- 3.10 **Audits.** During execution, the executing agency will submit audited annual financial statements for the program 120 days after the fiscal year-end, as required by the Bank’s policies. Program completion audit reports will be submitted within 120 days following the last disbursement. The audit for this program may be conducted by an

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<sup>23</sup> Created by Law 25,849 of 2004 as a non-state legal entity under public law, with mission and objectives to promote both the organization and integration of the actors of the productive chain; and to foster product and process innovations that increase the sector’s value-added, for the purpose of winning, maintaining, and consolidating foreign markets, consolidating the Argentine domestic market, and achieving the sustained development of the sector.

<sup>24</sup> This was created by Decree-Law 21.680 of 1956 to promote, stimulate, and coordinate agricultural research and extension activities, and to use these basic functions to speed up the technical upgrading and improvement of agrarian enterprise and rural life.



independent audit firm under terms of reference prepared by the Bank or by the Office of the Auditor General of the Nation (AGN).

- 3.11 **Retroactive financing.** The Bank may use up to US\$2 million of the loan proceeds (5% of the proposed loan amount) to retroactively finance eligible expenses incurred in actions related to the contracting of consultants to support program design and implementation (Components 1, 2 and 3) and program administration expenses, provided that they have satisfied conditions substantially analogous to those established in the loan contract, and that the contracting procedures satisfy basic procurement principles (see paragraph 3.7). The expenses in question will have been incurred on or after 29 April 2022, but under no circumstances more than 18 months before the date on which the loan is approved by the Bank's Board of Executive Directors.

**B. Results monitoring and evaluation plan**

- 3.12 **Monitoring.** No later than 60 days after the end of each six-month period in every year during execution, the executing agency will send a monitoring report to the Bank, detailing the progress of activities pertaining to the part of the program for which it is responsible. The reports will focus on the attainment of output indicators and progress towards the outcomes specified in the Results Matrix. They will also analyze any problems encountered and put forward corrective measures. The report for the second six-month period of each year will also contain the annual work plan for the following calendar year, with a disbursement forecast and an updated procurement plan.
- 3.13 **Evaluation.** A reflexive evaluation is proposed for some of the outcome indicators and will be complemented by an impact assessment ([optional link 4](#)) aimed at determining causality and estimating the changes generated by the supporting grants and technical training, which are intended to foster technology adoption. The proposed impact assessment is designed to assess the impact of Components 1 and 2, which are associated with specific objectives 1 and 2, respectively. The proposed methodology is based on the difference-in-differences method. Control and treatment groups will be formed using basic information from INV administrative records (e.g. area, production, varieties, etc.), supplemented by additional surveys of a subset of the treatment and control groups to obtain data such as input use, technology adoption, or changes in production efficiency. In terms of the survey budget, the availability of administrative data simplifies the design, and funding is only needed to collect supplementary information.
- 3.14 The executing agency will conduct a strategic evaluation of the program in order to generate information on the contribution of the loan to achievement of the strategic management priorities.

Development Effectiveness Matrix		
Summary		AR-L1353
<b>I. Corporate and Country Priorities</b>		
<b>Section 1. IDB Group Strategic Priorities and CRF Indicators</b>		
1. The Strategic Alignment tab in convergence shows alignment on IDB Group Strategic Priorities. The Results Matrix tab lists flagged CRF indicators		
2. The Strategic Alignment tab in convergence shows information on alignment to Country Development Objectives		
<b>II. Development Outcomes - Evaluability</b>		<b>Evaluable</b>
3. Evidence-based Assessment & Solution		7.8
3.1 Program Diagnosis		2.3
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		2.0
4. Ex ante Economic Analysis		9.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		0.0
5. Monitoring and Evaluation		10.0
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		6.0
<b>III. Risks &amp; Mitigation Monitoring Matrix</b>		
6. Overall risks rate = magnitude of risks*likelihood		Medium Low
The Environmental and Social Data tab in convergence shows the environmental and social risk classification of the project		
<b>IV. IDB's Role - Additionality</b>		
Annex III Fiduciary Arrangements describes project reliance on the use of country systems (VPC/FMP Criteria)		
7. Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Technical Cooperation: AR-T1243

AR-L1353

The general objective of the operation is to contribute to the social, economic, and environmental sustainability of Argentine viticulture. The Specific Objectives are: (i) to increase the adoption of technologies by small and medium wine producers, prioritizing the improvement of the efficiency of the use of water resources; (ii) increase the marketing capacity of small and medium-sized wine establishments; and (iii) promote the participation of MSMEs in the wine chain, led by young people and women.

The diagnosis of the problems regarding the current management of water resources, the unsatisfied demand of the wine values chain that can be satisfied by young people and women, as well as the factors that negatively affect marketing could be improved. The vertical logic of the project is not entirely clear with respect to the multiple interventions that are contemplated to achieve the specific objective (i). The structuring of the result indicators does not allow for an appreciation the magnitude of the expected changes.

The economic analysis is based on Cost-Benefit. The main benefits that were quantified correspond to increased productivity and production, savings in operating costs, improved prices and increased sales. The assumptions are mostly justified and validated with the sensitivity analysis.

The evaluation plan proposes a reflexive evaluation for some of the result indicators and this is complemented by an impact evaluation that aims to determine the causality in the adoption of technologies.

**RESULTS MATRIX**  
**(Extended)**

<b>Project objective:</b>	The general objective is to contribute to the social, economic, and environmental sustainability of Argentina's grape and wine sector. The specific objectives are to: (i) increase the adoption of technologies by small and medium-sized grape producers, prioritizing more efficient water use; (ii) increase the marketing capacity of small and medium-sized wineries; and (iii) foster participation in the grape and wine production chain by micro, small, and medium-sized enterprises led by young people and women.
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**GENERAL DEVELOPMENT OBJECTIVE**

Indicators	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
<b>General objective: To contribute to the social, economic, and environmental sustainability of Argentina's grape and wine sector</b>							
1.1 Grape yields per hectare on properties with upgraded irrigation	qq/Ha	101.2	2021	2027	111.32	Impact Assessment Report (IAR)	
1.2 Index of the efficiency of using gravity irrigation on beneficiary properties	dal/db	50%	2021	2027	60%	Report of consulting service contracted to measure the indicator	The baseline will be updated when field data is collected; however, the target remains a 10 percentage point (pp) increase. The definition is provided in the monitoring and evaluation plan.
1.3 Grape yields per hectare on properties with technology-based irrigation	qq/Ha	100.7	2021	2027	167.6	IAR	
1.4 Gross margins per hectare on properties with unirrigated production projects	\$/Ha	To be determined	2021	2027	10 pp	IAR	
1.5 Winery sales value	\$/winery	To be determined	2021	2027	10 pp	IAR	
1.6 Jobs in the grape and wine sector generated by micro, small, and medium-sized enterprises (MSMEs) supported by the program	Number	0	2021	2027	To be determined <sup>1</sup>	IAR	

<sup>1</sup> The target will be determined at the start-up workshop before the initial plan is uploaded.

**SPECIFIC DEVELOPMENT OBJECTIVES**

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Project completion	Means of verification	Comments
<b>Specific objective 1: Increase the adoption of technologies by small and medium-sized grape producers, prioritizing more efficient water use</b>											
1.1 Percentage of activities of the individual grape and wine sector work plan implemented	Number of activities in the individual work plan implemented/total number of activities in the work plan	0%	2021					90%	90%	Monitoring reports issued by the PROVIAR II program executing unit (PEU)	
1.2 Percentage of technical assistance sessions held on the adoption of technology and agronomy techniques completed by beneficiaries	Number of technical assistance sessions completed/number of technical assistance sessions planned	0%	2021					90%	90%	idem	
1.3 Percentage of cultivated area with gravity irrigation system upgraded and in use relative to baseline	Hectares with gravity irrigation using new technologies/hectares with inadequate gravity irrigation in baseline situation	0%	2021						110%	idem	The target of the proposed intervention is to cover 100% of the insufficiently irrigated area in the baseline situation, and with the additional water savings, increase the irrigated area by 10%, so the target is 110%.
1.4 Percentage of the cultivated area with new technically upgraded irrigation system in use	Additional hectares on the property using technically upgraded irrigation/total hectares under irrigation	0%							20%	idem	
<b>Specific objective 2: Increase the marketing capacity of small and medium-sized wineries</b>											
2.1 Percentage of activities in the enterprise's business plan implemented	Number of activities in the enterprise's business plan implemented/total number of activities in the business plan	0%	2021					90%	90%	idem	
2.2 Percentage of technical assistance sessions on technology adoption, marketing, and winemaking techniques, completed by beneficiaries	Number of technical assistance sessions completed/number of technical assistance sessions planned	0%	2021					90%	90%	idem	

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Project completion	Means of verification	Comments
2.3 Index of fulfillment of the of good manufacturing practices (GMP) standard	Index	50 <sup>2</sup>	2021						60	idem	Definition in monitoring and evaluation plan. The standard comes from resolution <a href="#">C31/2016 of the National Wine Institute (INV)</a> .
<b>Specific objective 3: Foster participation in the grape and wine production chain by MSMEs led by young people and women</b>											
3.1 Percentage of activities of the MSME collective business plan implemented	Number of activities in the collective business plan implemented/total number of activities in the collective business plan	0%	2021					90%	90%	idem	
3.2 MSMEs created that are led by young people (women and men up to 35 years of age)	Number	0	2021						15	idem	
3.3 MSMEs created and led by women (over 35 years of age)	Number	0	2021						10	idem	
3.4 Percentage of technical assistance sessions on entrepreneurship, group formation, and application of new technology packages completed	Number of technical assistance sessions completed/number technical assistance sessions planned	0	2021						90%	idem	

<sup>2</sup> The baseline will be defined more precisely at the startup workshop. The target will be a 10 percentage point improvement whatever the baseline value.

**Country:** Argentina

**Division:** RND

**Operation No.:** AR-L1353

**Year:** 2023

## FIDUCIARY AGREEMENTS AND REQUIREMENTS

**Executing agency:** The Ministry of Economy (MECON), through the Federal Competitiveness and Development Planning Secretariat (SEPLAN), acting through the Sector and Special Programs and Projects Directorate (DIPROSE)

**Project name:** Support Program for Small Wine Producers in Argentina II (PROVIAR II)

### I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

#### 1. Use of country systems in the operation<sup>1</sup>

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

#### 2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Specific features of fiduciary execution	<p>The borrower will be the Argentine Republic. The Ministry of Economy (MECON), through the Federal Competitiveness and Development Planning Secretariat (SEPLAN), acting through the Sector and Special Programs and Projects Directorate (DIPROSE), will be the executing agency. The National Wine Institute (INV), a decentralized entity acting in the orbit of the abovementioned Ministry, will perform functions corresponding to a subexecuting agency. In addition, for the strategic evaluation activities, the executing agency will be responsible for fiduciary execution, and MECON, through the SSRFID, which reports to the International Economic and Financial Affairs Secretariat, will be responsible for technical and methodological execution.</p> <p>The executing agency will be in charge of dealings with the Bank in all matters pertaining to program execution, including its operational, administrative, budgetary, and financial-accounting management and execution. Meanwhile, the subexecuting agency will be responsible for the technical execution of the program, for which a subexecuting unit will be established. The subexecuting unit will have the structure and functions and the necessary staffing, as detailed in the program Operating Regulations, including a general coordinator, the financial and technical coordinators, and at least one environmental and one social specialist.</p>
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<sup>1</sup> Any system or subsystem that is subsequently approved may be applicable to the operation, pursuant to the terms of the Bank's validation.

		The executing agency will transfer to the subexecuting agency the program resources necessary for the financing of eligible activities under each component.
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### 3. Fiduciary capacity

Fiduciary capacity of the executing agency	<p>The institutional assessments made of DIPROSE, as program executing agency and of INV as subexecuting agency, were based on the Institutional Capacity Assessment Platform (ICAP). DIPROSE has extensive experience in the execution/implementation of externally financed sector investment programs, including a solid track record with the Bank and other multilateral financing agencies. DIPROSE has developed and consolidated an administrative, financial, and technical management structure, together with procedures and systems that enable it to execute investment programs directly and manage governance and project implementation arrangements in direct coordination with decentralized agencies, as in this loan. In the case of the INV, while it has no previous experience in the financial management and procurement processes of programs financed by the Bank, it has a satisfactory governance structure and administrative / fiduciary and control capacity to assume the responsibilities of program subexecution, including the presence and adequate use of the national government's integrated financial management systems, accompanied by the corresponding internal controls. Based on the evaluation, the following opportunities for improvement and measures to address the identified shortcomings were identified: (i) hire additional staff to strengthen procurement and financial tasks; and (ii) describe in the program Operating Regulations the specific technical and operational arrangements and coordination mechanisms for the program's procurement, financial management, internal control, and audit. The executing and subexecuting agencies are both considered to have the capacity needed to carry out the actions envisaged in the short term and to execute the operation.</p> <p>For program execution purposes, these fiduciary and technical capacities to manage investment programs are reinforced by the governance of this loan through COVIAR and INTA, which will contribute their solid technical expertise and direct work with the program beneficiaries at the local level.</p>
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### 4. Fiduciary risks and risk response

Risk taxonomy	Risk	Risk level	Response to risk
Institutional environment and organizational structure	If there are delays in the submission of expenses, owing to the subexecution arrangement and the use of supporting grants to finance a significant amount of the investments, delays in program execution could occur.	Medium High	(a) Requiring a minimum justification of 70% for the replenishment of advances of funds; (b) Specifying, in the program Operating Regulations, the procedures and documentation required for the submission of expenses; and (c) Strengthening the subexecuting agency and

Risk taxonomy	Risk	Risk level	Response to risk
			providing it with training on these procedures.
Financial-economic	If sufficient budget appropriations are not made during the life of the program, execution of the projects could be delayed.	Medium High	Comprehensive planning will be conducted of program activities, in order to identify resource needs and process budget appropriations in a timely manner with the National Budget Office (ONP). Any modifications or increases to the budget that are identified during execution each year will be handled expeditiously.

5. **Policies and guidelines applicable to the operation.** Financial management of the program will be based on the Financial Management Guide for IDB-financed Projects (document GN-2811-1; OP-273-12). The procurement of works, goods, and nonconsulting services, and the selection and contracting of consulting services will abide by the respective policies approved by the Bank on 2 July 2019 (documents GN-2349-15 and GN-2350-15).
6. **Exceptions to policies and guidelines:** N/A.

## II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

1. <b>Special conditions precedent to first disbursement:</b> N/A
2. <b>Exchange Rate:</b> To render accounts for the use of program funds, and for purposes of Article 4.10 of the General Conditions, the parties agree that the applicable exchange rate shall be as indicated in paragraph (b)(i) of said Article. To determine the equivalence of expenses incurred in local currency charged against the local contribution, the agreed-upon exchange rate shall be the rate in force on the first business day of the month in which the borrower, the executing agency, or any other person or legal entity in whom the power to incur expenditures has been vested, makes the related payments to the contractor, the supplier, or beneficiary.
3. <b>Audited annual financial statements:</b> The executing agency will submit audited annual financial reports on the use of funds, within 120 days after the fiscal year-end pursuant to the terms of reference agreed upon with the Bank. Final project financial reports will be submitted within 120 days after the date of the last disbursement. The program's external audit will be performed either by an independent firm of auditors eligible to audit operations financed by the Bank, selected and contracted in accordance with the terms of reference and model contract previously agreed upon with the Bank, or by the Office of the Auditor General of the Nation (AGN).



### III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	The procurement of works, goods, and nonconsulting services executed in accordance with the procurement policies (document GN-2349-15), subject to international competitive bidding (ICB), will use the Bank's Standard Bidding Documents (SBDs) or those agreed upon between the executing agency and the Bank for the procurement in question. Similarly, consulting services will be selected and contracted in accordance with the consultant selection policies (document GN-2350-15), using the Standard Request for Proposals (SRP) issued by the Bank, or as agreed upon between the executing agency and the Bank for the selection in question. Processes involving national competitive bidding and shopping for goods and nonconsulting services will use the Bank's standard templates in Argentina together with their corresponding standard evaluation report templates. The Project Team Leader will review the technical specifications and terms of reference for procurement during the preparation of selection processes. This technical review may be performed on an ex ante basis and is independent of the procurement review method.						
<input checked="" type="checkbox"/>	Advance procurement and retroactive financing	The Bank may provide retroactive financing, charged against the loan proceeds, for eligible expenditures incurred for actions related to contracting of consultants for support for the design and execution of the program (Components 1, 2, and 3) and administration expenditures, for up US\$2 million (5% of the proposed loan amount), provided that they have been made in accordance with conditions substantially analogous to those established in the loan contract and that contracting procedures are consistent with basic procurement principles. The expenses in question will have been incurred on or after 29 April 2022, but under no circumstances more than 18 months before the date of approval of the loan by the Bank's Board of Executive Directors.						
<input checked="" type="checkbox"/>	Procurement supervision	<p>Supervision will be performed on an ex post basis, except for the first two procurement processes for each selection method, which will require ex ante supervision. Ex post reviews will be carried out every year pursuant to the project supervision plan, which may be changed during execution. Ex post review reports will include at least one visit.</p> <p>The threshold amounts for ex post review are as follows:</p> <table border="1"> <thead> <tr> <th>Works</th><th>Goods and nonconsulting services</th><th>Consulting services</th></tr> </thead> <tbody> <tr> <td>US\$5 million</td><td>US\$500,000</td><td>US\$500,000</td></tr> </tbody> </table>	Works	Goods and nonconsulting services	Consulting services	US\$5 million	US\$500,000	US\$500,000
Works	Goods and nonconsulting services	Consulting services						
US\$5 million	US\$500,000	US\$500,000						
<input checked="" type="checkbox"/>	Records and files	MECON will be responsible for maintaining the original records of procurement, contracting, and financial management for which it is responsible in the context of program execution.						

### Main procurement items

Description of the procurement	Selection method	New procedures / tools	Estimated date	Estimated amount in US\$
<b>Goods and nonconsulting services</b>				
Miscellaneous purchases of licenses for administrative and technical management packages for the Employment and Production Services Unit (USEP), INV, and DIPROSE.	Shopping	No	Mar-2023	101,148
Contracting of an events firm to promote the program as part of the technical assistance and training activities for small and medium-sized enterprises.	Shopping	No	May-2023	420,000
<b>Consulting firms</b>				
Hiring of a consulting firm to conduct a strategic evaluation of the program under the responsibility of the Secretariat of Strategic Affairs (SAE).	Selection based on the consultants' qualifications (CQS)	No	Sep-2026	150,000
<b>Individual consultants</b>				
Hiring of individual consultants for: (i) technical assistance to small and medium-sized wine producers; (ii) technical assistance for partnership-based marketing groups; (iii) technical assistance for putting down roots in rural areas; (iv) the program subexecuting unit; and (v) program evaluations.	Individual consultant (IC) (3CV)	No	Feb-2023	8,567,435

The 18-month procurement plan can be consulted at [optional link 2](#).

#### IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

<input checked="" type="checkbox"/>	Programming and budgeting	The executing and subexecuting agencies will be responsible for the annual budget formulation and programming process, and for all procedures involved in consolidating the annual budget for approval. As needs to increase or reallocate items arise, the executing unit will request the corresponding amendments and secure their approval. Budget appropriations are executed through quarterly and monthly accrual commitment installments, which are assigned by the National Budget Office (MECON).
<input checked="" type="checkbox"/>	Treasury and disbursement management	<p>Bank accounts: The executing agency will maintain a special account in dollars and another in pesos at Banco Nación, kept separate and identified for accounting and operational purposes, to be used exclusively to manage program funds. The subexecuting agency will also maintain an account in pesos for the exclusive management of program funds.</p> <p>Financial plan: Disbursements will be made according to a detailed financial plan based on the program's actual liquidity needs.</p> <p>Disbursement method: The Bank will disburse funds either as advances of funds or under another modality established in the Financial Management Guidelines for IDB-financed Projects (document OP-273-12). After the first advance of funds, subsequent disbursements may be processed when 70% of the funds previously disbursed have been justified, due to the subexecution arrangement and the use of supporting grants to finance a significant amount of the investments.</p> <p>The Online Disbursement platform will be used to manage disbursements.</p>
<input checked="" type="checkbox"/>	Accounting, information systems, and reporting	The executing and subexecuting agency (through the central executing unit and the subexecuting units) will use the External Loan Executing Units (UEPEX) system for financial management. This system identifies program funds and also the sources of financing; and it records the program's investments by cost table component, in accordance with the chart of accounts approved by the Bank. Accounting records will be kept on a cash basis and will adhere to International Financial Reporting Standards as applicable, in accordance with established national criteria.
<input checked="" type="checkbox"/>	External control and financial reporting	<p>External Control is performed by the AGN, which is the agency that oversees public sector accounts, reporting to the National Congress. Its creation and operation are regulated in Title VII, Chapter I of Law 24.156 on Financial Administration and External Control Systems.</p> <p>The program's annual financial statements, based on the terms of reference previously agreed upon with the Bank, will be audited by an independent auditor acceptable to the Bank, which may be either the AGN or an independent firm of auditors.</p>
<input checked="" type="checkbox"/>	Financial supervision of the operation	The initial financial supervision plan will be based on assessments of the risk and fiduciary capacity of the executing and subexecuting agencies, through on-site supervision visits and "desk" reviews, supported by the analysis and monitoring of findings and recommendations arising from audits of the program's annual financial reports.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

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

Argentina. Loan \_\_\_\_/OC-AR to the Argentine Republic. Support Program  
for Small Wine Producers in Argentina II (PROVIAR II)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Argentine Republic, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the Support Program for Small Wine Producers in Argentina II (PROVIAR II). Such financing will be for the amount of up to US\$40,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

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