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MULTILATERAL INVESTMENT FUND

ARGENTINA

**COMPETITIVENESS AND SUSTAINABLE MANAGEMENT OF
PRODUCTION CHAINS IN TIERRA DEL FUEGO**

(AR-M1045)

DONORS MEMORANDUM

This document was prepared by the project team consisting of Santiago Soler (MIF/OPS), Project Team Leader; Héctor Castello (MIF/CAR); Oscar Farfan (MIF/DEU); and Anne Marie Lauschus (LEG/NSG).

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ABBREVIATIONS

ESR	Environmental and Social Impact Review
INTA	Instituto Nacional de Tecnología Agropecuaria [National Institute of Agricultural Technology]
MSME	Micro, small and medium-sized enterprise
PCU	Project coordination unit
PROSAP	Programa de Servicios Agrícolas Provinciales [Provincial Agricultural Services Program]
SENASA	Servicio Nacional de Sanidad y Calidad Agroalimentaria [National Agrifood Health and Quality Service]

ARGENTINA
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I. EXECUTIVE SUMMARY

Beneficiary country:	Argentina		
Executing agency:	Secretariat of Sustainable Development and the Environment		
Beneficiaries:	The project is expected to bring the following benefits: an institutional model for local development and sector support operating systematically; 160 micro small and medium-sized enterprises (MSMEs) with access to funds to contract specialized services; 70 service providers offering technical assistance; 10 sets of regulatory standards optimized to support the development of the participating MSMEs and the productive sectors in general; and at least three special regimes used to optimize the competitiveness of the participating MSMEs and the sectors in general.		
Amount and source:	MIF ¹	US\$ 986,829	(43%) ²
	Local counterpart:	US\$ 1,269,765	(57%)
	Total:	US\$ 2,256,594	(100%)
Objectives and description:	The objective of the project is to contribute to the sustainable and competitive development of the goods and services producing sectors in the province of Tierra del Fuego. The purpose is to develop the management skills and competitiveness of the productive sectors by using mechanisms that offer incentives for accessing specialized sources of knowledge to surmount technical limitations; promote the development and opening up of markets; and assure a balance with the environment that sustains those sectors.		
Execution timetable:	Execution period:	36 months	
	Disbursement period:	42 months	

¹ The subtotal of the MIF contribution includes 0.5% for the ex post impact evaluation, US\$10,000 for training for the executing agency in financial management and procurement, and U\$25,000 for cluster activities.

² Excludes the ex post impact evaluation, training in financial management and procurement, and cluster activities.

Special contractual clauses:	Conditions precedent to the first disbursement of Bank financing: (1) the appointment of the project coordinator; and (2) the adoption of the Operating Regulations as agreed in advance with the Bank.
Exceptions to Bank policy:	As an exception to the Bank's audit policy, it is requested that authorization be granted for the Bank to contract auditors to perform the final audit and ex post reviews of disbursement and procurement (see paragraph 5.12) and to hire a consultant to train the executing agency in financial management and procurement.
Environmental and social impact:	This project has been classified in category B (ESR of 17 April 2009).
Coordination with other financial development institutions:	No other institutions are currently carrying out projects similar to the one proposed here.

II. BACKGROUND

- 2.1 Tierra del Fuego, which had been a "national territory," became Argentina's youngest province in 1991. The archipelago, separated from the continent by the Strait of Magellan, not counting the islands in the Atlantic or the Antarctic, covers an area of about 21,571 km², and has three urban centers—Río Grande, Tolhuin, and Ushuaia, with the latter serving as the provincial capital. In 1970, Tierra del Fuego had a population of fewer than 14,000. It increased to 20,000 in 1972 with the General Economic Promotion Act, which includes a special fiscal and customs regime. Today, the province has an estimated population of 150,000, according to the 2001 census, 28% of whom were born there. Just 2.5% of the population is over 60 years of age.
- 2.2 Although the Economic Promotion Act dates from the early 1970s, the pace at which industries were established principally speeded up in the mid-1980s. In 1987, the territory had 109 industries that employed about 7,000 workers in the electronics, textiles, and plastics sectors. This marked the start of modern society in the territory, brought about as a result of migration that in many cases outstripped the government's capacity to provide housing and basic services. The economic promotion initiative was extended to 2023. Today the participating industries employ about the same number of workers as they did 20 years ago, with only a marginal increase in their production value.

- 2.3 Nonetheless, despite the frequent crises affecting it, the secondary sector of the economy continues to play a leading role in the geographic gross product, accounting for 32% compared to the national average of 27.7%, according to the most recent figures available, and it is still in the recovery stage after the 2002 crisis. Almost all of this activity is related to industries not involved in the transformation of the province's natural resources which, discounting fossil fuels, account for about 8% of the geographic gross product. The contrast is very sharp and points, on the one hand, to an extremely heterogeneous and vulnerable productive profile, while on the other it indicates that the province has considerable scope for increasing adding value in production chains rooted in primary production. The chains with this potential are: forestry/woodworking, crop/livestock, fisheries/inshore, mining/peat, and tourism.
- 2.4 The **proposed MIF project** will help to address the province's main socioenvironmental challenges. According to an evaluation performed at the start of the current government's mandate in 2007, although the current condition of the province's ecosystems as sources of benefits to society is good overall, concerns could arise in future over how these ecosystems are managed. Sustainable development policies are being designed and implemented to avoid future problems related to the availability of wood, certain fisheries, water quality in certain watersheds, the quantity and quality of livestock farming, and the recreational value of certain scenic areas. As elsewhere in the world, the factors that affect the ecosystems of Tierra del Fuego are growing in intensity and the current situation calls for the implementation of preventive policies and policies to improve the quality of development. The active policies being implemented on the basis of the evaluation mentioned address issues such as overexploitation, pollution, the introduction of exotic species, and changes in land use, including in particular the strengthening of the government's operating capacity.
- 2.5 In short, the province's sustainability status is good but with negative trends and impact factors that are still at manageable levels. This picture shows that Tierra del Fuego is at risk with regard to its sustainability but has favorable conditions for improving the situation in the medium term through the implementation of sustainable development policies.
- 2.6 On the basis of this analysis, the Secretariat of Sustainable Development and the Environment has designed a strategy with three basic objectives: (i) to build up the economic importance of the province's natural resources, while preserving the resilience of the ecosystems that underpin its social and economic development; (ii) to improve the relationship between the community and its natural environment; and (iii) to strengthen public institutions for sustainable development, particularly public environmental management. The **MIF project** presented here is a key strategy for achieving these objectives since it focuses specifically on private sector development, creating the conditions and social capital to ensure the sustainability of the province's development policies in the long term.

- 2.7 The **proposed MIF project** views the primary sector of the economy and tourism as real sectors that can sustain themselves by tapping the genuine and evident comparative advantages of those sectors that rely exclusively on the fiscal promotion regime. The proposed project is also consistent with the Secretariat's strategy of working for the **sustainable** development of the province's natural resources and promoting the sustainable development of the five main production chains associated with them, with a view to increasing the benefits for the local community, maintaining ecological integrity, and promoting a culture that is more closely linked to the land and the natural environment.
- 2.8 The project would bring **additionality** in the form of a strategy to improve the public and private management of resources and access to knowledge, through incentive mechanisms that facilitate access to specialized sources of knowledge to surmount the technical limitations of the chains mentioned above. The proposed initiative is particularly **innovative** for Tierra del Fuego, given that it is intended to generate the comprehensive development of new capacity in sectors that are key to provincial development, particularly sectors related to small and medium-sized enterprises and their sustainable development.
- 2.9 Although the Bank has no direct operations under way in the province, it has been developing contacts (special mission in June 2008) that have made progress in identifying possible areas of intervention that are complementary to the proposed MIF project, for example support for modernization of public management and improvements in provincial infrastructure (sanitation and others).
- 2.10 The creation and adaptation of the proposed sustainable technologies is a priority and depends on the extent to which they are adopted by private stakeholders which, in turn, is influenced by the supervision and control performed by the environmental authorities. Therefore, the project will seek the participation of different public institutions such as the National Institute of Agricultural Technology (INTA) and the National Agrifood Health and Quality Service (SENASA), and representatives of the sector areas in the Bank who can provide guidance on the proposed initiatives, particularly with regard to whether any of them can be channeled to become new investment projects with Bank financing or whether they could be financed with funds from existing programs (for example the Provincial Agriculture Services Program (PROSAP), SENASA, or INTA).
- 2.11 The present project forms part of the cluster to promote local competitiveness. It is consistent with the Bank's strategy whose main objective is to support the country in achieving sustainable and more equitable growth through actions in three areas: (i) institutional strengthening for better governance and fiscal sustainability; (ii) creation of a more favorable climate for investment and productivity growth, to enhance the country's competitiveness, particularly of MSMEs; and (iii) poverty reduction, the rebuilding of the human resource base, and promotion of sustainable and inclusive social development

III. PROJECT OBJECTIVES AND DESCRIPTION

- 3.1 The **objective** of the project is to contribute to the sustainable and competitive development of the goods and services producing sectors in the province of Tierra del Fuego. The **purpose** is to develop the management skills and competitiveness of the productive sectors using mechanisms that offer incentives for accessing specialized sources of knowledge to surmount technical limitations; promote the development and opening up of markets; and assure a balance with the environment that sustains those sectors. The following components are envisaged.
- 3.2 **Component 1. Public goods and institutional footing for competitiveness (MIF: US\$85,350; Counterpart: US\$183,650).** The purpose is to promote a process for the institutional coordination and strengthening of a public-private institution, in the form of a Tierra del Fuego sustainable productive development agency.³ A series of public goods will also be developed, defined as goods that benefit the productive sector overall and society at large. The following activities will be carried out: legal establishment of the agency, formation of a board of directors, and sensitization of entrepreneurs, the provincial and local governments, and the public in general to its work, and training of agents of public/private development. Use of existing tax incentives for the province will also be promoted, as well as the special regimes and national-wide development plans (the sheep-farming act, the national livestock plan, mining development plans, the native forests act, the regional development program, the programs of the Secretariat of Small and Medium-Sized Enterprise). A survey will be conducted and advisory services will also be procured to consolidate other public goods such as legal security (including the regularization of concessions and property rights); the administrative procedures applicable to entrepreneurs will be simplified and modernized; commercial information will be developed; and a culture of exports and associative work will be promoted. Last, a database of certified consultants and an information system/business observatory that will operate on the Internet will be developed.
- 3.3 As a result, an institutional framework⁴ will be built up for public-private cooperation that will be responsible, among other areas, for linking the supply and demand of business development services and also for: (i) the identification and generation of public goods; (ii) promotion of access by MSMEs to funds to contract

³ The agency will be a not-for-profit legal entity, and the majority of its members will be drawn from the private sector. The founding members will be the Secretariat of Sustainable Development and the Environment, the Tierra del Fuego Tourism Institute, and one representative from each of the sectors/chains that this project is concerned with (wood, fishery, tourism, agriculture, mining), including the Association of Mining Companies, the Tierra del Fuego Association of Furniture Manufacturers, Openings, Carpentry, and other Wood and Similar Manufactured Products (CAFUFAMA), the Tolhuin Wood Producers' Association, the Ushuaia Carpenters' Association, the Lago Khamy Cooperative, the Tierra del Fuego Rural Association, the Tierra del Fuego Inshore Fishermen's Association, the Association of Beagle Channel Fishermen and Marine Fish Farmers, the Ushuaia Tourism Association, and the Ushuaia Bureau.

⁴ This framework will take the form of a board, initially headed by the Secretariat but with the majority drawn from the private sector.

specialized services; and (iii) service providers offering technical assistance for MSMEs.

- 3.4 **Component 2. Productive innovation and sustainable development (MIF: US\$506,425; Counterpart: US\$864,875).** The purpose is to boost the competitiveness of a pilot group of MSMEs by cofinancing business development services that are necessary to enable the participants to be competitive inside their production chains. The lines of work with the sectors will be horizontal but other lines will be designed specifically for each sector. The following activities will be carried out: “horizontal” consulting services that respond to common problems faced by the different sectors such as associative work and joint production,⁵ quality programs,⁶ regional framework,⁷ market profiles of the new products to be offered, training in the management of MSMEs, and workshops and courses to train labor for the primary production sector. Some products are demanded mainly by one sector but are also public goods on account of their general impact. An example of this is the regional brand. As well, specific training and technical assistance activities will be carried out for the different sectors/production chains, based on the special needs detected by their entrepreneurs.⁸ The Operating Regulations give a detailed description of the activities to be financed in each of the five production chains. Stress will be placed on the activities listed there that contribute to the project’s environmental sustainability, in coordination with environmental protection laws.
- 3.5 The following results are expected: associations working on joint projects, traceability and practical quality certification, incorporation of new trained labor into the workforce, new products and others with higher value added being sold, enhanced innovation, production, and diversification of primary producers, and a “World’s End-Tierra del Fuego” brand.
- 3.6 **Component 3. Sensitization, monitoring, and dissemination of results (MIF: US\$35,000; Counterpart: US\$33,000).** The purpose is to heighten interest in the project among a pilot group of MSMEs, who will receive the assistance included in the previous component. Their development will be monitored and the project outcomes will be disseminated to the universe of target sectors and other sectors in the province. The following activities will be carried out: contracting a person to act as a contact point, known by the players and institutions in each of the five target sectors, to help them understand the importance of participating in the project and

⁵ Intended to enhance the social aspects of the project by building up social capital in the sectors.

⁶ For management of the project’s environmental aspects.

⁷ By introducing traceability into production chains, products will be associated with a brand that identifies geographic provenance, taking advantage of the mystique of Tierra del Fuego as the world’s last outpost, so that their consumption becomes a unique experience.

⁸ In the case of the tourism chain, a supply will be developed based on the primary activities of the other four production chains, seeking participation of the local population and thus to strengthening their commitment to the concept of sustainable production and services.

interacting with other companies in the same sector and in the other participating sectors; and contracting an advisor to establish the baseline and implement the monitoring system.

IV. PROJECT COSTS AND FINANCING

- 4.1 The project will cost an estimated US\$2,256,594 equivalent, with US\$986,829 to be contributed by the MIF and US\$1,269,765 by the counterpart, more than half of which will be in cash. A summary of the budget is presented below (the detailed budget is available in the technical files).

Category (US\$)	MIF	Local	Total
Administration	226,800		226,800
Logistics	21,760	188,240	210,000
Participation in cluster workshops	10,000		10,000
Component 1	85,350	183,650	269,000
Component 2	506,425	864,875	1,371,300
Component 3	35,000	33,000	68,000
SUBTOTAL	885,335	1,269,765	2,155,100
Contingencies	21,560		21,560
Midterm and final evaluations	20,000		20,000
Audit and ex post reviews	20,000		20,000
TOTAL	946,895	1,269,765	2,216,660
Cluster activities	25,000		25,000
Ex post impact evaluation (0.5%)	4,934		4,934
Training in financial management and procurement ⁹	10,000		10,000
GRAND TOTAL	986,829	1,269,765	2,256,594
Percentages (excluding impact evaluation and institution-building activities)	43%	57%	100%

- 4.2 **Sustainability** as it pertains to the participants involves integration of the sectors and their MSMEs in a “model”¹⁰ that will develop and manage public incentives, administered through private leadership and coordinated through a local development agency, with a view to promoting the competitiveness of Tierra del Fuego’s main productive sectors.
- 4.3 The project will prepare a sustainability plan (business plan) in year two, which will include a **sustainability workshop** in which representatives of the Bank and the

⁹ Contracting of consultants to provide institution-building services in fiduciary areas.

¹⁰ The model is defined as a systematic way of managing the series of activities and components proposed in the present project.

executing agency will participate. It will be held one year before project completion to examine whether the model can continue independently after the MIF support ends.

V. PROJECT EXECUTION

- 5.1 **Executing agency.** The executing agency will be the Secretariat of Sustainable Development and Environment of the province of Tierra del Fuego, a government entity created under Provincial Act No. 752, with the legal capacity to contract for and execute the proposed operation. The Secretariat has experience in project administration. When the project was being designed, it was found that the Secretariat has experience in managing production sector initiatives and has a history of cooperation with the beneficiaries of the proposed project. Also, it has the resources and technical reputation to attract new players to the project as it progresses. A work plan has been proposed to the different sectors and the organizations representing them¹¹ intended to strengthen them gradually, as mentioned in paragraph 2.6.
- 5.2 **Execution mechanism.** A **project coordination unit** (PCU) will be established and physically located in the Secretariat's offices. It will consist of a project coordinator and an assistant, financed with MIF funds. One technical expert for each of the five participating productive sectors will also cooperate. The PCU will function on the basis of a semiannual work plan for technical coordination and comprehensive execution of the project, and to channel requests for no objection to the contracting of services and to procurement planned for the project.
- 5.3 The PCU will report to a **project executive committee** composed of one representative from the Secretariat of Sustainable Development and Environment, one from the Department of Economic and Fiscal Promotion, one from the Tierra del Fuego Tourism Institute, and one from each institution mentioned in footnote No. 3 representing the sectors/chains. The responsibilities of this executive committee will include the appointment of the project coordinator and the approval of the Operating Regulations and any changes to them; supervision of compliance with the project objectives and goals; approval of the work plans and the semiannual project status reports and monitoring compliance with them; and approval of the annual budgets and monitoring compliance with them. The project executive committee will appoint the production development agency's first executive council and, once the agency has been set up, its first executive director.¹²
- 5.4 **Periods.** The execution period will be 36 months and the disbursement period 42 months.
- 5.5 **Project readiness.** The project has been agreed on in terms of its objectives, components, and activities. The executing agency has sent a letter of commitment

¹¹ See footnote No. 3.

¹² This individual could be the project coordinator himself.

to provide the counterpart funds. The Operating Regulations have been drafted and the terms of reference established for the main consulting services.

- 5.6 **Disbursements.** Disbursement of the MIF contribution will be contingent upon the attainment of milestones,¹³ to be agreed between the Secretariat and the MIF, as indicated in the 25 March 2008 memorandum on operational guidelines for performance- and risk-based project management. Attainment of the milestones does not exempt the PCU from responsibility for meeting the project objectives set out in the logical framework. The first disbursement will be made upon fulfillment of the conditions precedent (milestone 0). Funds will be disbursed on the basis of project spending requirements for activities and costs programmed in the semiannual plans. Subsequent disbursements will be made when the executing agency so requests to continue with normal project activities, provided that none of targets have expired (not been fulfilled). The amounts of successive disbursements will be calculated according to project spending requirements for programmed activities and associated costs for the period.
- 5.7 The milestones will be reviewed jointly by the executing agency and the IDB/MIF when the first semiannual operational planning exercise is presented at the start of the project (condition precedent) and pursuant to the operational audits performed as part of the technical visits. The milestones may be revised and reprogrammed during the project. The executing agency may also ask the Bank to modify the milestones provided they have not expired.
- 5.8 The institutional evaluation and risk assessment of the Secretariat's capacity to engage services and procure goods and for administrative, financial, and accounting management found that the risk for administrative and financial management (technical document VI) was average. In view of this finding, the project team has determined that during the first 18 months of the project, disbursements will be reviewed semiannually.
- 5.9 During year one, work will be done to strengthen the executing agency. A new evaluation will be performed 18 months into the project to determine whether the Secretariat can be reclassified as low risk so that disbursements can be reviewed ex post annually.
- 5.10 **Procurement.** The Secretariat, through the PCU, will procure the goods and services envisaged for the project based on semiannual procurement plans approved in advance by the Bank. Procurement will be carried out as established in the "Policies for the procurement of works and goods financed by the IDB" (document GN-2349-7), the "Policies for selection and contracting of consultants financed by the IDB" (document GN-2350-7), and the MIF procurement guidelines of 26 June 2008.

¹³ Minimum progress to be made in key indicators which, if not achieved would jeopardize the technical feasibility of project implementation.

- 5.11 The procedures to be followed by the PCU for the procurement of goods and consulting services to be financed by the project will guarantee a transparent and competitive process, and ensure the most effective quality/cost ratio for the project. Before any procurement is made, the PCU will present the initial procurement plan proposed for the project to the Bank for approval. The plan will be updated semiannually and whenever a change occurs in procurement methods or there is a change in the good or service to be procured.
- 5.12 Depending on the project team's risk evaluation, project contracts and procurement will be reviewed ex post semiannually. The Bank/MIF will use project funds to hire consulting services to provide support and training in fiduciary matters required by the executing agency. Under the performance- and risk-based project management model, the consulting services will focus on mitigating the financial management and procurement risks identified as a result of the institutional evaluation performed when the project was being designed. These one-time consulting services will take place at the start of the project and are intended to build up the capacity of the PCU on site, inside the executing agency. They are not designed to replace the work of continuous support and fiduciary supervision performed by the MIF specialist and/or the fiduciary specialists at the Country Office during project execution.

VI. MONITORING AND EVALUATION

- 6.1 **Supervision and monitoring.** The Bank's Country Office in Argentina will be responsible for project supervision and monitoring. The executing agency will present semiannual reports based on the Bank's standard information requirements. Such reports will be used to monitor the project and prepare the project completion report, based on Bank standards. A **closing workshop** will be held upon completion to evaluate the outcomes and the actions required to increase the project's impact.
- 6.2 **Evaluation.** Within three months after start-up, the executing agency will, with the Bank's prior no objection, contract a consultant to design the monitoring and evaluation system and construct the baseline. The evaluation system will be based on the logical framework and should follow a criterion of total quality, permitting the following areas to be examined: (i) relevance, effectiveness, and the extent to which project objectives have been met; (ii) quality of the services offered; (iii) project sustainability (in technical, economic/financial, social, and institutional terms) after the MIF contribution ends; (iv) possibilities for expanding or replicating the experience; and (v) impact.
- 6.3 The project provides for two evaluations to be performed by a specialized consultant to be selected and contracted directly by the Bank. The first evaluation will take place when 50% of the resources have been disbursed or 24 months after the first disbursement, whichever comes first. The final evaluation will be conducted when 90% of the resources have been disbursed or three months after the final disbursement, whichever comes first.

- 6.4 **Accounting and audits.** The executing agency will present the audited financial statements upon completion of the project. This activity will be financed by the MIF. The executing agency will keep specific accounts for the project based on a chart of accounts agreed in advance with the Bank, and will record all transactions financed out of the MIF financing and the local counterpart, with a break down by investment component.

VII. BENEFICIARIES AND RISKS

- 7.1 The project is expected to strengthen sustainable management of resources by the public and private sectors; increase product diversification through value added to existing products and to five new products to be developed; increase national and international sales by the crop/livestock, fisheries/inshore, mining/peat, forestry/woodworking, and tourism production chains; boost production efficiency by 5%, considering the sustainability parameters for the use of natural resources; and raise formal employment in the primary production sector by at least 7%.
- 7.2 The following outputs are expected by the end of the project: an institutional model for local development and support for the sectors operating systematically; 160 MSMEs with access to funding for the hiring of specialized services; 70 service providers offering technical assistance; 10 sets of regulatory standards optimized to support the development of the participating MSMEs and the productive sectors in general; and at least three special regimes used to optimize the competitiveness of the participating MSMEs and the sectors in general. Also, the number of products and markets as well as their quality and value added will be increased.
- 7.3 **Risks.** The main risk is the possible lack of an entrepreneurial vocation or culture in some of the sectors proposed for cooperation and associative work. This risk will be mitigated by the awareness-building, training, and technical assistance activities included in the project and the joint efforts of the public and private sectors in running the agency.

VIII. SOCIAL AND ENVIRONMENTAL ASPECTS

- 8.1 The project has been classified as category B and was declared accepted by the ESR of 17 April 2009. The project is headed by the Secretariat of Sustainable Development and Environment and its main objective is to ensure a balance between the proposed actions and the environment that sustains them.
- 8.2 The project in itself is a strategy to improve environmental management in both the public and private sectors. Given the relatively scant internalization by the primary production sectors of the strategic importance of good environmental management, the proposed project actions will improve this situation and hence its overall impact will be positive. Also, the project fits in with the Secretariat of Sustainable Development and Environment's 2008-2011 strategic plan (available at www.tierradelfuego.gov.ar/s_desuamb), which means that these positive environmental impacts will be actively sought by the government. The strategic

plan, which is monitored annually, establishes the following strategic objectives: (1) to sustain the well-being of the Tierra del Fuego community today and in the long term; and (2) to strengthen a culture of integration with and respect for nature by the community. In this framework, three general priorities that cut across the strategies in every area have been established: (i) to build up the economic significance of Tierra del Fuego's natural resources, while preserving the resilience of the ecosystems that sustain social and economic development; (ii) to improve the relations between the local community and its natural environment; and (iii) to strengthen public institutions for sustainable development, particularly the public environmental administration. Lastly, the plan sets out a series of sector objectives and actions, all of which are consistent with the proposed project.

- 8.3 By seeking to enhance local economic activity, the project will promote an increase in production. However, given that it focuses on sustainable production patterns (in itself and by virtue of the Department of Sustainable Development and Environment's strategic plan), including enhanced competitiveness and efficiency, the potential cumulative environmental impacts will be controlled and will not be as great as the environmental benefits resulting from it.
- 8.4 On the social front, the project will actively promote associative work and an improvement in social ties, with a special focus on initiatives from women's groups. As for the indigenous communities, their territory has been assigned to them by law and there is no conflict between them and protected areas. Indigenous community management of their natural resources is also regulated by law and therefore the MIF project is not expected to have any negative impact. However, project approval and monitoring will include verification that there are no potentially adverse impacts on such communities. Projects that have the potential to affect them will need to include mitigation measures.

**COMPETITIVENESS AND SUSTAINABLE MANAGEMENT OF PRODUCTION CHAINS IN TIERRA DEL FUEGO
(AR-M1045)**

LOGICAL FRAMEWORK

OBJECTIVES	INDICATORS¹	MEANS OF VERIFICATION	ASSUMPTIONS
OBJECTIVE			
To contribute to the sustainable and competitive development of the goods and services producing sectors in the province of Tierra de Fuego.	<p>By 2015:</p> <ul style="list-style-type: none"> Diversification increases through value added to products—at least 5 new products. Sales by the crop/livestock, fishery/inshore, mining/peat, forestry/woodworking production changes increase on the local and national markets with 5 products and on international markets with 2. Increase of at least 7% in formal employment in the primary sector. The province's sustainable production strategy is strengthened. 	<ul style="list-style-type: none"> Provincial statistics and censuses. Official documents Baseline and project monitoring system 	<ul style="list-style-type: none"> Social and economic stability exists. There are no significant changes in the world economy or the rules of international trade for the five sectors.
PURPOSE			
To develop the management skills and competitiveness of the productive sectors by using mechanisms that offer incentives for access to specialized sources of knowledge to surmount technical limitations, that promote the development and opening up of markets, and that assure a balance with the environment that supports those sectors.	<p>By the end of the project:</p> <p>Secretariat of Sustainable Development and Environment:</p> <ul style="list-style-type: none"> 60% of agency users are highly satisfied with how the model for privately-managed public incentives operates. 	<ul style="list-style-type: none"> Statistics service Baseline and indicators monitoring system Semiannual status reports presented by the Project Coordination Unit 	<ul style="list-style-type: none"> MSMEs in the five participating sectors are interested in the project.

¹ These indicators will be revised and adjusted using the baseline.

OBJECTIVES	INDICATORS ¹	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> At least 30% of local entrepreneurs perceive an increase in the value of institutional services for local MSMEs. <p>Production chains:</p> <ul style="list-style-type: none"> Sales without substantial processing or sales of raw materials reduced by 15%. Increase of 15% in the sales of the primary sector. Improvement of at least 20% in the quality standards of MSMEs. Increase of 10% in sustainable use of natural resources. 	<ul style="list-style-type: none"> Midterm and final evaluations Project completion report Project performance monitoring reports User satisfaction surveys of entrepreneurs 	
COMPONENT 1			
<p>1. Public goods and institutional footing for competitiveness</p> <p>The objective is to design a public-private agency to link the supply and demand of business development services and propose a business plan (source and application of funds) for the agency's implementation.</p>	<p>Secretariat:</p> <ul style="list-style-type: none"> Institutionalization of a framework to link the supply and demand for business development services by month 6. 160 MSMEs accessing funds to engage specialized services by month 24. 70 service providers offering technical assistance to SMEs by month 36. Irregularities in concessions and property rights are reduced by 10% in at least 2 sectors by month 18. 	<ul style="list-style-type: none"> Semiannual project status report presented by the coordination unit Midterm and final evaluations Project completion report Project performance monitoring reports 	<ul style="list-style-type: none"> Public and private parties are willing to work together in the agency.

OBJECTIVES	INDICATORS ¹	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Activities</p> <p>1.1. Establishment of the local development agency and sensitization.</p> <p>1.2 Facilitation and streamlining of procedures.</p> <p>1.3 Training for public-private development agents.</p> <p>1.4 Development of other public goods.</p>	<ul style="list-style-type: none"> • Legal advisory services to establish the agency performed by month 6. • Database with certified consultants and an information system/business observatory operating over the Internet by month 9. • Consulting services to survey the circuits and propose changes in agreement with the oversight agencies performed by month 12. • Advisory services to streamline procedures performed by month 36. • 4 courses/seminars/update sessions for public-private development agents held by month 24. 		
COMPONENT 2			
<p>2. Productive innovation and sustainable development</p> <p>The objective is to boost the competitiveness of a pilot group of MSMEs by cofinancing business development services that are needed for MSMEs to be competitive inside their production chains. There are two lines of work: horizontal collective and by productive sector.</p>	<p>Secretariat:</p> <p><u>Innovation through horizontal collective actions:</u></p> <ul style="list-style-type: none"> • At least 5 activities for associative strengthening and joint production carried out by month 24. • At least 2 associations achieved a tangible project—common pole, processing plant, common market—by month 36. • At least 2 sectors obtained certification of quality/good practices by month 33. • World's End-Tierra de Fuego Brand in the development stage by month 24. • At least 5 products identified with production and sales potential by month 24. 	<ul style="list-style-type: none"> • Semiannual project status report presented by the Coordination Unit • Midterm and final evaluations • Project completion report • Project performance monitoring reports 	<ul style="list-style-type: none"> • Sources of knowledge and best practices exist that respond to the needs of Tierra de Fuego MSMEs.

OBJECTIVES	INDICATORS ¹	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> • Business management: at least 60 MSMEs attend workshops and training courses by month 12. • Attendance by at least 100 people at training sessions in sector activities by month 30. <p>Innovation by productive sector:</p> <p><u>Associations in the mining/peat chain:</u></p> <ul style="list-style-type: none"> • 1 study of the generic costs of the activity by month 12. • Organization of the peat farms and geological evaluation of the peat bogs in an advanced stage by month 15. • At least 2 studies conducted on the development of new products with higher value added by month 36. <p><u>Associations in the forestry/woodworking chain:</u></p> <ul style="list-style-type: none"> • Study of installed capacity and business plan by month 36. • 1 project to study the use of wood waste completed by month 12. • 1 feasibility study on the creation of an industrial pole for wood processing completed by month 21. <p><u>Associations in the crop/livestock chain:</u></p> <ul style="list-style-type: none"> • Project to study small-scale wool processing technologies under way by month 9. 		

OBJECTIVES	INDICATORS ¹	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> Advanced technical assistance to resolve the problem of the introduction of exotic plants and animals by month 12. Attendance by at least 50% of producers at workshops on organic production and certification by month 36 <p><u>Associations in the fisheries/inshore chain:</u></p> <ul style="list-style-type: none"> Project for organic certification of fish farms by month 36. Feasibility study on building a shipping and processing plant and a distribution center in Almanza completed by month 12. Study on the carrying capacity of the Beagle Channel under way by month 6. <p><u>Tourism chain:</u></p> <ul style="list-style-type: none"> Feasibility study on a market for regional products under way by month 21. At least one tourist circuit based on the development of primary activities in the province by month 24. At least 2 new gastronomic proposals based on regional production by month 33. 		

OBJECTIVES	INDICATORS ¹	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Activities</p> <p>2.1 Innovation through horizontal collective actions:</p> <p>2.1.1 Associative work and joint production</p> <p>2.1.2 Quality programs</p> <p>2.1.3 Regional brand</p> <p>2.1.4 Market profiles</p> <p>2.1.5 Training in SME management</p> <p>2.1.6 Job placement—training</p> <p>2.1.7 Participation in indigenous communities and transfer programs</p> <p>2.2 Sector productive innovation:</p> <p>2.2.1 Peat</p> <p>2.2.2 Wood and furniture</p> <p>2.2.3 Livestock</p> <p>2.2.4 Inshore fishery</p> <p>2.2.5 Tourism</p>	<ul style="list-style-type: none"> • 5 sectors (horizontal): advisory services on associative work and joint production provided by month 36; quality by month 33; development of the regional brand by month 36; market profiles by month 36; MSME management by month 36; job placement and training by month 36. • Peat: Study of the generic costs of the activity by month 12; organization of the peat farms/geological evaluation by month 15; technical assistance in new production methods and readjustment to sustainable methods by month 24; diversification and development of new products by month 33; technical mission by month 30. • Wood and furniture: Study of the generic costs of the activity by month 12; full use of wood waste by month 12; reform of legislation to regulate logging sustainably by month 27; feasibility study on the creation of an industrial pole by month 21; study of alternatives for lenga wood (<i>Nothofagus pumilio</i>) use by month 24; study of technologies for best practices in forestry and secondary processing by month 36; study of installed capacity and business plan by month 36. 		

OBJECTIVES	INDICATORS ¹	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> • Agro-livestock: Technical assistance to resolve the problems caused by nonnative fauna by month 12; study of the generic costs of the activity by month 12; organic production and certification by month 24; feasibility study on small-scale wool processing by month 12. • Inshore fishing: Study of the carrying capacity of the Beagle Channel by month 12; study of the generic costs of the activity by month 18; assistance for good production practices by month 30; organic certification project by month 36; feasibility study on the installation of a shipping and processing plant and a distribution center in Almanza by month 12; study on possible diversification of production with value added by month 36; feasibility study on establishing a local market for the sale of fresh products by month 37. • Tourism: Feasibility study on the installation of a regional products market by month 36; design of a tourism circuit based on primary activities by month 30; study for the diversification of gastronomic opportunities based on local production by month 33. 		
COMPONENT 3			
3. Sensitization, monitoring, and dissemination of results The objective is to raise interest among a pilot group of MSMEs in participating in the project and to disseminate the results	Secretariat: <ul style="list-style-type: none"> • Model disseminated to the universe of players in the participating sectors by month 12. 	<ul style="list-style-type: none"> • Semiannual project status report presented by the Coordination Unit • Midterm and final evaluations 	<ul style="list-style-type: none"> • Other sectors are interested, in which the agency can begin to disseminate the local development model.

OBJECTIVES	INDICATORS ¹	MEANS OF VERIFICATION	ASSUMPTIONS
to the universe of the sector and other provincial sectors.	<p><u>Crop/livestock chain:</u></p> <ul style="list-style-type: none"> • At least 30 are sensitized by month 9. • At least 15 express interest in participating in the project by month 12. <p><u>Fisheries/inshore chain:</u></p> <ul style="list-style-type: none"> • At least 70 are sensitized by month 9. • At least 50 express interest in participating in the project by month 12. <p><u>Mining/peat chain:</u></p> <ul style="list-style-type: none"> • At least 18 are sensitized by month 9. • At least 10 express interest in participating in the project by month 12. <p><u>Forestry/woodworking:</u></p> <ul style="list-style-type: none"> • At least 40 loggers and 30 sawmills/carpenters/furniture makers are sensitized by month 9. • At least 35 express interest in participating in the project by month 12. <p><u>Tourism chain:</u></p> <ul style="list-style-type: none"> • At least 100 companies (accommodations, operators, guided visits, transport) are sensitized by month 9. • At least 50 express interest in participating in the project by month 12. • Baselines developed by month 12. 	<ul style="list-style-type: none"> • Project completion report • Project performance monitoring reports 	

OBJECTIVES	INDICATORS ¹	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> Implementation of the project management control and monitoring system by month 12. 		
Activities 3.1 Program sensitization and promotion 3.2 Baseline and implementation of the monitoring and evaluation system 3.3 Dissemination of outcomes	<ul style="list-style-type: none"> Sector experts sensitize each of the sectors to project activities by month 12. Baseline and monitoring system consulting services completed by month 12. Dissemination of best practices and lessons learned by month 42. 		

**COMPETITIVENESS AND SUSTAINABLE MANAGEMENT OF PRODUCTION CHAINS IN
TIERRA DEL FUEGO
(AR-M1045)**

SUMMARIZED BUDGET

BUDGET CATEGORY	MIF US\$	Local US\$	TOTAL US\$
Coordination and logistics	258,560	188,240	446,800
Administration	226,800	-	226,800
Central office expenses, equipment, and logistics	21,760	188,240	210,000
Travel to cluster workshops	10,000	-	10,000
1. Public goods and institutional footing for competitiveness	85,350	183,650	269,000
1.1. Establishment of the local development agency and awareness building	-	30,000	30,000
1.2 Facilitation and streamlining of procedures	12,750	38,250	51,000
1.3 Training for public-private development agents	42,600	10,500	53,100
1.4 Development of other public goods	30,000	104,900	134,900
2. Productive innovation and sustainable development	506,425	864,875	1,371,300
2.1 Innovation through horizontal collective actions	186,300	366,500	552,800
2.1.1 Associative work and joint production	21,875	65,625	87,500
2.1.2 Quality programs	17,500	54,500	72,000
2.1.3 Regional brand	19,500	58,500	78,000
2.1.4 Market profiles	22,000	66,000	88,000
2.1.5 Training in SME management	15,500	46,500	62,000
2.1.6 Job placement—training	25,125	75,375	100,500
2.1.7 Participation in indigenous communities and transfers program	64,800	-	64,800
2.2. Activities by productive sector	320,125	498,375	818,500
2.2.1 Peat	68,450	112,950	181,400
2.2.2 Wood and furniture	68,700	113,700	182,400
2.2.3 Livestock	61,200	91,200	152,400
2.2.4 Inshore fishing	60,575	89,325	149,900
2.2.5 Tourism	61,200	91,200	152,400

BUDGET CATEGORY	MIF US\$	Local US\$	TOTAL US\$
Component 3. Sensitization, monitoring, and dissemination of outcomes	35,000	33,000	68,000
3.1 Program sensitization and promotion	-	33,000	33,000
3.2 Baseline and implementation of the monitoring system, including use of the SIMPLED system	30,000	-	30,000
3.3 Dissemination of outcomes	5,000	-	5,000
SUBTOTAL	885,335	1,269,765	2,155,100
Contingencies	21,560	--	21,560
Midterm and final evaluations	20,000	-	20,000
Auditing and ex post reviews	20,000	-	20,000
TOTAL	946,895	1,269,765	2,216,660
Cluster activities	25,000		25,000
Contribution to the ex post evaluation (0.5% budget)	4,934		4,934
Training in financial management and procurement	10,000		10,000
GRAND TOTAL	986,829	1,269,765	2,256,594
Percentage (excluding cluster activities, ex post evaluation, management training)	43%	57%	100%