

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

**PROJECT TO INTEGRATE SMALL PRODUCERS INTO THE
WINE PRODUCTION CHAIN**

(AR-L1063)

LOAN PROPOSAL

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ANNEXES	
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Annex I:	Results Framework
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ELECTRONIC LINKS	
REQUIRED	
1.	Project logical framework and timetable for physical and financial execution http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1722416
2.	Monitoring and evaluation system http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1722422
3.	Environmental impact assessment and environmental and social management report (ESMR) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1722272
4.	Procurement plan (complete) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1733761
5.	ESR forms http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1722411
OPTIONAL	
1.	Draft Operating Regulations http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1722425
2.	Analysis of project cost and economic viability http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1722426
3.	Draft subexecution agreement between SAGPyA and COVIAR http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1722276
4.	Project execution mechanism http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1722428
5.	Project risk mitigation plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1722429

ABBREVIATIONS

cwt/ha	Hundredweight per hectare
CDV	Centro de desarrollo vitícola [wine sector development center]
COVIAR	Corporación Vitivinícola Argentina [Argentine Wine Production Corporation]
ICAS	Institutional Capacity Assessment System
INV	Instituto Nacional de Vitivinicultura [National Institute for Grape Growing and Wine Production]
MECON	Argentine Ministry of Economy and Production
NRC	Nonreimbursable contributions
OR	Operating Regulations
PEU	Project execution unit
PEVI	Plan Estratégico Vitivinícola Argentina 2020 [Argentine Wine Sector Strategic Plan 2020]
PINs	Integrated business plans for the wine sector
PROPEF	Project Preparation and Execution Facility
SAGPyA	Department of Agriculture, Livestock, Fisheries, and Food
SPE	Department of Economic Policy of the Ministry of Economy
SSF	Safeguard Screening Form for classification of projects
SWG	Small wine grower
UEPEX	System for External Project Execution Units

PROJECT SUMMARY

ARGENTINA PROJECT TO INTEGRATE SMALL PRODUCERS INTO THE WINE PRODUCTION CHAIN (AR-L1063)

Financial Terms and Conditions			
Borrower: Argentine Republic		Amortization period:	25 years
Executing agency: Department of Agriculture, Livestock, Fisheries, and Food (SAGPyA) of the Argentine Ministry of Economy and Production.		Grace period:	5 years
Subexecuting agency: Corporación Vitivinícola Argentina (COVIAR).		Disbursement period:	5 years
Source	Amount	Inspection and supervision fee:	*
IDB (OC)	US\$50 million	Interest rate:	Adjustable
IDB (FSO)		Credit fee:	*
Local	US\$25 million		
Total	US\$75 million	Currency:	U.S. dollars from the Single Currency Facility
Project at a Glance			
<p>Project objective/description: The project's objective is to improve the profitability and revenue stability of small producers in the grape and wine production chain. The purpose is to achieve more and better integration of small wine growers (SWGs) in the wine production value chains. The project's activities are grouped into three components: (1) promotion of partnering arrangements; (2) support for implementation of integrated business plans; and (3) strengthening and coordination of the institutional framework.</p> <p>Special contractual conditions: Special conditions precedent to the first disbursement: (i) a subexecution and resource transfer agreement has been signed between the project's executing agency and subexecuting agency (see paragraph 3.1); (ii) the project execution unit has been established (see paragraph 3.3); (iii) the Operating Regulations are approved and in force (see paragraph 3.5); (iv) the monitoring and evaluation system is up and running (see paragraph 3.57); and (v) evidence has been provided of the model participation and resource contribution agreement to be signed between the subexecuting agency and the participating entities under project Component 2.</p> <p>Special execution condition: Before making disbursements to each participating entity whose plan has been approved, evidence must be produced that a participation and resource contribution agreement has been signed between the subexecuting agency and the participating entity, establishing the activities to be financed by the project (see paragraph 3.1).</p> <p>Exceptions to Bank policies: None.</p>			
<p>Project qualifies as: SEQ [] PTI [] Sector [] Geographic [] Headcount []</p>			

* The credit fee and 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 the applicable provision of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION AND RESULTS MONITORING

A. Background and rationale

- 1.1 **Development of the wine sector in Argentina.** Argentina's wine industry has experienced sustained growth since the early 1990s, with 2007 sales of US\$1.7 billion. This growth is the result of the sector's restructuring, the greater differentiation in the supply of quality wines that have penetrated international markets, and, most significantly, the slowing of the decline in domestic market consumption.²
- 1.2 In 2007, 74.2% of wine produced was sold on the domestic market, and 23.3% was for export. Wine exports, which were less than US\$10 million in 1990, reached US\$478 million in 2007, demonstrating the high export potential of the entire quality range. Forty-nine percent of exports are "bulk" wine exports, while the rest is bottled for export. Both Argentina and the United States differ from the other so-called "New World" wine producers (also including Australia, Chile, South Africa, and New Zealand), since most of their production is consumed domestically and is not for export. The traditional producers (France, Spain, and Italy), the world's top producers, are net consumers.
- 1.3 One of the competitive strengths of the Argentine wine sector lies in the enormous diversity of soil and climate types along the eastern foothills of the Andes, from Salta and Catamarca in the north to Neuquén and Rio Negro in the south. Argentina is home to the world's highest-altitude vineyards, as well as the southernmost, including almost all of the grape varieties with the greatest global demand. Argentine winemaking is also recognized for its success with varieties such as Malbec, Bonarda, and Tempranillo, among red wine grapes, and Torrontés and Viognier in whites.
- 1.4 **Current structure of production.** According to 2007 figures from the National Institute for Grape Growing and Wine Production (INV), Argentina has 26,200 vineyards covering 226,000 hectares, producing nearly 3.1 million tons of grapes per year. Of this volume, 93.5% is used for wine production, 4.7% for table grapes, 1.6% for raisins, and the remaining 0.2% for other purposes. It is important to note that of wine grapes, 57.2% is classified as being of "high enological quality." The rest of the grapes are used for basic wines and musts in comparable quantities.
- 1.5 The grapes are processed by 1,331 registered wineries that produce nearly 1.5 billion liters of wine annually and 13 factories that produce nearly 811 million liters of must. Grape production is concentrated in the provinces of Mendoza (66.1%) and San Juan (28.5%), while La Rioja, Catamarca, Rio Negro, Salta, and Neuquén contribute the remaining 5.4%.
- 1.6 As a result of the successive Argentine economic crises in the 1980s and the structural adjustments in the 1990s, wine consumption in the domestic market went from 90 liters per capita per year in the 1970s to the current 28 liters, where it

² Argentina's wine consumption is 28 liters per capita per year, one of the world's highest rates.

- appears to have stabilized. As a result, the production of table wines fell and productive land under vine was cut almost in half. At the same time, due to changes in international consumer preferences and the drop in domestic consumption, the industry restructured, switching from low-value generic grapes to higher value varieties. The high quality wine grapes that represented 20% of crop land in 1990, represented 50% in 2005.
- 1.7 **Crisis of the small wine growers (SWGs).** According to the INV, 11,200 vineyards went out of production during the 1990s, nearly 8,000 of them belonging to SWGs that ended up abandoning their wine businesses. A comparable number of others managed to become integrated into the retail chain. It is estimated that nearly 5,000 SWGs became integrated through growers' cooperatives, with their own wineries for producing their members' wines. In Mendoza province, these cooperatives joined together around the Federation of Wine Cooperatives, which markets their goods, as the Cooperativa La Riojana does in La Rioja province. Another significant group of SWGs reached informal agreements with wineries producing varietal wines, which provide them with technical assistance and access to inputs to facilitate their restructuring for quality grape production. Many of these producers have maintained their business relationship with these wineries.
 - 1.8 It is currently estimated that nearly 6,000 SWGs are vulnerable, surviving without integrating sufficiently into the wine production value chain, which has translated into a notable decline in their quality of life. The main features of these unintegrated SWGs are: (i) low levels of productivity and crop quality; (ii) no access to technical assistance services; (iii) little bargaining power; and (iv) unreliable access to information on major markets.
 - 1.9 **Argentine Wine Sector Strategic Plan 2020 (PEVI).** The need for the PEVI was established by national legislation, which also created Corporación Vitivinícola Argentina (COVIAR) to manage and coordinate its implementation, as the result of two years of participatory processes among stakeholders in the wine production chain. This collectively developed plan reflects the concern of both businesspeople and the national and provincial public authorities regarding the consequences of the SWGs' vulnerability. Thus, one of the PEVI's three strategic objectives is to support the development of small and medium-sized grape growers and integrate them into the wine business with higher levels of competitiveness and sustainability. COVIAR, given the priorities established in the PEVI, is pursuing the Small Growers Program and other complementary programs: the integrated generic communication plan to promote wine for the domestic market, whose executing agency is Fondo Vitivinícola de Mendoza; and the project to promote wine for export markets, whose executing agency is Wines of Argentina.
 - 1.10 Corporación Vitivinícola Argentina (COVIAR) is a nongovernmental corporation established under public law in 2004, governed by a 17-member board of directors. Its principal corporate purpose is to manage and coordinate implementation of the Argentine Wine Sector Strategic Plan 2020 (PEVI). To accomplish this, it must, among other actions: (i) promote the organization and integration of members of

the production chain, and innovation in products and processes that increase value added in the sector, in order to expand, maintain, and consolidate export markets and the domestic market; (ii) coordinate actions to promote the horizontal and vertical integration of small growers so that they can access retail chains and technological and organizational innovation; and (iii) coordinate technical assistance activities for businesses and public or private entities associated with wine production and the wine trade.

- 1.11 **Wine sector development centers.** COVIAR, in collaboration with the National Institute for Agricultural Technology, created ten wine sector development centers (known by their Spanish-language acronym as CDVs), of which seven are already operating in the main regions of the wine-producing provinces. These centers support the sustainability (economic, social, and environmental) of the wine sector through a local development approach that focuses on the well-being of small-scale producers and their families. Each CDV has a local advisory board that includes the principal social actors of the local wine sector. Agents and technical specialists have been contracted for each CDV, to lead training activities for the producers. The CDVs have also begun a diagnostic assessment of local conditions at the territorial level using customized surveys, so as to design actions targeting the needs of each region.
- 1.12 The project is consistent with the Bank's country strategy with Argentina, especially the second strategic area, which is to create a more favorable climate for investment and productivity growth. Although small wine growers have a market for their product and moderate capitalization represented by their vineyards, they must substantially improve their competitiveness by integrating into the wine sector's agribusiness chains in order to continue as productive units in highly dynamic and demanding markets like the table grape, wine, and must markets. To do so, producers with the capacity to develop family entrepreneurial agriculture must be selectively supported.
- 1.13 **Bank programs supporting the wine sector.** Currently, through different national and provincial public programs, there are various financial instruments that can be used by wine producers and companies at different stages of production, processing, and marketing. Many of these instruments are associated with loans from the Bank, namely the Program for Productive Sector Development and Competitiveness in the Province of Mendoza (loan AR-L1003); the Lending Program for Productive and Job Development in the Province of San Juan (loan AR-L1022); the Program to Support the Modernization of Production in Río Negro (loan AR-0279); the PROSAP II Provincial Agricultural Services Program (loan AR-L1030); and the Micro, Small, and Medium-sized Enterprise Credit Access and Competitiveness Program (loan AR-L1033). Moreover, with financing from the national government, there are investment promotion lines with Banco de la Nación, as well as its reciprocal guarantee funds.

B. Objectives, components, and costs

- 1.14 The project's objective is to improve the profitability and revenue stability of small producers in the grape and wine production chain. The purpose is to achieve more and better integration of small wine growers in the wine production value chains. The project has three components: (i) promotion of partnering arrangements; (ii) support for implementation of integrated business plans; and (iii) strengthening and coordination of the institutional framework.
- 1.15 **Component 1. Promotion of partnering arrangements.** This component will support the formation of groups and the formulation of wine sector business plans that integrate small growers with other links on the wine production chain. Activities include: (i) promotion and dissemination of the project; (ii) development of a registry of wine producers and establishments as potential targets for the project, (iii) formation and strengthening of integrated partnership groups (cooperatives, trade groups, etc.) through training, technical, and legal assistance; and (iv) development of wine sector integrated business plans, including their technical, socioeconomic, environmental, and financial feasibility.
- 1.16 **Component 2. Support for implementation of integrated business plans.** This component will manage the financing of projects for the integration of small wine growers into new value chains and the consolidation of existing ones. Activities will be financed for: (i) the establishment of arrangements for the transfer of resources for the integrated business plans (known by their Spanish-language acronym as PINs); (ii) the financing of PINs; and (iii) monitoring of the development and consolidation of the business plans.
- 1.17 The PINs must meet the following key criteria: (i) the main beneficiaries of the financial aid will be the primary producers, without detriment to granting incentives to enterprises to facilitate partnering with the producers; (ii) the participating enterprises must be the lead entity for the PIN and have an active market presence; and (iii) the PINs must include business agreements or contracts under legal instruments establishing the integration mechanisms (volume, quality, delivery terms, price, form of payment, etc.). These criteria will be fully described in the project's Operating Regulations.
- 1.18 **Allocation of nonreimbursable contributions.** The project will provide nonreimbursable contributions (NRCs) of up to 50% of the value of the respective PIN, and the counterpart contribution will be the responsibility of the lead enterprise and the primary producers, who will make use of available financial arrangements, as needed. The NRCs will be limited to a maximum of US\$20,000 per individual producer.
- 1.19 **Component 3. Strengthening and coordination of the institutional framework.** This component will strengthen the institutions and mechanisms supporting the integration of the small producers, within the framework of the PEVI. Activities will be financed to facilitate their involvement in business plans within the sector value chain, such as: (i) advisory services for the regularization of land ownership

by the small producers; (ii) a system for monitoring and evaluation of the PEVI; (iii) strengthening of representatives of small and medium-sized wine growers and processors, in order to establish a support network for small wine growers, including the CDVs and others; and (iv) a pilot system to promote the capitalization of small wine growers.

- 1.20 **Project coordination, administration, and technical management.** In addition to the components described above, the project will finance the personnel, equipment, and operating expenses of the project execution unit (PEU), as described in paragraph 3.5. It will also finance: (i) the design and operation of the monitoring and evaluation system, including determination of the project's baseline and the module for monitoring the PINs; and (ii) an external audit of the project. The UEPEX system will be used for financial administration of the project.
- 1.21 **Project Preparation and Execution Facility (PROPEF).** This operation will support the national technical team in strengthening the PEU to bridge the transition from project design to analysis to the startup of execution. Funding from this operation will finance: (i) contracting of consulting services to put the core PEU staff into place early; (ii) contracting of studies for pilot activities to fill in details in the project design; and (iii) purchase of the office equipment necessary for the initial activities of the project and the PEU. The value of the PROPEF contribution, totaling US\$750,000, will be reimbursed once the project is eligible for disbursements.
- 1.22 **Project costs.** The estimated total cost of the project is US\$75 million, with the Bank financing US\$50 million of that amount, and an execution period of five years.

Summary Cost Table (in US\$ thousands)				
Investment categories	IDB	Local	Total	%
I. Project components				
1. Promotion of partnering arrangements	1,500	-	1,500	2.0%
2. Support for implementation of integrated business plans	42,250	20,400	62,650	83.5%
3. Strengthening of the institutional framework	4,200	200	4,400	5.9%
II. Project coordination and administration	1,300	400	1,700	2.3%
III. Finance charges		4,000	4,000	5.3%
Project Preparation and Execution Facility	750		750	1.0%
TOTAL	50,000	25,000	75,000	100%

C. Key results indicators

- 1.23 The direct beneficiaries will be the 1,800 small wine growers (SWGs) integrated through PINs financed and executed with 60 enterprises. The expected rise in income will also have a favorable impact on their families' well-being. The following table shows the key indicators selected, which are detailed in the attached

Results Framework (see Annex I), together with the other project outcome indicators with their intermediate and final targets.

Key indicators	Time of measurement	Rationale for selection
PINs prepared and approved	Month 18	The formation of groups of SWGs and the approval of the PINs with eligible establishments is a key condition for progress toward the project's expected outcomes.
PINs implemented and in operation	Month 18 and at project end	Measures achievement of the expected outcome at the level of the project purpose.
Sustainable improvement in the profitability of SWGs	2 years after project end	Demonstrates the sustainability of the beneficiary SWGs and the level of impact made by the project.

- 1.24 Additionally, from year two onward through the end of project execution, the experience gained through the PEU will strengthen COVIAR's operations to make it a trade organization with: (i) the capacity to smoothly manage the wine production cluster in the main producing regions, in the context of a competitiveness agreement approved by the sector's primary stakeholders; (ii) three new CDVs established, with a total of ten operating effectively by the end of the project; (iii) a monitoring and evaluation system, databases, and information subsystems operating online, including: (a) the baseline and regular information from the monitoring and evaluation plan; (b) monitoring of execution of the PINs with the periodic monitoring indicators for production, economic, social, and environmental impacts; (c) records of the socioeconomic and environmental features of the SWGs under the PEVI; and (d) statistics from COVIAR's Wine Production Observatory including, among other things, statistical information from the INV.

D. Viability

- 1.25 The project's viability resides chiefly in the existence of a rich institutional framework in the wine-producing regions that has evolved over time with successful public-private cooperation, and has enabled Argentina to quickly become a globally competitive producer of high-quality wines. Moreover, for the project to achieve its development objectives, conditions must be maintained for the restructuring of the grape and wine sector in Argentina to continue with growing, sustainable markets in the medium term, so that the SWGs can overcome their difficulties. Under such conditions, the project will be able to properly calibrate the incentives to integrate groups of SWGs with establishments interested in leading the execution of the PINs, with several likely scenarios: (i) the first scenario is integration through the restructuring of their grape variety plantings with price and revenue improvements (this outcome involves improved agronomic practices and production efficiency); (ii) the second scenario is integration of the SWGs into the must production chain, with high-yield varieties that also allow sufficient,

sustainable revenues (this involves sustained market growth due to the alternative use of other sweeteners, such as corn, in the biofuels market); and (iii) the third scenario is international market positioning of table grapes and raisins (consistent with the changes proposed in the Plan Uva [Grape Plan] developed by COVIAR).

- 1.26 The project's economic viability was analyzed for the SWGs in terms of execution of the different types of PINs and standard models for productive restructuring or modernization of their vineyards over a three-year period of gradual investment accompanied by technical assistance, reaching maturity in ten years. With this technical and financial support, the SWGs will adopt environmentally sustainable agronomic good practices. The results of the different primary production scenarios run for each PIN show that the return yielded by the project (at market prices) is satisfactory: an internal rate of return (IRR) of 12.8% in the case of table grapes. For wine grapes, the estimated IRRs are 14% for traditional quality grape varieties, and 13% for ordinary grapes. The methodology for analyzing the economic viability of the PINs will be incorporated into the Operating Regulations for the evaluation of those submitted for approval during project execution .

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The financing is structured as an investment loan of up to US\$50 million from the Bank, drawn upon the Ordinary Capital (OC) and disbursed in accordance with the following projected timetable:

Disbursement schedule						
Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB/OC	2,400	15,300	13,500	11,800	7,000	50,000
Counterpart	5%	30%	25%	25%	15%	100%

B. Environmental and social safeguard risks

- 2.2 Following the guidelines of the Bank's Environment and Safeguards Compliance Policy (OP-703) and Indigenous Peoples Policy (OP-765), the project has been classified as category "B." During preparation of the operation, an environmental and social analysis was conducted that included the following activities: (i) assessment of environmental and social impacts and risks, as well as identification of the applicable mitigation measures; (ii) review of the current framework of environmental law in Argentina and the provinces targeted by the project; (iii) assessment of potential health and safety impacts or risks; (iv) a proposal for an environmental and social management system for the project, including the incorporation of environmental and gender criteria into the project Operating Regulations.

- 2.3 The results of the analysis show that the project will have a net positive environmental impact, since the interventions will take place in areas that are currently already in production, with the resources aimed at making small winegrowers more productive through environmentally friendly production practices.
- 2.4 However, the analysis did identify three areas relevant to environmental impact: (i) improper irrigation practices, resulting in inefficient water use and in the appearance of some signs of increased soil salinity; (ii) inappropriate handling and application of agrochemicals (fertilizers and pesticides), posing soil and water pollution risks, as well as human health risks; (iii) the absence, in some cases, of wastewater treatment systems in wineries producing wine and must, with the resulting risk of soil contamination and eutrophication of waterways, given the high content of organic material in wines and musts.
- 2.5 The identified mitigation measures include: (i) implementation of Good Agricultural Practices, including the handling of agrochemical and their containers; (ii) integrated management of water resources; (iii) efficient water use; and (iv) the design of clean production models for the wine industry, including wastewater management.
- 2.6 In addition to adding the above measures, the Environmental and Social Management Report sets environmental and social criteria for the project Operating Regulations, relating to the eligibility of beneficiaries and integrated business plans (PINs), including gender equity criteria and criteria for promoting the inclusion of young people in the project. It also includes environmental monitoring and evaluation and public information activities.
- 2.7 With respect to the environmental legislation applicable to the project, it should be noted that the activities to be financed do not require any administrative environmental impact assessment procedure, nor is the environmental assessment of plans and programs anticipated. Therefore, the project as a whole does not require an environmental permit.

C. Project risk analysis

- 2.8 As a result of the risk analysis, a risk matrix was prepared that included fiduciary and nonfiduciary risks of medium to low severity, concluding that the project poses a low to moderate risk. To mitigate the moderate risks, measures were identified and incorporated into the respective components, and constitute the operation's Risk Mitigation Plan, as summarized below.
- 2.9 **Fiduciary risks.** These risks derive principally from the execution framework: (i) budgetary or procurement difficulties due to COVIAR's lack of experience in direct operations with the Bank; (ii) weakness of the counterpart disbursement plan, concentrated in contributions from beneficiaries of the PINs; and (iii) weak financial management due to the lack of an effective information system, and shortcomings in internal financial/accounting control. As a result of the institutional

analysis, implementation of effective administrative, accounting, and financial systems was added to mitigate the detected risks (see paragraph 2.14).

- 2.10 **Nonfiduciary risks.** The following risks were identified: (i) potential community distrust in an environment of limited transparency in the allocation of public resources and limited dissemination of outcomes; (ii) potential opposition and conflicts among stakeholders, due to the limited coverage or knowledge of the project; (iii) problems in setting and monitoring targets due to the lack of a baseline with sufficient, consolidated information; (iv) the need to stress proper environmental practices in winemaking activities; and (v) vulnerability of wine growers to seasonal hail.
- 2.11 To **minimize the risks of negative community reactions** regarding the expected outcomes of the project, a communications strategy has been added that combines: (i) promotion and dissemination of information on the project via existing channels for citizen participation at the local level, such as the Local Advisory Board in the respective CDVs; (ii) design and construction of an interactive website with open, transparent access, presenting information on the project startup processes and the milestones associated with the public presentation of results of project monitoring and evaluation; and (iii) strict application of approval criteria that clearly and transparently delineate in the Operating Regulations the process for allotting the nonreimbursable contributions (NRCs) to the selected PINs.
- 2.12 The target group of SWGs has a low level of capitalization, attributable, among other things, to their lack of access to modern technologies. Therefore, the project places emphasis on providing resources to ensure that the beneficiaries have the technical assistance necessary to introduce technologies that allow them to increase their efficiency and productivity. The NRCs included in the PINs involve the use of resources to procure technical assistance services. Specialists are expected to advise growers on issues related to the adoption of good agricultural practices and good manufacturing practices, business development for domestic and foreign markets, and the availability of insurance protection against frost, to mitigate weather-related risks.
- 2.13 **Institutional capacity of COVIAR.** COVIAR will be executing a project with the Bank for the first time, and the project's cost and targets are larger and more complex than its annual budget and the budgets for the projects it has undertaken to date for the SWGs.³ For this reason, it was decided to use PROPEF resources for

³ COVIAR's main revenues are from taxes on wine products, payment of which is controlled through the producer registry of the National Institute for Grape Growing and Wine Production (INV). These taxes produced AR\$14.6 million in 2007, 94% of which was used for PEVI projects. Other revenues come from the collection of fines for nonpayment of taxes, contributions or grants received, contributions from the national government or the governments of wine-producing provinces toward the PEVI objectives. COVIAR's 2008 budget is AR\$19.9 million, 80% financed by tax revenues, plus AR\$3 million from the Consejo Federal de Inversiones [Federal Investment Council] (CFI). Of its investments, nearly AR\$15.6 million, or 78% of the total, go to cover wine promotion programs in the Argentine domestic and export markets. The remaining resources finance other programs, including some for small growers.

- the early implementation of the execution framework and arrangements, paying particular attention to building the PEU's management capacity.
- 2.14 Using the Institutional Capacity Assessment System (ICAS) methodology, the following actions were identified to build COVIAR's institutional capacity: (i) definition of job descriptions and duties for the positions to be created in the PEU; an organizational chart and project manuals; hiring of the staff necessary for technical and administrative management; (ii) design and implementation of procedures defining the methodology for preparation of the PINs and monitoring procedures; (iii) use of premises for PEU operations; (iv) implementation of the UEPEX system and the procurement plan execution system, along with the relevant training; (v) design and implementation of a management and monitoring system for the operations and a separate record-keeping system for access to information and reporting in due time and manner; (vi) design of internal controls for the identification and management of risk factors; and (vii) contracting the project external audit.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The borrower will be the Argentine Republic. The executing agency will be the Department of Agriculture, Livestock, Fisheries, and Food (SAGPyA) of the Argentine Ministry of Economy and Production,⁴ which will be responsible for disbursement requests, the transfer of resources, and project evaluation. The subexecuting agency will be Corporación Vitivinícola Argentina (COVIAR), acting through a project execution unit (PEU) responsible for the general management, coordination, and monitoring of project activities. **The signature of an agreement between the executing and subexecuting agencies will be a condition precedent to the first disbursement of the loan proceeds.** In turn, COVIAR, in its capacity as subexecuting agency, will enter into agreements with participating entities to transfer the resources necessary for the eligible project activities. **As a special execution condition, before making disbursements to each participating entity whose plan has been approved, evidence must be produced that a participation and resource contribution agreement has been signed between the subexecuting agency and the participating entity, establishing the activities to be financed by the project.**
- 3.2 As subexecuting agency, COVIAR will have the following duties and responsibilities: (i) perform the annual programming of activities necessary to achieve the expected outcomes; (ii) prepare disbursement requests with the applicable supporting documentation for eligible expenditures and the project financial statements, which will be submitted to the executing agency for approval

⁴ SAGPyA is well known to the Bank as the executing agency for the PROSAP program, under which it has four Bank loans (three in execution) and a conditional credit line for investment projects (CCLIP).

- and timely forwarding to the Bank; (iii) conduct procurement processes for project goods and services, as well as contracting; (iv) maintain separate bank accounts and proper accounting and financial records to differentiate the use of the Bank loan proceeds from the counterpart contributions; (v) determine the eligibility of producers and beneficiaries for authorization of nonreimbursable contribution (NRC) payments; (vi) periodically determine whether the performance targets set in the annual work plans have been met; (vii) operate and properly maintain the monitoring and evaluation system within the entity's project monitoring systems; (viii) periodically review, in coordination with the executing agency and the Bank, the results framework, procurement plan, and risk assessment matrix, recommending any necessary adjustments; (ix) ensure compliance with the clauses of the loan contract with the Bank and the executing agency, as well as with the agreements established as part of the project execution mechanism; and (x) prepare and release to the public the periodic reports on the progress in meeting the project targets.
- 3.3 To perform this role, COVIAR will establish a project execution unit (PEU) reporting to its board of directors, under the subexecution and resource transfer agreement to be signed between the executing agency and COVIAR. The PEU will be headed by a general coordinator and have two coordination offices—institutional/financial and technical—and a monitoring and evaluation office. Under the institutional/financial office will be two units (financial and procurement), and the technical office will have one unit for the supervision of each component. These staff will be designated by COVIAR with the executing agency's prior agreement. The monitoring and evaluation office will be responsible for implementation and development of the monitoring and evaluation system. **Establishment of the PEU will be a condition precedent to the first disbursement of the loan proceeds.**
- 3.4 **COVIAR's Small Grower Advisory Committee⁵ will serve as a standing advisory body for the project and be the PEU's liaison to the COVIAR board of directors, since it is chaired by COVIAR's president and vice president.** The Small Grower Advisory Committee's membership will include an equal number of private-sector and public-sector representatives, and its functions will be to: (i) approve the integrated business plans (PINs) and the NRCs submitted by the PEU; (ii) ensure that the project is included in the framework of COVIAR's strategic activities; (iii) guide project execution, ensuring participation by relevant institutions; (iv) recommend actions for the effective administration, coordination, and execution of project activities; (v) review and recommend the changes it deems necessary to the project monitoring reports; (vi) supervise compliance with the agreements entered into by COVIAR and other entities for project execution; (vii) deliver reports to the COVIAR board of directors on the development and

⁵ This committee, also known as the Asociación Ad-Hoc de Pequeños Productores [Ad Hoc Association of Small Growers], is chaired by the president of COVIAR and ensures implementation of actions related to the third strategic objective of the Plan Estratégico Vitivinícola Argentina 2020 [Argentine Wine Sector Strategic Plan 2020] for the integration of small growers.

meeting of annual targets for the project's components; and (viii) submit actions necessary for the pursuit and achievement of the project's objectives to COVIAR's board of directors for consideration, when so required.

- 3.5 The project **Operating Regulations**, a draft of which was reviewed during project preparation, will be the basis for project management. The Operating Regulations establish, among other things: (i) the job description and duties for PEU staff; (ii) rules and procedures for procurement, handling and filing of supporting documentation, financial/accounting management, monitoring and supervision, and planned external audits; (iii) arrangements for technical execution, management, and allocation of resources to project components; (iv) eligibility criteria for beneficiaries of the loan proceeds, viability factors and selection processes for PINs, and institutional strengthening activities; (v) manuals and operational annexes for the evaluation and mitigation of environmental and sociocultural impacts and criteria for technical, economic, financial, and legal evaluation of the PINs; and (vi) terms of reference for contracting of the main consulting assignments for project execution and monitoring. **The Operating Regulations will be approved and in force, as a condition precedent to the first disbursement of the loan proceeds.**

- 3.6 **Accounting and financial audit.** The accounting and auditing procedures will be consistent with Bank policies. COVIAR, through the executing agency, will deliver the project financial statements to the Bank within 120 days after the close of each fiscal year, audited by an independent firm acceptable to the Bank. The external auditors will issue opinions on the procurement and disbursement processes on a semiannual basis.

B. Summary of arrangements for monitoring results

- 3.7 To monitor project results, the subexecuting agency will have a **project monitoring and evaluation system** that can efficiently measure objectively verifiable indicators identified in the project's Results Framework (see Annex I). This system will also identify any deviations and corrective action needed to meet the proposed objectives, and will provide the basis for objective midterm and final evaluations of the project's impact. Beneficiaries will have access to the application and database over the Internet. **The project monitoring and evaluation system will be up and running, as a condition precedent to the first disbursement of the loan proceeds.**

- 3.8 The subexecuting agency, via the executing agency, will deliver a progress report on the project activities to the Bank within 30 days after the end of each six-month period during project execution. These reports will focus on output indicators and progress toward outcomes as presented in the Results Framework (see Annex I), identify problems encountered, and present corrective measures. The reports for the second half of each year will also include the annual work plan for the next calendar year, with disbursement projections and an updated procurement plan. The initial report, pursuant to Section 4.01(c) of the General Conditions of the loan

contract, will include the annual work plan for the first year of execution. These reports will be reviewed at six-monthly meetings between the Bank, the executing agency, and the subexecuting agency.

- 3.9 **Evaluation.** As part of the project's evaluation, the subexecuting agency, via the executing agency, will prepare and deliver the following to the Bank: a preliminary evaluation report, 18 months after the effective date of the loan contract; a midterm evaluation report, within 60 days after the date when 50% of the loan proceeds have been disbursed; and a final evaluation report, within 90 days after the date when 90% of the loan proceeds have been disbursed. The terms of reference for these reports will require the Bank's no objection. These reports will include: (i) progress toward the targets included in the Results Framework; (ii) the extent to which the contractual obligations have been met; (iii) effectiveness of the PIN review and approval process, with emphasis on time and cost; and (iv) a progress evaluation on environmental monitoring. The final evaluation report will also include identification of lessons learned, the economic viability of the investments made, and their level of sustainability. Once approved by the Bank, all three evaluation reports will be released on the websites of the subexecuting agency. The evaluation reports, including statistical supporting documentation and information, will remain available for an ex post evaluation, if the government or the Bank decide to perform one after project completion.

C. Significant design activities post approval

- 3.10 PROPEF operation AR-L1088, approved on 23 October 2008, will support the subexecuting agency in meeting the conditions precedent to the first disbursement, including establishment of the project execution unit and implementation of the monitoring and evaluation system (see paragraph 1.21). Operation AR-L1088 will also finance the structuring of model business plans for the wine production chain, so that intervention instruments and criteria can be fine-tuned based on the respective technical, financial, economic, environmental, and social viability analyses. These instruments and criteria will subsequently be used to make final adjustments to the Operating Regulations, with the emphasis on incentives to achieve the most efficient possible use of resources for the project's development objectives.
- 3.11 **Recognition of expenditures.** Without detriment to the foregoing paragraph, it was agreed during negotiations that up to US\$500,000 equivalent of the loan proceeds may be used to reimburse expenditures made for activities and procurements included in the project, employing procedures acceptable to the Bank and described in the agreed Procurement Plan.

PROJECT TO INTEGRATE SMALL PRODUCERS INTO THE WINE PRODUCTION CHAIN (AR-L1063)

RESULTS FRAMEWORK

PROJECT OBJECTIVES: Goal level: To improve revenues for small wine growers. Purpose level: To achieve more and better integration of small wine growers in the wine production value chains.			
Indicators	Base level	Target level	Comments
Productivity per hectare	In 2007 (baseline date) Grapes for wine production: 150 cwt/ha Grapes for must production: 250 cwt/ha in San Juan, and 155 cwt/ha in Mendoza Table grapes: 130 cwt/ha Grapes for raisins: 220 cwt/ha	Projected for 2014: Grapes for wine production: 220 cwt/ha. Grapes for must production: 400 cwt/ha in San Juan and 280 cwt/ha in Mendoza Table grapes: 162 cwt/ha Grapes for raisins: 264 cwt/ha	The production and profitability baselines were taken from the “cost report” prepared annually by COVIAR, which will be the indicator’s future means of verification. The number of integrated producers will be stated in the progress reports of the project execution unit (PEU). The target level projections assume that: (a) domestic economic conditions remain reasonably stable in terms of GDP growth, per capita income, unemployment, and exchange rate; (b) policies impacting the wine production chains remain unchanged or improve; (c) the market for Argentine wine products develops favorably as projected over the next 10 years; and (d) world trade undergoes no abrupt changes that affect free trade.
Annual gross profit per hectare	Calculated for producers not belonging to cooperatives (year 2007) Grapes for wine production: US\$500/ha Grapes for must: US\$500/ha Table grapes: US\$2100/ha Grapes for raisins: US\$1500/ha	Projected for 2014: Grapes for wine production: US\$1300/ha/year Grapes for must: US\$1300/ha/year Table grapes: US\$3700/ha/year Grapes for raisins: US\$3200/ha/year	
Number of producers integrated into the value chain	Target population (8500 small wine growers) not integrated into the value chain (the 800 producers belonging to cooperatives are only partially integrated).	At project end, 1800 growers are integrated based on integrated business plans (PINs) with 60 establishments.	

Outputs	Baseline	Target 18 months	Target year 5	Comments
OBJECTIVE OF COMPONENT 1: PROMOTION OF PARTNERING ARRANGEMENTS				
OUTPUT 1: Project communicated and disseminated.	Project communication and dissemination occurs within the framework of other activities, to raise awareness of the project among future beneficiaries.	50 promotional events are held (through wine sector development centers, provincial governments, trade groups involved in COVIAR, and other organizations). 20 advertising spots executed	100 promotional events are held (through wine sector development centers, provincial governments, trade groups involved in COVIAR, and other organizations) (by year 3) 20 advertising spots executed	Verified by confirmation of the person responsible for monitoring events and spots executed at the PEU.
OUTPUT 2: Potential wine grower and establishment are registered for the project.	2000 growers are registered for other purposes independent of the project. 0 establishments are registered	1500 registered growers are registered for the project, and 1500 new growers are registered (for purposes of the project), Total 3000 registered 100 establishments are registered	4500 growers are registered (by year 3). 150 establishments are registered (by year 3).	Confirmed through access to the registry by the person responsible for monitoring at the PEU.
OUTPUT 3: Training, technical and legal assistance is provided for the formation and/or strengthening of partnership groups.	0% of interested groups of growers are assisted.	30 interested groups of growers are assisted by month 18 of execution.	80 interested groups of growers are assisted by year 3.	Confirmed with reports by the person responsible for the component, deliverable to the technical manager at the PEU.
OUTPUT 4: Formalized partnership groups are assisted in preparing business plans according to the Operating Regulations.	0 business plans developed (there are 20 plan profiles to complete development).	20 business plans are developed for eligible partnership groups.	60 business plans are developed for eligible partnership groups.	Confirmed with reports by the person responsible for the component and the projects developed, deliverable to the technical manager at the PEU.

Outputs	Baseline	Target 18 months	Target year 5	Comments
				It is assumed that the lead enterprises will remain interested in participating in the integrated business plans proposed under the project.
OBJECTIVE OF COMPONENT 2: SUPPORT FOR IMPLEMENTATION OF INTEGRATED BUSINESS PLANS				
OUTPUT 1: A system for allocation of funds for integrated business plans (PINs) is established and monitored.	System designed and being organized with cofinancing entities.	Funds for business plans are available with legal and regulatory instruments for allocation in coordinated operation prior to starting execution of the PINs.	Same as 18 months	Verified with the start of execution of specific PINs. It is assumed that the financial institutions will continue to provide credit and other types of financing for the integrated business plans proposed under the project.
OUTPUT 2: PINs are financed.	0 PINs for integrated partnership groups are financed.	10 PINs for integrated partnership groups, involving approximately 10 establishments and 300 growers, are in the process of financial execution (financing is expected for partnership groups to produce wines, musts, tables grapes, and raisins in various grape-growing provinces).	60 PINs for integrated partnership groups, involving approximately 60 establishments and 1800 growers, are in the process of financial execution (financing is expected for partnership groups to produce wines, musts, tables grapes, and raisins in grape-growing provinces).	Verified with the legal instruments allocating the funds and the financial execution of the component to be observed in the accounting system. It is assumed that the lead enterprises will remain interested in participating in the integrated business plans proposed under the project.
OUTPUT 3: Business plans receive technical assistance and monitoring.	0 PINs for integrated partnership groups are receiving technical assistance and monitoring.	10 PINs for integrated partnership groups are receiving technical assistance and monitoring.	60 PINs for integrated partnership groups are receiving technical assistance and monitoring.	Confirmed with reports by the person responsible for the component, deliverable to the technical manager at the PEU.

Outputs	Baseline	Target 18 months	Target year 5	Comments
OBJECTIVE OF COMPONENT 3: STRENGTHENING AND COORDINATION OF THE INSTITUTIONAL FRAMEWORK				
OUTPUT 1: Wine Production Observatory: Monitoring and evaluation system for the Wine Sector Strategic Plan (PEVI) is up and running.	Periodic monitoring with a limited number of variables and sources.	The system allows annual monitoring with more variables, sources, and analysis of progress indicators for the three strategic objectives of the PEVI, and enables it to be evaluated, and updates proposed.	Same as 18 months.	Confirmed with new annual reports to be produced by the Observatory.
OUTPUT 2: Advisory and processing service for the regularization of land ownership by small producers is up and running.	Producers are informed by the public sector with respect to their ownership status (provincial land registries).	Approximately 100 producers are assisted in regularizing ownership of their rural properties.	Approximately 360 producers are assisted in regularizing ownership of their rural properties.	Verified with a list of producers assisted, compiled by the person responsible for the component and deliverable to the technical manager at the PEU.
OUTPUT 3: Entities aiding small growers are strengthened.	A specific area within COVIAR to assist small growers (Ad Hoc Association of Small Growers) is organized and operating. 0 specific projects proposed by wine business trade groups aimed at small winegrowers are financed.	A specific area within COVIAR to assist small growers is strengthened with human and material resources, for better coordination of policies aimed at small growers. 5 specific projects proposed by wine business trade groups aimed at small winegrowers are financed.	COVIAR is working with other organizations to serve small growers. 11 specific projects proposed by wine business trade groups aimed at small winegrowers are financed.	The Ad Hoc Association of Small Growers is an executing agency for the component activities for small growers under the PEVI. Confirmed with the projects approved and financed according to information compiled by the person responsible for the component and deliverable to the technical manager at the PEU.

Outputs	Baseline	Target 18 months	Target year 5	Comments
	<p>7 Wine sector development centers (CDVs) are operating with limited resources.</p> <p>Activities are undertaken to train technicians and small growers at INTA and CDVs, but not within the framework of integration projects.</p>	<p>7 CDVs are strengthened with equipment and human and material resources.</p> <p>120 technicians and managers and 300 growers are trained.</p>	<p>10 CDVs are strengthened and operating properly (seven existing centers plus three to be created).</p> <p>350 technicians and managers and 1000 growers are trained.</p>	<p>Confirmed with reports compiled by the person responsible for the component, and in the case of the new CDVs, with the incorporation papers signed by the president of COVIAR with the chief of delegation of the INTA hosting the center.</p> <p>Confirmed with reports compiled by the person responsible for the component, deliverable to the technical manager at the PEU.</p>
<p>OUTPUT 4:</p> <p>Pilot project for a capitalization system is implemented.</p>	<p>0 small growers are integrated into the pilot project.</p>	<p>100 small growers are integrated into two pilot projects (at least one with growers belonging to cooperatives, and another with nonmembers of cooperatives), consisting in establishing a cumulative capitalization fund with part of the nonreimbursable contributions that they receive and placing it as a loan to the lead companies of the corresponding PINs.</p>	<p>The pilot project with 100 small growers continues in execution.</p>	<p>Confirmed with reports compiled by the person responsible for the component, deliverable to the technical manager at the PEU.</p>

PROCUREMENT PLAN

PROJECT TO INTEGRATE SMALL PRODUCERS INTO THE WINE PRODUCTION CHAIN

AGENCY: DEPARTMENT OF ECONOMIC POLICY – COVIAR

DATE PREPARED: OCTOBER 2008. PERIOD: 1 JANUARY 2009 TO 30 JUNE 2010

Ref. No.	Comp.	AWP Code	Category and description of procurement contract	Estimated cost of procurement (US\$)	Procurement method	Ex ante review (Yes/No)	Source		Prequali- fication	Date		Status	Comments
							IDB %	Local %		Publication of notice (quarter)	Completion of contract (quarter)		
GOODS													
1	1 & 3	1.1 & 3.1	Computer equipment, PC, printers, server	61,400	PC	Yes	100		No	Q1 2009	Q1 2009	Pending	
2	1	1.2	Dissemination material	16,000	PC	Yes	100		No	Q1 2009	Q1 2009	Pending	
3	3	3.1	Communication and dissemination kit: projector, screens	10,000	PC	Yes	100		No	Q1 2009	Q1 2009	Pending	
		3.2	Materials and supplies (brochures, stationery, communications, etc.)	36,000	PC	Yes	100		No	Q1 2009	Q2 2010	Pending	
NONCONSULTING SERVICES													
4	1	1.1	Print and radio advertising services	32,000	PC	Yes	100		No	Q2 2009	Q2 2010	Pending	
5		1.2	Survey services	30,000	DC	Yes	100		No	Q1 2009	Q2 2009	Pending	Direct contract 15 local survey providers
CONSULTING FIRMS													
6	3	3.1	Development of Wine Production Observatory system	200,000	CQS	Yes	100		No	Q1 2009	Q2 2009	Pending	
INDIVIDUAL CONSULTANTS													
7	1	1.1	Communicator	10,800	CQ	Yes	100		No	Q1 2009	Q2 2010	Pending	
8	1	1.2	Computer specialist to set up registry of growers and establishments	7,200	CQ	Yes	100		No	Q1 2009	Q4 2009	Pending	

Ref. No.	Comp.	AWP Code	Category and description of procurement contract	Estimated cost of procurement (US\$)	Procurement method	Ex ante review (Yes/No)	Source		Prequalification	Date		Status	Comments
							IDB %	Local %		Publication of notice (quarter)	Completion of contract (quarter)		
9	2	2.1	Technical assistance to financed groups	500,000	CQ	Yes	100			Q2 2009	Q2 2010	Pending	There are plans to hire 30 agronomy, enology, and marketing professionals, etc. to monitor the business plans.
10	3	3.1	Partnership-building specialist	500,000	CQ	Yes	100		No	Q1 2009	Q2 2010	Pending	There are plans to hire 30 agronomy, economics, legal, enology, and marketing professionals, etc. to establish and train the partnership groups.
11		3.1	Information supply specialists for the Observatory	80,000	CQ	Yes	100		No	Q3 2010	Q3 2010	Pending	There are plans to hire 5 agronomy, economics, enology, marketing, and legal professionals.
12	3	3.2	Specialists in wine sector business plans	400,000	CQ	Yes	100		No	Q1 2009	Q2 2010	Pending	There are plans to hire 30 agronomy, economics, legal, enology, and marketing professionals, etc. to design and develop the business plans.
13		3.3	Specialists in regularization of land ownership	140,000	CQ	Yes	100		No	Q2 2009	Q3 2010	Pending	There are plans to hire local attorneys, notaries, and surveyors to provide advice and management on ownership regularization.

Ref. No.	Comp.	AWP Code	Category and description of procurement contract	Estimated cost of procurement (US\$)	Procurement method	Ex ante review (Yes/No)	Source		Prequalification	Date		Status	Comments
							IDB %	Local %		Publication of notice (quarter)	Completion of contract (quarter)		
14		3.4	Specialists in agronomy and economics to develop a pilot project for the capitalization system.	95,000	CQ	Yes	100		No	Q1 2009	Q2 2010	Pending	Three professionals will be hired in the areas of economics, law, and agricultural sciences.
15		3.5	Specialists in training and technical assistance for small growers in COVIAR.	520,000	CQ	Yes	100		No	Q1 2009	Q4 2010	Pending	There are plans to hire 30 agronomy, economics, legal, enology, and marketing professionals, etc. to provide training, assistance, and communications.
16			Project coordinator	48,600	CQ	Yes	100		No	Q3 2009	Q4 2010	Pending	
17			Financial administrator	36,000	CQ	Yes	100		No	Q3 2009	Q4 2010	Pending	
18			Procurement specialist	36,000	CQ	Yes	100		No	Q3 2009	Q4 2010	Pending	
			Assistant technical administrator	9,600	CQ	Yes	100		No	Q3 2009	Q4 2010	Pending	
19			Component 1 coordinator	32,400	CQ	Yes	100		No	Q1 2009	Q2 2010	Pending	
20			Component 1 technical assistant	18,000	CQ	Yes	100		No	Q1 2009	Q2 2010	Pending	
21			Component 2 coordinator	32,400	CQ	Yes	100		No	Q1 2009	Q2 2010	Pending	
22			Component 2 technical assistant	18,000	CQ	Yes	100		No	Q1 2009	Q2 2010	Pending	
23			Provincial Coordination Specialist Mendoza	16,800	CQ	Yes	100		No	Q1 2009	Q2 2010	Pending	

Ref. No.	Comp.	AWP Code	Category and description of procurement contract	Estimated cost of procurement (US\$)	Procurement method	Ex ante review (Yes/No)	Source		Prequalification	Date		Status	Comments
							IDB %	Local %		Publication of notice (quarter)	Completion of contract (quarter)		
24			Provincial Coordination Specialist San Juan	16,800	CQ	Yes	100		No	Q1 2009	Q2 2010	Pending	
25			Provincial Coordination Specialist La Rioja	16,800	CQ	Yes	100		No	Q1 2009	Q2 2010	Pending	
				2,919,800			100						

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/08

Argentine. Loan ___/OC-AR to the Argentine Republic
Project to Integrate Small Producers into the Wine Production Chain

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 to cooperate in the execution of a project to integrate small producers into the wine production chain. Such financing will be for an amount of up to US\$50,000,000 from the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

LEG/SGO/CSC/IDBDOCS: 1779707
AR-L1063