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ARGENTINA

**COLLECTIVE IMPACT INVESTMENT CONSORTIUM MODEL FOR ARGENTINA'S
GRAN CHACO REGION**

(AR-T1171)

DONORS MEMORANDUM

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PROJECT SUMMARY

COLLECTIVE IMPACT INVESTMENT CONSORTIUM MODEL FOR ARGENTINA'S GRAN CHACO REGION (AR-T1171)

The Belgrano Plan,¹ considered the most emblematic of the plans designed by Argentina's current administration, calls for public and private investment to be directed toward the social and productive development and infrastructure development of the country's northern regions, as a way to provide them with historical reparations. For the first time in recent history, Argentina is recognizing the differences between "Pampas regions," which are climate-adapted and generate wealth, and "non-Pampas regions," which are climate-vulnerable and have high poverty rates. The acknowledgment, at the highest policy level, of the close link between climate change and agriculture-based development has created favorable framework conditions for a model of collective investment that will optimize the impact on business and climate benefits.

The semiarid Argentine Gran Chaco region, the center of which is the so-called "Impenetrable Chaqueño," combines both extreme climate vulnerability and the most critical poverty rates in the country. The region's climate vulnerability affects the poorest producers the most, either because they live on land prone to erosion and desertification or because they lack the economic and technological means to achieve resilience. This creates a vicious circle: environmental degradation deepens poverty, and poverty increases environmental degradation. The region has tremendous climate value, being the second largest forested area in Latin America, after the Amazon rainforest, and the largest continuous dry forest in the world.

The problem addressed by this project is the lack of market incentives for forest reclamation and optimal forest management, which exposes forests to land-use changes associated with expansion of the agricultural frontier that undermine their ability to capture carbon dioxide (CO₂).

To mitigate this problem, the project intends to develop a collective impact investment model—Consortio Gran Chaco—to promote integrated management of the native forest, based on the implementation and spread of business models that make efficient, smart use of biodiversity, thereby optimizing the benefits obtained via forest management and from the climate services provided by the forest. To this end, the Consortio Gran Chaco will coordinate public policies and interest in private investment to expand practices of sustainable management, conservation, and restoration of forest ecosystems involving timber harvests, nontimber harvests, forest grazing, and climate services in the form of carbon sequestration and water management. The results of the project will be reflected in the additional income earned by the vulnerable population groups concerned, with sales of environmental goods and services expected to triple to as much as US\$17 million and CO₂ capture reaching the equivalent of 16 million tons by 2020.

The project is innovative in that it represents the first model in Argentina for establishing a consortium to promote, channel, and coordinate public and private financial resources to enable a transition toward climate-smart forest management models. This will help prevent an environmental liability (expansion of the agricultural frontier) and generate a

¹ The Belgrano Plan seeks to make the provinces of northwestern and northeastern Argentina competitive again through road, railroad, and airport infrastructure projects worth an estimated US\$16.3 billion, in addition to providing a historical reparations fund for the entire region.

climate and business asset (reclamation of forest land and sustainable market-driven forest management). The project is being recognized as a reference model for the Belgrano Plan, given that it seeks to optimize economic, social, and environmental indicators by giving public investment a catalytic role in attracting private investment through the establishment of this impact investment model—Consortio Gran Chaco. There is considerable political room to scale up this type of mechanism, considering that the Belgrano Plan will have an estimated budget of US\$16 billion over the next few years and geographical coverage that encompasses more than 100,000 rural families across Argentina's Norte Grande region.

The project will allow for optimal joint action by the IDB Group, in that it encourages coordination of support around a shared objective. The project is establishing a model for the IDB Group's strategy of promoting the development of Argentina's Norte Grande region; accordingly, this joint action by coordinating actors will be an important reference model of public investment serving as a catalyst for private investment that can be scaled up as the Belgrano Plan for northern Argentina is implemented.

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INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF THE MIF PROJECT INFORMATION SYSTEM

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ABBREVIATIONS

ACDI	Asociación Cultural para el Desarrollo Integral
CEDEVA	Centro de Validación de Tecnologías Agropecuarias [Agricultural Technology Validation Center]
CO ₂	Carbon dioxide
FLACSO	Facultad Latinoamericana de Ciencias Sociales [Latin American School of Social Sciences]
INDEC	Instituto Nacional de Estadísticas y Censos [National Statistics and Census Institute]
INTA	Instituto Nacional de Tecnología Agropecuaria [National Institute of Agricultural Technology]
INTI	Instituto Nacional de Tecnología Industrial [National Institute of Industrial Technology]

EXECUTIVE SUMMARY
COLLECTIVE IMPACT INVESTMENT CONSORTIUM MODEL FOR ARGENTINA'S
GRAN CHACO REGION (AR-T1171)

Country and geographical location:	Argentina, in the semiarid Gran Chaco region, specifically the area comprising the westerns parts of the provinces of Chaco and Formosa, eastern Salta, southeastern Tucumán, western Santiago del Estero, and eastern Jujuy.		
Executing agency:	Asociación Cultural para el Desarrollo Integral (ACDI)		
Focus area:	Climate-smart agriculture		
Coordination with other donors/Bank operations:	This project will be implemented in the same area as the project to support the design of the El Impenetrable Development with Identity Program (AR-T1127), with which it is being coordinated. The Tourism Corridor Development Program (AR-L1071) is considering working in this area; if it does, the communities' tourism business plans would be keyed to developments arising out of that IDB loan operation.		
Project clients:	5,600 criollo and indigenous families in the Gran Chaco region.		
Financing:	Technical-cooperation resources:	US\$880,000	50%
	Investment:	US\$0	
	Loan:	US\$0	
	Other:	US\$0	
	Total MIF contribution:	US\$880,000	
	Counterpart contribution:	US\$886,500	50%
	Cofinancing:	US\$15,000,000	
	Total project budget:	US\$16,766,500	100%
Execution and disbursement periods:	36 months for execution and 40 months for disbursements.		
Special contractual conditions:	As a condition precedent to the first disbursement: (i) the project coordinator will be hired.		
Environmental and social impact review:	This operation was pre-evaluated in accordance with the IDB's Environment and Safeguards Compliance Policy (operational policy OP-703) on 16 September 2016. Given that its impacts and risk are limited, it is proposed as a category "C" operation.		

I. THE PROBLEM

A. Description of the problem

- 1.1 The Belgrano Plan, considered the most emblematic of the plans designed by Argentina's current administration, calls for public and private investment to be directed toward the social and productive development and infrastructure development of the country's northern regions, as a way to provide them with historical reparations. For the first time in recent history, Argentina is recognizing the differences between "Pampas regions," which are climate-adapted and generate wealth, and "non-Pampas regions," which are climate-vulnerable and have high poverty rates. The acknowledgment, at the highest policy level, of the close link between climate change, natural capital, and agriculture-based development has created favorable framework conditions for a model of collective investment that will optimize the impact on business and climate benefits. Furthermore, Argentina recently affirmed before the United Nations General Assembly its commitment to the Paris Agreement on climate change, which was approved by its congress, and therefore must begin making concrete contributions to adaptation and mitigation.
- 1.2 The semiarid Argentine Gran Chaco region, the center of which is the so-called "Impenetrable Chaqueño," combines both extreme climate vulnerability and the most critical poverty rates in the country.² The region has tremendous climate value, being the second largest forested area in Latin America, after the Amazon rainforest, and the largest continuous dry forest in the world. With natural resources of such value, the Gran Chaco's naturally fragile ecosystems are experiencing a clear worsening of climate vulnerability as forest cover is lost and soils are impoverished due to desertification resulting from the scarcity of hydrobiological resources. Consequently, given its agroclimatic characteristics, the region has extraordinary potential for climate change mitigation through carbon sequestration (threatened by the loss of forest vegetation cover) and, at the same time, great potential for climate change adaptation (threatened by accelerated loss of biodiversity, soil erosion, desertification, and decline in available water resources).
- 1.3 In recent years, a series of measures aimed at improving environmental quality and protecting natural resources have demonstrated that they can also raise the incomes of vulnerable rural households in the Gran Chaco. This project builds upon previous work done with the support of a MIF Proadapt pilot project, with investment from the private sector (Unilever, Samsung) and from the Argentine government. That effort demonstrated the technical viability (proof of concept) of a number of solutions in the form of climate-resilient technologies and practices, highlighting the leverage points for their implementation and verifying their positive productive, social, and environmental impacts.

² The project will work in the area known as the Gran Chaco, in the semiarid region of Argentina, specifically in the area comprising the western parts of the provinces of Chaco and Formosa, eastern Salta, southeastern Tucumán, western Santiago del Estero, and eastern Jujuy. The target population, all of which is highly vulnerable, is mainly indigenous and mestizo (criollo). The percentage of vulnerable persons living on fewer than US\$4 per day in the provinces located within the Gran Chaco is estimated to be more than 20%. In these provinces, 31% to 36% of the population has unmet basic needs, and the figure is higher for rural communities. The latest poverty report by the National Statistics and Census Institute (INDEC) shows that more than 40% of those living in northeastern Argentina are poor, and 7.6% are indigent. http://www.indec.gov.ar/uploads/informesdeprensa/eph_pobreza_01_16.pdf

- 1.4 The region's climate vulnerability affects the poorest producers the most, either because they live on land prone to erosion and desertification or because they lack the economic and technological means to achieve resilience. This creates a vicious circle: environmental degradation deepens poverty and poverty increases environmental degradation. The state of conservation of the forests and soils of the Gran Chaco are determinants of the communities' living conditions, health, and vulnerability, yet these communities, which rely on the use of natural resources, inflict damage on the forests and soils when they lack the right capabilities and opportunities. The isolation of communities, limited production and commercial innovation, inadequate market incentives, and insufficient sources of financing have reinforced this negative feedback loop. This has hampered the emergence of sustainable production models that could contribute to achieving global mitigation and adaptation targets.
- 1.5 **The problem addressed by this project is the lack of market incentives for forest reclamation and optimal forest management, which would help prevent land-use changes associated with expansion of the agricultural frontier that undermine the ability to capture carbon dioxide (CO₂).** The correlation between poverty and forest degradation can be reversed by actions (both productive and commercial) based on smart, sustainable forest management and valuation of the climate services the forest provides that will increase the income and business performance of its inhabitants. The key is to prevent the use, lease, or sale of forested land for unsustainable development and to create market incentives to increase the carbon sequestration services that the forest provides. The following causes of the problem of insufficient market incentives have been identified:
- a. **Inadequate technology and business models.** The technology and business models traditionally used in the region involve outdated technology that undermines performance, accelerates environmental degradation processes and the loss of CO₂ capture capacity, and constrains income gains. The region's geographic distance from the country's research and development institutions, the high cost of on-the-ground research and technology transfer (transportation, lack of infrastructure, etc.), its cultural diversity, given that specific capabilities are needed in order to pursue technological development that is useful for and applicable to the region, and limited business training create a scenario that is not conducive to developing new business models that promote climate-smart agriculture in the region. Technical advisory services are also scarce. The large distances between producers, without road infrastructure and with limited means of communication (telephony, Internet, etc.), as well as the working conditions (climate-related, social, etc.) are so challenging that they make technical assistance very costly and fairly unattractive to professionals. Fragmented social capital hinders knowledge management and innovation among local producers. From an organizational standpoint, existing businesses are so fragile that they are forced to operate informally, thereby limiting their growth in terms of both output and sales.
 - b. **Inefficient value chains.** Although a portfolio of local and national, and in some cases international, customers for local products (cow and goat products, honey, wood, natural fibers, etc.) already exists, there are obstacles

to gaining market access under the conditions that would generate greater earnings through increased incorporation of technology. Often, products reach markets without differentiation, without value-added, and via informal marketing channels, which undermines the value capture needed to transform these value chains. The transformational effect of clients with leadership in the value chains (anchor companies) is still new, and there is a lack of organizational and entrepreneurial models for tapping the region's natural and cultural capital. On the one hand, limited clustering makes it hard to achieve scale in supply and delivery. On the other, there is little entrepreneurial capacity to start up and manage businesses in this region. Distance and isolation exacerbate this reality, raising the costs of management, logistics, and coordination and limiting access to market information.

- c. **Insufficient and poorly coordinated public and private investment.** Investment, both public and private, is not sufficient to bring about the technological transformations and entrepreneurship needed to make the climate-smart commercial forest management model viable. The sustainable business opportunities that the forest provides have limited visibility and do not easily attract public financing or interested private investors. As regards private investment, there are not enough investment portfolio proposals or avenues for promoting the business opportunities and climate services offered by this region. As for public investment, because of institutional weaknesses at the local level, local actors have little public voice or ability to advocate for public policies and instruments for productive investment. Traditionally, public investment programs focused on productive development rarely reach this region or, if they do, lack coordination, especially when they are managed by different ministries, which, additionally, do not often take into consideration local knowledge, experiences, and initiatives. Implementation of the Belgrano Plan will not in itself guarantee coordination of policy and investment, but it does provide a fresh opportunity to advance an orderly process in this regard. The infrastructure development envisaged in the Belgrano Plan could serve as a positive catalyst for sustainable productive development that reduces poverty and increases forest reclamation and optimal forest management, to the extent that there are effective, harmonized public-private approaches.

II. THE INNOVATION PROPOSAL

A. Project description

- 2.1 **The project's objective is to develop a collective impact investment model by creating the Consorcio Gran Chaco for integrated management of the native forest. This model will be based on the implementation and spread of business models that optimize the returns obtained via forest reclamation and sustainable management of the environmental goods and services provided by the forest.** To achieve this, the Consorcio Gran Chaco will coordinate public policies and private investment interest to help implement the Belgrano Plan so that it serves to expand practices of sustainable management, conservation, and restoration of forest ecosystems, to bolster the

income of the most vulnerable population groups, tripling total sales to as much as US\$17 million and sequestering the equivalent of 16 million tons of CO₂ by 2020.

- 2.2 The model will focus on establishment of an impact investment consortium—Consortio Gran Chaco—that will bring together the action, knowledge, and resources of different public, private, and organized civil-society stakeholders, with a view to enhancing the competitiveness of local communities' native forest products, based on a networked business strategy that will further economic, social, and environmental development. This consortium will be founded upon a platform to promote investment in the area, led by Fundación Los Grobo, the Los Grobo³ business group's foundation. This platform will work on: (i) mobilization of private investment to enable timber and nontimber business models to spread, (ii) organizational promotion and innovation relating to processes and products, so that production in the Gran Chaco can migrate toward more productive, profitable, and sustainable solutions; (iii) design of business models that optimize returns for investors and for the participating communities of forest landowners, building capacity, identifying opportunities, disseminating information, and expanding businesses' reach; and (iv) coordination of public investments to optimize business earnings and climate services. It will coordinate in this area with the Argentine Agency for International Investment and Trade, which intends to encourage investments that produce a social impact and stimulate the growth of regional economies. It will also encourage investment projects to be submitted to impact funds, such as ACRUX (AR-Q0015).⁴
- 2.3 The project will help to demonstrate that a sustainable forest management and use model can be profitable and viable on a commercial scale, by promoting a *diversified production matrix* that brings together the following elements:
- a. **Timber management** based on an expansion of plantations of the white carob tree, a native species, diversification of timber management (currently concentrated in one or two forest species), and value-adding through the design and introduction of new technologies for producing charcoal (more efficient and less polluting). There are plans to form partnerships with businesses and chambers of commerce that will play a role as investors and market expanders, and advisory services will be provided on genetic improvement of plantations. These investments involve high expected returns, long-term amortization periods, and a large impact on CO₂ capture;
 - b. **Nontimber management** based on the production and sale of high-protein forest fruits (*chauchas*), carob powder used for flavoring, textiles made with natural fibers (plant and animal), and natural dyes, among other products, in strategic partnership with businesses such as Carrefour, under its *Huella Natural* (Natural Footprint) sales line, and Matriarca.⁵ These companies will play a leadership role in the transformation of these value chains, providing advisory services to help meet quality standards relating to supply, harvest

³ <http://www.losgrobo.com/>

⁴ This operation is in preparation for 2017.

⁵ <http://matriarca.com.ar>

and post-harvest, storage and packaging, product design, etc. These investments have medium expected returns, short amortization periods, a major impact on the economic inclusion of indigenous communities and women, and a significant contribution to the protection and conservation of biodiversity and culture;

- c. **Silvopastoral management** that combines forestry and livestock via the introduction of emissions-neutral intensive forest-grazing systems. These investments will involve medium expected returns, short amortization periods, less-polluting livestock production,⁶ and a significant contribution to food security; and
 - d. **Promotion and development of climate services**, including carbon sequestration resulting from maintenance and expansion of vegetation cover and water resource conservation and management in light of the need for climate change adaptation. These investments have low expected economic returns, long amortization periods, and a very high impact on CO₂ capture through the reduction of emissions from deforestation and forest degradation.
- 2.4 This project will directly benefit 5,600 criollo and indigenous families in the Gran Chaco region through direct investments on their property or through business strengthening or training that will directly involve 2,400 indigenous women, 600 campesino women, 1,900 campesino men, and 700 young entrepreneurs. These beneficiaries have already been registered as part of awareness activities carried out by ACDI and its partners and already engage in productive activities within the native forest (mainly timber and nontimber forest utilization and livestock production).
- 2.5 Of the project's beneficiaries, 53% will be women. The share of women beneficiaries will be larger in the nontimber activities involving greater value-added, which will be promoted through concrete steps to build connections to higher-value markets. The project will therefore strengthen women's ability to generate family income, as well as increase their engagement in decision-making, in both the family setting and the communities to which they belong.

B. Innovation

- 2.6 The project's innovation lies in the fact that it represents the first model in Argentina for establishing a consortium to bring together complementary investments aimed at optimizing business earnings and the climate services of the native forest. This will help prevent an environmental liability (expansion of the agricultural frontier) and generate a climate and business asset (reclamation of forest land and market-driven sustainable forest management). Over the last 20 years, Argentina has been losing forest at an average rate of 300,000 hectares per year, mainly in the provinces that make up the Gran Chaco. The emissions resulting from deforestation alone amount to more than 100 million tons. The model should contribute to the capture/reduction of 30 million tons within three years after project completion. Unlike previous

⁶ According to Argentina's latest greenhouse gas inventory, livestock production accounts for more than 20% of the country's total emissions.

sustainable forest management projects, which were localized and experimental in nature, the model is the first to take the concept to a regional scale, with CO₂ capture capacity reaching 16 million tons, calculated based on the area of land managed by the direct beneficiaries. This amount will double within three years after project completion, as part of its scaleup phase.

- 2.7 The Consorcio Gran Chaco model is being indicated as a benchmark for the design of public policies for productive development in northern Argentina under the Belgrano Plan, because it seeks to optimize economic, social, and environmental indicators by giving public investment a catalytic role in attracting private investment.

C. Components

- 2.8 The problems of productivity and competitiveness of small producers in the Gran Chaco region and the need to contribute to meeting the mitigation and adaptation targets to which Argentina has committed will be addressed together by specific actions linked with other actions aimed at systemic impact, through the following project components:

Component I: Collective impact investment consortium

- 2.9 The objective of this component is to establish a collective impact investment consortium—Consorcio Gran Chaco—that will enable actors to plan, coordinate, and manage investments in social impact models and businesses that optimize business returns and the capture of greenhouse gases. The consortium will build upon the proven ability of the executing agency and its partners to mobilize mainly public investments and will focus on boosting private-sector participation by spotlighting the business returns and the value of the ecosystem services that the forest provides. This is intended to overcome the limited access to investment for productive, organizational, and business projects that tap the Gran Chaco region's natural assets.
- 2.10 The activities planned for this component are: (a) creation of the consortium: (i) design and structuring of the consortium, identification of its corporate and noncorporate partners, and establishment of a streamlined, flexible governance structure, (ii) strategic planning of the investments needed to optimize the matrix of forest reclamation and sustainable management of the environmental goods and services that the forest provides, (iii) establishment of a new local institutional framework based on the collective impact model—Consorcio Gran Chaco—to enhance mobilization and coordination of investment in the region. This network would bring together the efforts of private actors, including nonprofit organizations (Redes Chaco and others), businesses, and national and subnational public agencies in the framework of the Belgrano Plan; and (b) operation of the consortium and investment management: (i) design and promotion of an investment portfolio to attract private investment, developed with the convening capacity and leadership of the Los Grobo group, in partnership with the Argentine Agency for International Investment and Trade and ACRUX; (ii) channeling and coordination of public investments leveraged by investment under the Belgrano Plan, acting as the technical secretariat of a coordinating board, to ensure the proper targeting of these investments and strengthen their role as a catalyst for attracting private investment; (iii) spotlighting of business

returns and the value of ecosystem services in order to maximize new investments.

Component II: Development of forest management business models

- 2.11 This component aims to promote innovation in the development of climate-smart business models that are based on new technologies, can transform the supply chain, and produce high compound returns for the semiarid Gran Chaco region. The aim is to overcome the lack of profitable business models for the production of goods and services that are adapted to this region's specific cultural, environmental, and social conditions.
- 2.12 The following activities are planned: (a) encourage innovation hubs that, based on private technological innovation initiatives that transform chains, bring together the various research, development, and innovation institutions (initially the National Institute of Agricultural Technology (INTA), National Institute of Industrial Technology (INTI), Agricultural Technology Validation Center (CEDEVA), Latin American School of Social Sciences (FLACSO), and a number of university schools with which the executing agency and its partners are already coordinating), the private sector, and local organizations to spur the generation of new business-applicable technologies and knowledge adapted to the region and its social groups; (b) attract anchor companies, business leaders, and entrepreneurial talent to support the deployment of inclusive, sustainable business models with a value chain approach (in partnership with Los Grobo, Carrefour, Unilever, and Matriarca); (c) deploy a knowledge management strategy based on information and communication technology to vitalize the transfer and implementation of innovations (in partnership with Samsung); (d) based on these innovations, identify opportunities and design new business models that advance climate-smart agriculture (in partnership with the Argentine Agency for International Investment and Trade); (e) provide professional assistance to producer organizations to implement technological, productive, organizational, commercial, and financial solutions that facilitate market access; and (f) promote entrepreneurship and local business capacity-building, enhancing the capabilities of local entrepreneurs and attracting talent to produce new business plans that could receive investment.

Component III: Systematization and scaleup of the model

- 2.13 This component seeks to systematize the model of giving public investment the catalytic role of attracting private investment with a view to obtaining maximum economic, social, and environmental returns, so it may become a benchmark for the Belgrano Plan.
- 2.14 The activities envisaged for this component are: (a) systematize, evaluate, document, and share knowledge products; (b) participate, in collaboration with the IDB, in public policy planning forums (under the Belgrano Plan) so that the knowledge products are taken into account and the model is spread (in partnership with the Office of the Undersecretary for Social Responsibility under Argentina's Ministry of Social Development and the Office of the Undersecretary for Industrial Forest Development); (c) create avenues for sharing the model with private sector and financial sector leaders to showcase the Gran Chaco region as a place with development opportunities; and (d) develop channels for

disseminating the model regionally (Paraguay, Bolivia, and other arid areas in the region).

D. Project results, impact, monitoring, and evaluation

- 2.15 By the end of the project, the conditions should be in place in the Gran Chaco region to implement and spread business models that promote climate-smart production in order to concurrently accelerate processes for overcoming poverty and restoring natural assets.
- 2.16 The following results are expected: (i) greenhouse gas emissions avoided or captured (in tons of CO₂ equivalent) as a result of the businesses created: 16 million; (ii) number of models introduced by the MIF scaled up or replicated: 7; (iii) number of producers who adopt new practices or technologies: 5,600; (iv) US\$15 million in public or private investment mobilized; and (v) number of businesses with average annual sales growth: equal to or greater than 10%.
- 2.17 The project will include a monitoring and evaluation system, preferably with the participation of the main stakeholders, designed to track project results. The project calls for a midterm evaluation to examine the project's progress and the appropriateness of its design, and a final evaluation to assess the fulfillment of results. The project will submit the usual reports requested by the MIF: (i) semiannual project status reports.

III. PROJECT ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND RISKS

A. Alignment with the IDB Group

- 3.1 The project is aligned with the Bank's country strategy with Argentina geographically, in that it focuses on the highly vulnerable Norte Grande region, and thematically, as it relates to innovation and sustainable natural resource management. The project will allow for optimal joint action by the IDB Group, by encouraging coordination of support around a shared objective. The model's scale is aligned with the IDB Group's strategy of promoting the development of Argentina's Norte Grande region; accordingly, this joint action by coordinating actors will be an important reference model of public investment serving as a catalyst for private investment that can be scaled up as the Belgrano Plan for northern Argentina is implemented. This project is part of the MIF's climate-smart agriculture pillar and will make a substantial contribution by demonstrating the model's impact in terms of increasing productivity and capture of CO₂.

B. Scalability

- 3.2 Once this model has been shown to be feasible on a commercial scale with small producers, the immediate project scaleup plan calls for spreading it geographically until the following targets are met: (i) over 3 million hectares of native forest under sustainable management; (ii) 30 million tons of CO₂ captured/avoided; and (iii) 10,000 rural families in the Gran Chaco region brought out of poverty. Outside the region, there is great interest in applying the model of collective impact investment with attraction of private investment as part of public policy under the Belgrano Plan, with an expected budget of US\$16 billion and geographic coverage of more than 100,000 rural families across Argentina's Norte Grande region.

C. Project risks

- 3.3 The main risks associated with the project relate to: (i) late or delayed implementation of the Belgrano Plan, such that the infrastructure to encourage investment in the area is not provided; (ii) a slowdown in the overall pace of recovery of private investment in Argentina; (iii) difficulties in coordination between the public and private actors working in the region; and (iv) limited availability of public funds for development of the region.
- 3.4 To mitigate these risks, the project includes the following actions: (i) construction of a diversified investment portfolio, so public and private investors can be offered a variety of types of investments and different options; (ii) creation of a coordinating board or institutional forum (consortium) wherein commitments and targets of all parties in terms of supporting the region are made explicit; (iii) differentiated assistance according to the development level of producer groups, to guide them toward sustainable market conditions.

IV. BUDGET PROPOSAL AND INSTRUMENT

- 4.1 The project's total cost is US\$1,766,500, with US\$880,000 (50%) contributed by the MIF in the form of nonreimbursable technical-cooperation resources and US\$886,500 (50%) in counterpart funds. The amount of public and private investment is expected to reach US\$15 million over the life of the project. Approximately 65% of this investment is expected to come from public sources, particularly existing budget commitments for forest promotion and native forest protection, as well as other rural development programs with which work has been done in recent years.⁷ With help from the leading companies participating in the project, the remaining 35% will come from private-sector resources invested by the project's partner companies, investment funds attracted by the project (especially timber-related forest investments), access to banks and promotion of credit, and the channeling of reinvestment by the beneficiaries themselves toward the climate-smart forest management models to be promoted.

⁷ Examples are the Project for Socioeconomic Inclusion in Rural Areas (PISEAR), the Inclusive Rural Development Program (PRODERI), and the Forest Sustainability and Competitiveness Program (loan OC/AR-2853). See www.ucar.gob.ar.

	MIF	Counterpart	Cofinancing	Total
Project components				
Component 1: Collective impact consortium model	254,600	245,200	15,000,000	15,499,800
Component 2: Development of forest management business models	412,200	384,900		797,100
Component 3: Systematization and scaleup of the model	35,000	30,000		65,000
Coordination and administration	126,000	226,400		352,400
Audits and evaluations	40,000			40,000
Contingencies	12,200			12,200
Total	880,000	886,500	15,000,000	16,766,500
% of financing	49.8%	50.2%		100%

V. EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE

A. Description of the executing agency

- 5.1 Asociación Cultural para el Desarrollo Integral (ACDI) will be the executing agency. With 20 years of experience in development, it has demonstrated solid technical and financial capacity to carry out projects financed by the MIF and by other domestic and international organizations. It is also a widely recognized agent of social innovation. A highlight of its partnership with the MIF was the innovative FRUTIC project, which developed and successfully implemented a technology application for traceability and hydrometeorological information. This solution for the fruit-growing industry in the coastal region has become a benchmark for this value chain and was adopted by INTA, achieving even greater scale in its adaptation to other crops. ACDI also developed traceability technology for the cattle sector (TRAZAR), which had an impact evaluation showing significant results in terms of increased income and which has been transferred by the MIF to other provinces and countries of the region.
- 5.2 ACDI's undisputed influence capacity is based on its networking. The makeup of its permanent working network clearly reflects its purpose of commercial innovation with a view to scaleup, as it includes six knowledge, science, and technology institutions (INTA, INTI, CEDEVA, UNL, UNSAM, and FLACSO), four large companies (Los Grobo, Samsung, Unilever, and Carrefour), and technical departments of five ministries.
- 5.3 ACDI has a major presence in the Gran Chaco region, through networks that it has cofounded and in whose governance structures it participates. Within these networks, it has built partnerships with a variety of civil society organizations, local governments, research and development agencies, and businesses.
- 5.4 The project will be executed jointly with the foundation. The following companies, with which activities have already been carried out in the region, will also be partners in this project: Los Grobo, Samsung Electronics Argentina, Unilever, Carrefour, Credicoop, ACRUX, and Matriarca. The role of each business in the project was mentioned in the description of the project's components and activities.

B. Structure and implementation arrangements

- 5.5 ACDI will set up an execution unit and the structure needed to execute project activities and effectively and efficiently manage resources. ACDI will also assume responsibility for submitting status reports on project implementation. Details on the structure of the execution unit and the requirements for the status reports can be found in Annex V in the technical files for this operation.

VI. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

A. Disbursement by results

- 6.1 **Disbursement by results and fiduciary arrangements.** The executing agency will follow the MIF's standard arrangements relating to disbursement by results, procurement, and financial management, as specified in Annex V, as well as the following agreements:
- 6.2 The executing agency will abide by the MIF's performance-based management and disbursement system. The milestones for measuring project performance are included in Annex VI.

B. Fiduciary management agreements and requirements

- 6.3 The following project-specific agreements and requirements for fiduciary management will also be adopted:
- Ex post supervision: Annual review of disbursements and procurement.
 - Audited financial statements: Final statements only, at the end of the project.

VII. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 7.1 **Access to information.** The business plans designed and implemented during the project may not be made public and will remain the private information of each business, or of potential investors.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-___/16

Argentina. Nonreimbursable Technical Cooperation ATN/ME-____-AR – Collective
Impact Investment Consortium Model for Argentina's Gran Chaco Region

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with *Asociación Cultural para el Desarrollo Integral, A.C.D.I.*, and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-___ with respect to technical cooperation to develop a consortium model for collective impact investment in the Argentina's Gran Chaco Region.

2. That up to the amount of US\$880,000 or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

(Adopted on __ _____ 2016)

AR-T1171