



1. Project Data:		Date Posted : 06/25/2003	
PROJ ID: P055477		Appraisal	Actual
Project Name : Second Mining Development Technical Assistance	Project Costs (US\$M)	46.5	28.7
Country: Argentina	Loan/Credit (US\$M)	39.5	24.12
Sector(s): Board: EMT - Mining and other extractive (50%), Central government administration (35%), Sub-national government administration (15%)	Cofinancing (US\$M)		
L/C Number: L4282			
	Board Approval (FY)		98
Partners involved :	Closing Date	06/30/2000	09/30/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

(This project was similar in design to the earlier Argentina Mining Sector Development TA project (P006055), which was initiated in 1995 and overlapped with the current project during Jan 1998 to June 2001. The projects had almost identical objectives, with the first covering six provinces, and the current project covering the remaining 17 provinces of the country.)

The overall objective of the project was to develop and support the federal and provincial governments' policy, regulatory and institutional reforms which encourage the environmentally sound expansion of private investment in mining.

In particular, the project focused on (i) improving the efficiency of the provinces in the administration of mining rights and environmental management; (ii) developing their understanding and strengthening their capacity to address social impacts from mining; and (iii) linking the provinces to the National Mining Information Network .

b. Components

The main components of the project were :

1. *Institutional framework development* including reorganization and staffing of key administrative units, setting -up of efficient work procedures, and training of staff in the public mining agencies of the 17 provinces this project concentrates on;
2. *Mining cadastre and registry system development* to improve the reference mining geodetic network, introduce unified registering procedures and clear up backlog of pending concession applications;
3. *Environmental management* to carry out environmental and socioeconomic baseline studies in selected mining districts;
4. *Unified mining information system* to strengthen the information management units in the 17 provinces and provide hardware and software; and
5. *Project coordination* to monitor, supervise, and provide management control for all components and for the overall project.

c. Comments on Project Cost, Financing and Dates

The final project cost at US\$28.7 million was about 38 percent less than the original estimate of US\$ 46.5 million. The difference was due to: (a) lower than expected costs for the topogeodesic and cadastral survey works and (b) reduced levels of specific activities in response to the government's stated inability to provide adequate counterpart funds, due to the national financial crisis that set in during early 1999. The signing of the loan agreement was delayed by eight months and the effectiveness by eleven months, due to a delay in the signing of the Presidential Decree for the project agreement. Implementation was further delayed due to lack of consistent commitment from

the Ministry of Economy.

3. Achievement of Relevant Objectives:

- All 17 provinces have adopted the reformed regulatory framework regarding environmental and mining rights management; *This objective was fully achieved;*
- A mining rights management system was established and is operational in all the provinces, ensuring security of tenure as well as improved and homogenized procedures. *This objective was fully achieved;*
- A reliable and updated mining cadastre has been established in the provinces. *This objective was fully achieved;*
- Provincial environmental monitoring units (UGAPs) have been established in all provinces for granting environmental permits and monitoring sectoral environmental performance. *This objective was fully achieved;*
- An environmental baseline study was financed in each of the provinces covered by the project, in areas that are environmentally sensitive to mining activities, but their scope had to be reduced in the wake of national financial crisis that began in 1999. At the end, two pilot baseline studies were conducted in Catamarca and San Juan provinces to assess socioeconomic impacts of mining in a large ongoing and planned mining operation respectively. However, ownership of provincial authorities and companies has yet to be consolidated, particularly in view of the ongoing financial crisis in Argentina. *This objective was only partially achieved;* and
- A "Unified Mining Information System" (SUIM) was created to share geological, environmental and other statistical information between federal and provincial agencies, but more work remains to be done before it is fully functional as a unified inter-mining agency network. *This objective was only partially achieved.*

4. Significant Outcomes/Impacts:

- Together with Mining Sector Development TA the project contributed to increasing mining investment in the 17 provinces from US\$56 million in 1996 to US\$75 million in 2001, and production of metallic ores increased from US\$40.3 million in 1996 to US\$112 million in 2000; and
- There is a better appreciation of the interrelationships between mining development and local /regional development, as well as for the importance of community participation at an early stage of mining development.

5. Significant Shortcomings (including non-compliance with safeguard policies):

- In the context of the difficult financial situation faced by the government towards the end to the project period, a project audit in 2000 revealed that loan funds amounting to US\$2.45 million were used to finance part of the government's share of expenditures. The refund of this amount along with another US\$0.79 million in unused funds could not be completed at project closure due to insufficient time and the government's budget constraints;
- Project implementation gradually came to a halt with the onset of a national financial crisis in early 1999 and a change of government in 2000. Counterpart funding was a major problem in 1999, became acute in 2000, but improved slightly in 2001; and
- A deterioration in national-provincial governmental relationships with the advent of a centralizing federal government in 2000, affected planned project outcomes such as creation of adequate mechanisms for financial sustainability of the Provincial Mining Directorates (DPMs)

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Satisfactory	[the ICR's 4-point scale does not allow a "moderately sat." rating]. The momentum generated by the earlier Mining Development TA project could not be maintained by this project, mainly due to the onset of the national financial crisis in 1999.
Institutional Dev.:	Substantial	Substantial	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		Unsatisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- Government commitment is essential to successful policy and institutional reform;
- Strong sector work (the Argentina Mining Sector Review (1993), in this case) can greatly improve the quality of project preparation;
- Prior consultation, active participation and well-defined coordination between federal and provincial units are important for a project involving different tiers of governments;
- Sector development is better approached in an integrated manner, covering policy and regulatory reform

together with institutional development and capacity-building; and

- In a weak macroeconomic environment, sustainability of institutional achievements is more likely for core administrative functions (e.g. administration of mining rights) than support services (e.g. mapping and informational systems). Therefore, it is preferable, wherever possible, to cluster important support services with core functions, so as to ensure that continuity of support services does not suffer .

8. Assessment Recommended? ● Yes ○ No

Why? The biggest reason for an audit is to verify project achievements under such extraordinary conditions of duress, to determine the sustainability of what was achieved . An audit of this project together with the earlier Mining Development TA project (P006055) can yield lessons about the long-term benefits of an integrated sectoral technical assistance effort, that could be useful in other country situations .

9. Comments on Quality of ICR:

While the ICR covers most of the important issues in a fairly balanced manner, it does not adequately cover the all-important implications of the national financial crisis for the project . Further, the ratings of borrower performance and sustainability are not entirely consistent with the evidence presented . The frequency of poorly-phrased, unclear sentences, and typographical errors could have been avoided with better editing . On the whole the ICR is considered unsatisfactory, albeit marginally so .