



1. Project Data

Project ID P132846	Project Name Forests and Community	
Country Argentina	Practice Area(Lead) Environment, Natural Resources & the Blue Economy	
L/C/TF Number(s) IBRD-84930	Closing Date (Original) 30-Nov-2020	Total Project Cost (USD) 20,675,960.46
Bank Approval Date 07-Apr-2015	Closing Date (Actual) 31-May-2022	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	58,760,000.00	0.00
Revised Commitment	20,675,960.46	0.00
Actual	20,675,960.46	0.00

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2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) of the Forests and Community Project, as articulated in the Loan Agreement (Schedule I), is the following: "To improve forest management and increase access to markets and basic services by small forest producers (including indigenous people and Campesinos) in Selected Northern Provinces." It is identical to the one expressed in the PAD (page 5).

The PDO will be parsed, for this review, as follows:



- To improve forest management in Selected Northern Provinces
- To increase access to markets and basic services by small forest producers (including indigenous people and campesinos) in Selected Northern Provinces

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

No

c. Will a split evaluation be undertaken?

Yes

d. Components

The project had the following components:

Component 1: Sustainable Livelihoods (at appraisal US\$ 41.69 million, revised amount US\$ 14.28 million, actual amount US \$14.20 million). This component would improve the livelihood of small forest producers and promote sustainable forest landscape management, with special emphasis on the Chaco Ecoregion, through: (a) the preparation of Integrated Community Plans (“PICs”), including the carrying out of forest landscape management planning, mapping, and consultations to produce PICs in approximately two hundred and fifty communities; and the identification and design of activities to be included in PICs; (b) the implementation of PICs, including the provision of technical assistance to 250 communities to support the implementation of PICs; and the carrying out of activities under the PICs, including forest management planning; enhanced resilience and productivity of agricultural and livestock management; forest and agricultural product processing and packaging; land tenure strengthening activities and pilots; the installation of wells for potable water and rain water harvesting systems; and the installation of alternative energy and wood energy systems (including improved wood stoves and improved charcoal kilns); (c) the design and implementation of subprojects. Forest management plans prepared under this component would be considered for certification and for financing under the Project and the National Forest Fund created by Forest Law 26.331.

Component 2: Natural Forest Management and Civil Society (at appraisal US\$0.64 million, dropped at first restructuring in 2019). This component would support the carrying out of a national forest and climate awareness campaign to expand and maintain support for the implementation of the Forest Law through the establishment and expansion of existing community radio stations in approximately fifty locations to distribute information locally on sustainable natural resources management, climate resilience, and indigenous rights.

Component 3: Skills Development and Technology Transfer (at appraisal of US\$7.40 million; dropped at first restructuring in 2019). This component would finance the strengthening of the technical and managerial skills of the indigenous and campesino community members, the small forest producers, and



the technical service providers and extension agents working in the Selected Northern Provinces through the provision of short training courses, including both classroom and community level instruction and financing of scholarship grants.

Component 4: Forest Monitoring (at appraisal US\$ 6.66 million; revised US\$ 3.53 million; actual \$US 3.53 million). This component would support the expanding SAYDS (Secretariat of Environment and Sustainable Development) technical and institutional capacity to manage forest information and monitor changes in forest cover, including (i) the expansion of coverage of the forest administration, control, and verification system to ten Selected Northern Provinces; (ii) the establishment of a national deforestation and forest degradation early warning system, and (iii) the establishment and monitoring of a national grid of permanent sample plots.

Component 5: Project Management and Impact Monitoring (at appraisal US\$4.52 million, revised \$US 5.10 million; actual \$US 5.10 million). This component would finance (i) the provision of support for the technical and administrative coordination of the Project, including the hiring of consultants to staff the NEU (National Executing Unit) and LEUs (Local Executing Units, at the level of the selected provinces) (ii) development of an impact evaluation system to identify changes in outcomes directly attributable to project activities and (iii) development and implementation of a grievance redress mechanism to identify and resolve project-related grievances.

Changes to components (at first restructuring in August 2019)

The original Component 1 - *Sustainable Livelihoods* was renamed: *Improving Livelihoods for Sustainable Forest Management*, and the number of PICs to be developed was reduced from 250 to 100. To cope with the budgetary restrictions and the scarce availability of technical assistance agencies in the field, LEUs (Local Executing Units) were proposed to play a major role in directly supporting the implementation of 80 PICs (Integrated Community Plans)

The original Component 2 - *Natural Forest Management and Civil Society* and **original Component 3 - *Skills Development and Technology Transfer*** were dropped. Limited and more focused training (but no scholarships) was agreed to be provided under Component 1

The original Component 4 - *Forest Monitoring* was renamed the **new Component - 2 *Information Systems for Sustainable Forest Management***. It was adjusted to focus on completing the national native forest inventory and the operationalization of the SACVeFor (Forest Administration, Control, and Verification System) and the SAT (Deforestation and Forest Degradation Early Warning System). These systems were in an advanced stage of implementation at the time of restructuring in 2019.

The original Component 5 - *Project Management and Impact Monitoring* was renamed to become the **new Component 3 - *Project Management and Monitoring*** and was adjusted to include additional resources that were instrumental for the achievement of the PDO, taking into consideration the analysis made during the MTR, such as more human resources for the LEUs (Local Executing Units) to make up for the lack of specialized technical assistance agencies at the local level.

A split rating will be undertaken because the changes did affect the PDO-level indicators substantially in that the scope and target values were substantially reduced.



e. **Comments on Project Cost, Financing, Borrower Contribution, and Dates**

Project cost. The planned project cost at appraisal (including the borrower's contribution of US \$ 2.3 million) was \$US 60.91 million (PAD, table 1 page 8), the revised amount (amendment to loan and restructuring in 2019) was \$US 23.06 million and the actual cost at project closing was \$US 22.83 million, which stands for 99% of the revised amount and 37,5% of the original amount.

Financing: The World Bank approved an IBRD loan to the Government of Argentina of \$US 58,76 million in September of 2015. As a consequence of the macroeconomic crisis in Argentina in 2018, the GoA (Government of Argentina) saw its fiscal deficit grow and asked the WB to cancel the loan amount by \$US 38 million. Therefore, the project's revised loan amount was \$US 20.76 million (without borrower's contribution).

Borrower contribution: The borrower's contribution was of US\$2.3 million and was allocated to the component 5 Project Management and Impact Monitoring. The actual contribution at closing was US\$ 2.3 million.

Dates

The project was approved on September 21, 2015 and became effective on November 13, 2015. The original project closing date was November 30, 2020, but successive extensions (second and third restructuring) brought the actual closing date to May 13, 2022. The project went through 3 restructuring processes (level II):

- i. First restructuring in July 2019, as a response to the implementation challenges and to comply with the GoA's request to partially cancel the loan. The following main changes applied: a partial cancellation of the loan in the amount of 38 (65% of the original loan amount), the dropping of 2 out of the 5 components, a significant reduction of the scope of component 1, modifications to the results framework and a redistribution of costs by component.
- ii. Second restructuring in November 2020. In the midst of the COVID19 pandemic, this restructuring pushed the closing date by 8 months, modified the disbursement schedule and the results framework (in a minor way), and reallocated funds among disbursement categories.

Third restructuring in July 2021. This process pushed the closing date further, to May 2022 and reallocated disbursement categories.

3. Relevance of Objectives

Rationale

Context at Appraisal

When the *Forests and Community Project* was appraised in 2015, Argentina was one of the top performers in the region in terms of reducing poverty and sharing the gains of rising prosperity by expanding the middle class. Nonetheless, significant regional disparities within the country persisted with respect to poverty and access to basic services; people in rural areas had poor access to education, healthcare, roads, and



water. Indigenous people (IP), in particular, have historically been one of Argentina's largest and most vulnerable groups of rural poor. Comprising 2.5 percent of the country's total population, IPs inhabit all provinces of Argentina but are especially populous in the northern provinces (PAD, page 1).

At project design, 20 percent (60 million ha) of the country's land was considered degraded, with high rates of deforestation (240,000 ha per year) reported and disturbances (such as fires, overgrazing, drainage, and pollution of soils) often driven by cropping and ranching in grasslands (PAD, page 1). One-third of Argentina's continental territory is covered with natural grasslands and another third with crops and forest plantations. Indigenous communities and rural farmers depend heavily on these resources for their livelihoods, making them particularly vulnerable to encroachment and climate change. At project appraisal, the four provinces of Chaco, Salta, Santiago del Estero, and Formosa had some of the highest levels of unmet basic needs nationwide. In the most critical areas (the project identified as target areas), approximately 80 percent of the population were indigenous, and 30 percent of households had unsatisfied basic needs.

In November 2007, Argentina enacted the Law 26.331 (Law of Minimum Budgets for the Environmental Protection of Native Forests), also known as "the Forest Law" aiming at protecting natural forests (PAD, page 2). The law established a Forest Fund to provide public resources to provinces, promote the sustainable use of forests, and pay for environmental services. Although for the previous six years (before appraisal), the GoA had transferred around US\$55 million to the Forest Fund (PAD, page 2), these resources were not easily accessible to the poorest rural forest dwellers. Translating the Forest Law into action required, among other things, broadening access to Forest Fund resources and building close coordination between national, provincial, and local level stakeholders to improve Fund management performance.

Consistency with Country Strategy

The PDO is aligned with and contributes to the implementation of a number of the GoA's public policies, including Law 26.331 ("Minimum Budgets for the Environmental Protection of Native Forests"), the National Biodiversity Strategy (ENB), Law 27.520 ("Minimum Budgets for Adaptation and Mitigation to Global Climate Change"), the "Social Participation and Gender Perspective" policy, as well as other ministerial policies.

Consistency with Bank Strategies

The proposed project supports the World Bank Group's (WBG) twin goals of reducing extreme poverty and increasing shared prosperity in a sustainable manner. It contributes to poverty reduction (targets vulnerable populations and focuses on poor regions). It pilots an approach to climate-resilient production systems and improved access to forest management for smaller landholders.

At appraisal and during the first two years of implementation, the PDO was consistent with the Argentina Country Partnership Strategy (CPS) FY15-18 (Report No. 81361-AR) and its strategic theme of "Reducing Environmental Risks and Safeguarding Natural Resources." Specifically, it contributed to the following CPS Result Areas: "Improving natural forest cover in the Chaco Ecoregion," as well as cross-cutting portfolio management indicators related to (a) increasing the share of WBG financing directed to impoverished Northern Provinces; (b) governance (strengthening institutions to reduce emissions from deforestation); and (c) gender (through gender mainstreaming and disaggregated data collection).



During implementation from 2019 and at project closing, the PDO remained aligned with the current Argentina CPS FY19-FY22 (Report No. 131971-AR), particularly with CPS Focus Area 3 of “supporting Argentina to achieve its Nationally Determined Contribution (NDC) by reducing its vulnerability to climate change and mitigating the country’s global environmental footprint.” It especially aligned with Objective 9, which aims to support climate-smart agriculture, implementing Community Driven Development (CDD) subprojects to increase the number of farmers adopting climate risk management approaches. Additionally, the PDO was aligned with the 2018 Systematic Country Diagnostic (SCD): Argentina: Escaping Crises, Sustaining Growth, Sharing Prosperity, particularly with its Pathway 4 of “Investing in natural capital and ensuring environmental sustainability.”

Previous Bank experience

This project represented a continuation of a robust long-term engagement of the WB in the forestry sector. It built on the results and experiences from a stream of IBRD/Global Environment Facility (GEF) operations that the World Bank had supported to foster rural development and the protection of livelihoods, nature, and carbon stock. The engagement includes the following projects: (a) Rural Corridors and Biodiversity GEF Project (P114294), that protected vulnerable natural areas and conserved biological diversity in the Chaco and Patagonian ecoregions; (b) AR Socio-Economic Inclusion in Rural Areas Project (P106685), that focused on supporting small producers on value adding and increasing access to markets; (c) Integrated Risk Management in the Rural Agroindustrial System Project (P162316), aimed at improving the management of agricultural risks, including through nature-based solutions; (d) Reducing Emissions from Deforestation and Forest Degradation (REDD+) Readiness Preparation Grant (known as Argentina FCPF REDD Readiness Project) (P120414) that supported Argentina’s efforts to mitigate climate change and access forest carbon markets; (e) Sustainable Natural Resources Management Project (P100806) that reinforced the collaboration among institutions responsible for managing and protecting forest resources; (f) Native Forests and Protected Areas Project (P040808) that contributed to the preparation of the Forest Law (26.331), implemented a national forest inventory, planned for modernization of the National Parks Agency, and invested in infrastructure and capacity building in high visibility parks; and (g) the Forestry Development Project (P006040) that enhanced the competitiveness of forest plantations and plantation-based industries.

Level of Ambition of the PDO

The level of ambition of the PDO was soundly supported by the lessons drawn from the long-term engagement with the forest sector in Argentina. Even though the project focused on improving the livelihood of forest producers, the PDO formulation was relatively less outcome-oriented, as both the (i) access to markets and services and (ii) the improved forest management should lead to a higher-level impact on populations (whose benefits are measured in the first outcome indicator).

Based on the above, Relevance is rated Substantial.

Rating

Substantial

4. Achievement of Objectives (Efficacy)



OBJECTIVE 1

Objective

To improve forest management in Selected Northern Provinces

Rationale

Theory of Change (ToC)

The Theory of Change (for both objectives combined) outlined that *inputs* such as the formulation of Integrated Community Plans (PICs), technical assistance and capacity building for both provincial staff and communities, building forest and climate awareness, development of an early warning system for deforestation and establish a National Native Forest Inventory would lead to *outputs* such as formulated and implemented Integrated Community Plans (by the provinces), infrastructure for improved access to water in place and improved stoves delivered, Small-Scale Forest Producers (SFPs) trained in value addition to forests products, radio campaigns on forest and climate awareness delivered, community members, SFPs and provincial service providers trained and scholarships delivered, operational early warning systems and a second national forest inventory completed and published. These outputs were expected to lead to the following *outcomes*: Increased land use planning and adoption of sustainable production practices, improved access to basic services by SFPs and increased value of their products, trade agreements, strengthened technical and managerial skills, and improved capacities of control authorities to identify deforestation threats and improved capacities of environmental authorities to inform forest policy. This was expected to lead to improved forest management eventually, Improved access to markets by SFPs, and Improved access to basic services by SFPs. The concepts described in the PDO would logically lead to improved livelihood and income as a result of access to markets and improved use of forest resources..

Outputs

- An operational Early Warning System was put in place, as originally targeted. As of February 2022, the system generated 24,840 alerts (on an area of 670,494.9 ha, ICR page 24). The ICR mission verified that the systems were being used as a monitoring tool by the authorities at the national level (National Forest Directorate) and by the provincial forestry directorates, and it is expected to be extended to other forest regions. Target achieved.
- 51.36% of the timber transported in Participating provinces was tracked by SACVeFor (Forest Administration, Control and Verification System), achieving the original target of 50%.

While not documented in the ICR, the TTL informed IEG on May 18th that the Integrated Community Plans first piloted by the project are now incorporated into the local regulatory framework through Resolution 427/2020 (ICR page 23). The plans promoted participatory planning, associative arrangements, community improvements for sustainable forest production, and providing basic services such as water. They also constituted a joint planning strategy for a territory that enabled managing larger landscapes, avoiding forest fragmentation, and reaching more beneficiaries.

Outcomes:

- 5,770 people in the forest and adjacent communities were reported to have monetary and non-monetary benefits from the forest, compared to an original target of 50,000, target not achieved. Of



these, 2,735 were female, not achieving the original target of 25,000, and 2,130 were of ethnic minority groups or indigenous, not achieving the original target of 37,500.

The ICR describes the benefits as equipment, training, and technical support, through the implementation of the PICs (ICR, page 23

- 384,380 hectares were brought under approved PICs (forest management plans) at project closing, exceeding the original target of 310,000 hectares.

While the original output targets were achieved, the outcome targets were only modestly achieved. The rating for this original objective 1 is thus **Modest** due to low achievement.

Rating

Modest

OBJECTIVE 1 REVISION 1

Revised Objective

The Objectives formulation and the related ToC did not change.

Revised Rationale

Outputs:

- An operational Early Warning System was put in place, as originally targeted. Target achieved. (This indicator target was not revised during restructuring).
- 51.36% of the timber transported in Participating provinces was tracked by the Forest Administration, Control and Verification System (SACVeFor), achieving the original target of 50%. (This indicator target was not revised during restructuring).

Revised output indicators:

- 2,599 households (1,675 indigenous and 924 campesinos) were formally linked to Law 26.331 (which fosters forest management) through the approval of 82 Integrated Community Plans, exceeding the target of 2,100 households. (This indicator was added at restructuring).

Added output indicators:

- The second national forests inventory was completed, achieving the revised target. (This indicator was added at restructuring.)
- 9 Integrated community plans were formulated jointly between the national and the provincial authorities, and 3 of them were approved, not achieving the target of 20 Integrated community plans jointly formulated and approved. (This indicator was added at restructuring).

Outcomes:



- 5,770 people in the forest and adjacent communities were reported to have monetary and non-monetary benefits from the forest, compared to a revised target of 10,500, a target not achieved. Of these, 2,735 were female, not achieving the revised target of 4,200, and 2,130 were indigenous or of ethnic minorities, not achieving the revised target of 5,250. The ICR describes the benefits as equipment, training, and technical support, through implementing the Integrated Community Plans (ICR, page 23).
- 384,380 hectares were brought under approved Integrated Community Plans at project closing, not achieving the revised target of 420,000 hectares.

While the project fully achieved four of the five revised output targets, it did not achieve any of the two revised outcome targets. The revised objective 1 is thus rated **Modest** due to low achievement.

Revised Rating

Modest

OBJECTIVE 2

Objective

To increase access to markets and basic services by small forest producers (including indigenous people and Campesinos) in Selected Northern Provinces

Rationale

ToC

The project's ToC (for both objectives combined) is presented under the original objective 1.

Outputs

- 1,985 households had improved access to water, not achieving the original target of 6,400.

Outcomes

- 620 small forest producers reported improved access to markets, not achieving the original objective of 2,000.
- 45% of the target households had improved access to basic services, almost achieving the original target of 50%.
- The project reached 10,441 direct project beneficiaries, not achieving the original target of 105,000. Of these, 46.7% were female, almost achieving the original target of 48%. No target values for ethnic minority or indigenous people under this indicator was set at appraisal (but added at restructuring). The vast discrepancy between the original target and the actual achievement of total beneficiaries is because this indicator was revised from originally intending to measure all beneficiaries of improved forest management to measuring direct beneficiaries of the project grants.
- 81% of project beneficiaries feel that project investment reflects their needs, exceeding the original target of 70%.



While the outcome indicator target value of improved access to water was not achieved, the indicator targets at the outcome level were either not achieved or almost achieved. The original objective 2 is thus rated **Modest** due to low achievement.

Rating
Modest

OBJECTIVE 2 REVISION 1

Revised Objective

The Objectives formulatino and the revised ToC were not changed.

Revised Rationale

Outputs:

Revised output indicators:

- 1,985 households reported improved access to water for consumption or production by constructing 40 rainwater-collection roofs and 46 excavated reservoirs, exceeding the target of 1,000 households.

Added output indicators:

- 546 beneficiaries reported that trade agreements had been established to commercialize their forest products, almost achieving the revised target of 600 beneficiaries. This indicator was added at restructuring.

The following additional achievements at the output level are presented in the ICR but are not captured in the RF and thus have no targets values:

- 681 households received improved cookstoves through the Project, of which 648 (95 percent) reported a reduction in consumption of firewood or gas as a result.
- The project helped dig 13 wells to provide drinking water in Salta province. Training was also provided on the safe and sustainable use of the water infrastructure. At the time of the project closing, eight more rainwater harvesting ponds were still under construction in Santiago del Estero province.
- While project support for livestock activity in PICs was limited, it was essential for most of the community members' livelihoods with highly positive economic results. There was an immediate increase in the quantity and average unit price of sales in cattle, goats, and pigs commercialized in PICs. While this had a positive impact on community members' income, reaching environmentally sustainable practices for livestock remains a pending issue.

Outcomes:



- 620 small forest producers reported improved market access, exceeding the revised target of 600.
- 81% of the surveyed beneficiaries reported that project investment reflected their needs, achieving the revised target of 70%. This target was added at restructuring.
- 45% of the target households reported improved access to basic services, almost achieving the target of 50%. (Target value not revised).
- The project reached 10,441 direct project beneficiaries, almost achieving the revised target of 10,500. Of these, 46.7% were female, exceeding the revised target of 40%, and 65.3 % were indigenous, exceeding the revised target of 50.
- 81% of project beneficiaries feel that project investment reflects their needs, exceeding the original target of 70%.

In addition to the achievements at the outcome level captured in the RF, the ICR reported on the following additional outcome-level achievements:

- The average household income increase was approximately ARS 14,117 per household (approximately US\$130 at the April 2022 exchange rate) between February 2020 and July 2021. This represents an average increase of 3 to 6 percent, according to the “Poverty and Indigence Income Ceilings” (INDEC 2021). There is, however, no reference or baseline to compare it to, nor a clear attribution to the project interventions.
- Some forest products showed price increases and sales volumes between February 2020 and July 2021. The top-ranked products showing increased unit prices are *Chaguar* handicrafts in Salta (656 percent), honey in Chaco (620 percent), and poles in Santiago del Estero (579 percent). There is, however, no evidence that attributes this to the project intervention and no baseline values for comparison.

While we lack indicators that measure improved income and life conditions, it is plausible that improved access to markets and water will positively impact the lives of communities. The results from the beneficiaries’ surveys also indicate increased household income.

Based on the above, the rating for the revised objective 2 is **Substantial**.

Revised Rating

Substantial

OVERALL EFFICACY

Rationale

Both Original Objectives are rated Modest due to low achievement, so the overall achievement pre-restructuring is rated Modest.

Overall Efficacy Rating

Primary Reason



Modest

Low achievement

OVERALL EFFICACY REVISION 1

Overall Efficacy Revision 1 Rationale

The Revised Objective 1 is rated Modest due to low achievement, and Revised objective 2 is rated Substantial. The overall efficacy rating for revision 1 is thus Substantial with moderate shortcomings.

Overall Efficacy Revision 1 Rating

Substantial

5. Efficiency

The ICR (pages 61-65) presents a sound economic efficiency analysis, including different sources and models to calculate profitability, NPV, and benefits attributable to the project.

Economic efficiency

An ex-ante economic and financial analysis (EFA) was conducted at the time of project appraisal, expecting an economic IRR of 31 percent internalizing avoided deforestation, with a financial IRR of 23 percent, excluding avoided deforestation. The expected Economic Net Present Value (NPV) would be around US\$44 million (PAD, page 12).

The ex-post EFA conducted during the ICR mission shows an IRR of 19 percent and NPV of US\$1.3 million at a 15 percent social discount rate for a 20-year period (ICR, page 61). Results of the analysis fall below the original PAD estimates in 2015 because of delays in the first two years of project implementation in the elaboration of PICs and the substantial decrease in the amount invested in PICs (following the first restructuring, which canceled the loan amount by 65%). As there was no IRR or NPV calculated at the restructuring in 2019, comparisons on profitability indicators can be made only with the original PAD estimates.

Benefits from PICs. The benefits of PICs could not be calculated at appraisal, as PICs are demand driven. The set of productive investments in PICs showed positive financial profitability, with a financial IRR of 12 percent financial discount rate, ranging from 12 percent to 45 percent, depending on the model (different models applied depending on the type of PIC). NPV ranging from ARS 22,891 (for the PICs in Chaco, which included activities such as livestock and small forest production) to ARS 6.4 million (indigenous PICs in Chaco, which included incomes such as honey production and handicrafts). (ICR figure 6.2). PICs that included productive investments showed more economic profitability. Benefits from access to water infrastructure predominate (68 percent of total benefits in PICs), followed by productive investments (19 percent), efficient stoves (13 percent), and vegetable plots (1 percent).

Environmental benefits. The FAO CFIC team prepared one exercise and another by the DNB (Forest National Department- Ministry of Environment), comparing deforestation rates within the PICs areas to several counterfactual scenarios outside the PICs areas. Positive environmental benefits were noted, confirming that



forest cover in PICs was maintained in absolute terms and deforestation rates were lower within PICs areas than outside PICs areas (ICR page 28).

Other efficiency ratios. The ICR analyses the cost per beneficiary ratio and the operational cost ratios, which are only moderately above the estimates in the PAD (mainly due to the partial cancellation of funds and scale losses). There has been a reduction of 7 percent in cost per beneficiary (IBRD) but a 5-percentage point increase in the management cost ratio (from 13 to 18 percent) since 2019. t.

Operational and administrative efficiency:

The project implementation rate was low during the first four years. This was mainly due to: (i) the economic crisis that started around 2018 and forced the GoA to take drastic fiscal measures that led to the cancellation of a substantial amount of the loan; (ii) the overestimation of the availability and capacity of the stakeholders in the provinces that were to provide technical assistance for the elaboration and implementation of PICs; (iii) the coordination and management challenges faced by the NEU (National Executing Unit) concerning the LEUs (Local Executing Units).

The downsizing of the project in 2019 enabled a simplification and prioritization of the project’s interventions. From then on, a more efficient execution took place, even under the difficult circumstances of the COVID-19 outbreak and in the context of the economic crisis in the country. Funds were almost entirely used by project closure in 2022.

The economic analysis is inconclusive since it is hard to compare to the expected EIRR, given that the reference to the ex-ante situation was not updated at the moment of the 2019 restructuring. Interventions were downsized, and PIC’s benefits could not be compared against project costs. There were shortcomings in operational efficiency also. The overall efficiency rating is Modest.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	0	0 <input type="checkbox"/> Not Applicable
ICR Estimate	✓	0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome



Indicator	Before Restructuring	After Restructuring
Relevance	Substantial	Substantial
Efficacy	Modest	Substantial
Objective 1	Modest	Modest
Objective 2	Modest	Substantial
Efficiency	Modest	Modest
Outcome Rating	Moderately Unsatisfactory	Moderately Satisfactory
Outcome Value	3	4
Disbursement	US\$10.98 million	US\$ 20.68 million
Disbursement percentage	53%	47%
Weight value	1.59	1.88
Total Weight	3.47, rounded up to 4	
Overall Outcome Rating	Moderately Satisfactory	

a. Outcome Rating
Moderately Satisfactory

7. Risk to Development Outcome

The main risks identified are the following:

- i. **Social risk:** from the campesino and indigenous communities, if the forest management mechanisms do not result in sustainable benefits for them, the situation could cause social unrest.
- ii. **Institutional risk:** The success of achieving a joint elaboration of the PICs relies on the national and provincial levels of institutions sharing the same political vision on community involvement and resource management and distribution. The fact that only 3 of 20 PICs were approved in this way speaks for the challenges of this process.
- iii. **Environmental risks:** There is a risk that the water from the wells may not continue to be treated and monitored by the safeguard mechanisms, which may represent a health hazard. Also, the rainwater collection infrastructure and groundwater wells supported by the project aimed to mitigate the risk that climate change poses to the sustainability of the improved access to water. Dry winter periods are becoming longer and drier, which will put pressure on water resources. Effective management of soil



and vegetation through the PICs will positively contribute to hydrological regulation and, thus, sustainable use of water resources (this affects particularly the Chaco area).

8. Assessment of Bank Performance

a. Quality-at-Entry

The project design constituted a joint effort between the World Bank and the Secretariat of Environment and Sustainable Development (SAyDS), with collaboration from the FAO, and was the result of a long-standing engagement. The appraisal was supported by sound experience and practice, lessons learned, and sufficient technical analysis. The original design assumed that a varied type of stakeholders, private and public, at the local level, would participate as an ecosystem that would support the elaboration and implementation of the PICs in a sustainable way. The design included sound ex-ante economic and financial analysis of the areas for which that was possible (however, not for the income-generating activities of the PICs, as those were demand-driven and unknown at the time of appraisal).

At design, a shortcoming was the overestimation of the number of actors (civil society and private sector) that could get involved at the local level, either as stakeholders or in a facilitating capacity (providing technical assistance) in the elaboration of the PICs. Some indicator definitions were unclear or ambitious given the time frame (e.g., Forest fund resources allocated) and were addressed to a large extent during implementation. The ICR also notes the inadequate assessment of technical capacities in the field to reach the targeted beneficiaries and expected project outcomes during project preparation which contributed to initial poor project performance and the decision by mid-term to scale down the project to more manageable levels.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

The World Bank team undertook 16 support missions, including environmental and social implementation support and financial and procurement specialist support. The World Bank safeguards and fiduciary teams had an important role in providing solutions to issues that arose and assisting counterpart staff with training and close follow-up. The fiduciary specialist worked with the PIU to monitor budget allocation and planning and disbursement progress. Through timely project restructurings the WB team showed proactivity to improve project performance and address challenging contextual situations (two changes in the national government administration, the macroeconomic imbalances and the fiscal management measures taken by the government, as well as the COVID-19 pandemic). The MTR conducted in 2018 provided strategic direction for the remaining implementation period and served to build the PIU's management capacities to improve project planning and monitoring tools and practices. Special attention was also provided by the World Bank's environmental and social safeguards specialists during the last two years of implementation, due to unexpected complications that emerged and that needed their intervention for the project to comply with WB policy at project closing. The considerable downsizing of the project in 2019 justified a new



economic and financial analysis, so that ex-post analysis would have realistic comparison values, but they were not undertaken.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The M&E was well designed with some minor shortcomings. Some of the outcome indicators (monetary and non-monetary benefits) lacked precision as to what the non-monetary benefits consisted of. The impact survey could have drawn deeper findings on impact results if more impact indicators had been identified (changes in behavior, perceived improvement of life conditions).

At appraisal, the following was planned regarding the M&E: biannual progress reports with performance indicator updates; a project-specific impact evaluation designed in consultation with the Development Impact Evaluation Initiative (DIME); the need for the national counterpart to rely more on the Local Executing Units (LEU) and ensure that they follow established methodologies for progress reporting. An M&E strategy was included in the Operational Manual (OM), and it was foreseen that an M&E specialist would provide support and capacity development at all levels (Organogram Annex 3, Figure 3.3, PAD). The implementing agency was to be involved in developing the results framework. M&E reports, including environmental and social monitoring results, were to be produced quarterly at the LEU level and every six months at the National Executing level. Annual evaluation and impact monitoring reports were to facilitate adaptive management, allowing for the identification of issues and lessons that could help adjust the operational strategy. The project's mid-term review was planned for no later than 30 months after effectiveness.

b. M&E Implementation

Data collection and analysis were systematic during project implementation, and the PIU was attentive and committed to improving and adjusting the M&E system as necessary. These efforts permitted the successful tracking of the indicators of the RF and were particularly useful in tracking the PICs' elaboration.

Beneficiaries' surveys took place at two stages: during PIC formulation to identify beneficiaries' priorities and before the end of project implementation to assess satisfaction with project interventions (ex-post). Outcomes were significantly assessed through beneficiary surveys and were not verified or triangulated with more objective measurement methods. They included a qualitative question about the degree to which respondents felt that project activities reflected their preferences. A total of 1,336 surveys were conducted for heads of households and were conducted twice to a representative sample of



beneficiaries. The survey allowed for gender disaggregation. A third survey was planned for after the project closing but could not occur due to COVID restrictions.

The weaknesses of some indicators lacking conciseness were not corrected during implementation. For instance, the indicator that measured access to basic services could have been modified to “access to water.” A baseline data collection was not carried out. Still, comparing some of the project achievements to the initial situation would have been useful, particularly for the outcome indicators.

c. M&E Utilization

M&E was used as a key tool to inform decision-making, planning, and budgeting for project management. The M&E results guided the reallocation between disbursement categories and the downsizing of final targets for some results indicators during the three restructurings, aiming at keeping the PDO achievable while honoring the commitments made to local communities.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

At appraisal, the project was classified as Category B. The safeguards triggered are the following: Environmental Assessment OP/BP 4.01; Natural Habitats OP/BP 4.04; Forests OP/BP 4.36; Pest Management OP 4.09; Physical Cultural Resources OP/BP 4.11; Indigenous Peoples OP/BP 4.10; Involuntary Resettlement OP/BP 4.12.

The environmental risks were rated as Moderate, and the project was expected to reduce pressure on forests and produce positive impacts. However, some of the project investments implemented to support cattle ranching in forest ecosystems might have environmental effects in the long term, leading to poorly understood effects, such as forest fire risk, biodiversity, and greenhouse gas balance. During implementation, the overall safeguards performance was less than satisfactory, and weaknesses related to implementing safeguard policies, such as Environmental Assessment, Indigenous Peoples, and Involuntary Resettlement, persisted.

During a mission conducted in November 2021, it was found that several of the wells that would provide water access to the indigenous communities (in the province of Salta) had too high levels of salts, which made the water unapt for human consumption. Although the agreement between the WB and the GoA had been that if such an event took place, the wells would be sealed, the GoA, in order to provide access to safe water for parts of the communities, opted for treating the water to make it safe for consumption (most of the treated water would be used for crops and animals, and only a small part for human consumption). An Action Plan was established with the WB safeguard specialists (including the regional WB specialists) to follow up activities closely and mitigate the risks. Among the mitigation measures that were included: obtaining confirmation from laboratories on the water quality, involving other public authorities in the supervision of the plan (Ministry of Health and the Water Authority at the local level), establishing the need



to elaborate reports on the water quality twice a year, etc. The action plan is under implementation, and the project is still being monitored as part of the regional portfolio supervision (exchanges with the Bank team). The ICR notes that no project-related fatalities, health/safety-related accidents, or other significant environmental incidents attributable to the project were recorded during implementation, and most safeguards aspects were addressed.

The social risks were not rated explicitly in the Project Appraisal Document, but during most of the project implementation, the social safeguards performance was rated as less than satisfactory. There were significant technical weaknesses in the Project Implementation Unit (PIU) regarding the implementation of social safeguards instruments for Indigenous Peoples and resettlement. The Indigenous Peoples in the project area were identified during project preparation, and a participatory process involving them was conducted to ensure their engagement and consent. However, the impact of the COVID-19 pandemic interfered moderately with the project's work in the territory, as switching to a virtual mode affected how the project engaged with the communities.

b. Fiduciary Compliance

Financial Management

The FM arrangements provided accurate and timely financial information, and budget allocation and distribution were adequately carried out. The Directorate of Projects had constructive engagement with the World Bank on FM aspects throughout the implementation period, and moderate FM shortcomings were identified during supervision missions. Financial statement audits were carried out by Argentina's General Audit Office, sometimes submitted with some delay, and were found to be acceptable without any qualified opinions. All recommendations were addressed during the project implementation, and all interim financial reports submitted to the World Bank were considered acceptable and received within standard timelines. Overall, the FM Implementation Status and Results reports ratings ranged from moderately unsatisfactory to satisfactory.

Procurement

The World Bank's procurement post review carried out in October 2022 showed that the provisions outlined in the Procurement Regulations (applicable to the project), the Loan Agreement, and the PAD were substantially complied with. Despite several staff rotations, the PIU retained a procurement specialist with experience executing processes financed by the World Bank. The technical inputs were provided by the requesting areas and incorporated into the respective documents. Despite some delays in the procurement process execution, mainly based on the operational context of the project, the PIU managed to carry out the activities approved in the Procurement Plan.

During the first years of implementation, disbursement increased at an average rate of 16 percent, decreasing notably in 2019. After the 2019 restructuring, when a partial cancellation for US\$38 million was processed, the disbursement rate experienced a steady increase throughout the rest of the project life, reaching a 99.6 percent rate at the project closure. Advances to the Designated Account have been thoroughly documented. As of January 24, 2023, a small balance of US\$.084 million remains undisbursed and is to be canceled.



c. Unintended impacts (Positive or Negative)

Following the recognition of the PICs as a national intervention strategy for the GoA, they have continued to be implemented through the Payment for Results Program funded by the Green Climate Fund (since 2022). This Program includes measures to reduce greenhouse gas emissions as a strategy to address climate change (ICR, page 30).

d. Other

The Implementation Completion assessment was conducted a few months prior to project closing and, as pointed out by the project team in its correspondence to IEG (07/25/23), the ICR was thus not able to capture the full picture of all actual achievements at project closure.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Satisfactory	Moderately Satisfactory	There were shortcomings in Quality at Entry.
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

12. Lessons

IEG draws the following lesson:

When a project that is restructured with considerable downsizing of its scope does not update its Economic and Financial Analysis, the economic efficiency may be difficult to measure ex-post, as the original EFA no longer represents the baseline of comparison. In this project, the lack of an EFA at mid-term review also hindered the ability to decide on investment priorities based on data, eventually leading to additional project restructurings and the reallocation of resources among disbursement categories.

The following lessons drawn from the ICR, with some adjustments made by IEG, are deemed particularly relevant:

When sufficient political will and institutional capacity are present, projects with a strong community participatory planning component with new target populations are more likely to be successful. In this project, not all Provinces had the same disposition towards the involvement



of indigenous and campesinos communities. Those with better disposition and higher technical capacity were more successful in facilitating participatory planning.

An appropriate level of precision and detail of a project's investment may enhance the project's execution rate and achievement. Carefully defining the geographic scope of the interventions and focusing the project implementation on a narrow but thoroughly detailed and known set of investments strongly aligned with the key expected results (instead of offering a broad, untested, or loosely defined set of investment alternatives) is essential to keep that balance, particularly in cases of constrained implementation capacities. This is supported by the fact that once the project scope was reduced, the execution rate and achievement of results significantly improved.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR presents a good analysis of evidence. The quality of evidence is substantial, based both on the surveys conducted and the data collected for the indicators of the results framework. In terms of the quality of analysis, there is a clear link between the narrative, the ratings, and the evidence. The original and revised ToCs are depicted graphically in detail in respective figures. The efficacy is assessed comprehensively, though the ICR should have undertaken a split evaluation given the significant reduction in scope and targets.

Lessons are clear and well explained with concrete project examples. The main learnings of the project are identified.

The ICR is results-oriented. The discussion on achievements was adequately balanced between reporting on the achievement of outcome indicators and what the project achieved on the ground. It provides a candid, accurate, substantiated set of observations aligned to the project development objective. It also acknowledges the shortcomings, such as not having an updated EFT at the time of the MTR and first restructuring, to enable a more realistic baseline to compare progress and economic benefits by project closure.

The ICR used the available data to the extent possible to justify most of the assigned ratings, showing consistency with guidelines. The ICR provided comprehensive coverage of the implementation experience and candidly reported shortcomings. However, the length of the ICR is nearly double the recommended length in the guidelines.

a. Quality of ICR Rating

Substantial

