

April 1997

International Bank for
Reconstruction and Development
1818 H St., NW
Washington, D.C. 20433

Dear Sirs:

Re: Native Forests and Protected Areas Project: Implementation Letter

Please refer to the Loan Agreement (Native Forests and Protected Areas Project) between the Argentine Republic (the Borrower) and the International Bank for Reconstruction and Development (the Bank) of even date herewith (the Loan Agreement). Whenever used in this letter, the several terms defined in the Loan Agreement have the respective meanings therein set forth.

This letter is the Implementation Letter referred to in Section 1.02 (e) of the Loan Agreement.

With respect to Section 1.02 (f) of the Loan Agreement, Annex 1 hereto sets forth the Monitoring Indicators.

With respect to Section 3.06 (d) of the Loan Agreement, the selection criteria, approval process and contractual provisions for the implementation of Part A (3) of the Project are set forth in Annex 2 to this letter.

Please confirm your agreement with the foregoing and with the Annexes by signing this letter in the space provided.

Sincerely,

ARGENTINE REPUBLIC

By: _____

AGREED:

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

ATTACHMENT

Implementation of the Sub-Component:

Applied Research and Studies to Facilitate Improved Management and Conservation of Native Forests

1. Implementation of this sub-component would be planned, managed and supervised by SRNyAH with the assistance of a PMAU which would be staffed on a full-time basis with, inter alia, a Technical Manager, a Statistician, and an Economist. The process which SRNyAH would follow in selecting, approving and financing research and study proposals is outlined in this Attachment.

2. SRNyAH would have the freedom to take the initiative and to suggest topics for study that it regarded as high priority. More generally, however, SRNyAH would rely on a competitive system for generating research and study topics and ideas in order to provide it with the opportunity to tap into the latest thinking in Argentina and elsewhere on how best to respond to the challenges inherent in its mandate of improving the management and conservation of native forests. This competitive system would provide all interested researchers and consultants with the opportunity to compete for funding, while leaving with SRNyAH the responsibility to allocate the available scarce funds wisely.

3. To obtain approval, a research or study proposal would have to pass four tests: (a) a technical test to ensure its technical soundness and quality; (b) an

economic/financial test which, assuming the research or study outcome is as expected, would show a likely favorable balance between expected benefits and costs (e.g., payments to farmers on privately owned land in the Chaco region, including the transactions costs involved); (c) a sustainability test which, assuming the research or study outcome is as expected, would show a reasonable expectation of sustainability (e.g., in the Chaco region, based on a declining gap between the with- and without-project net financial returns to the farmer); and (d) an environmental test, which would exclude proposals that would be harmful to the environment.

4. Initially, the applied research and studies supported in the Chaco region under this sub-component would provide for the investment and operating costs needed to close the financial gap between the net returns a farmer would expect when testing environmentally friendly management systems and the returns to the farmer without any change in management. In order to enhance the probability of researching technical packages which would prove to be sustainable, the evaluation and approval process for research and study proposals would pay particular attention to ensuring that the required amount of payment to individual owners of native forests would be on a declining scale.

5. All of the research and study proposals approved by SRNyAH would have the following characteristics: (a) if successfully completed, they would yield valuable information concerning a geographic area or topic about which decisions of importance to environmental values are being, or shortly will be, considered; and (b) valuable results could be produced within the life of the proposed project.

6. The approval process for research and study proposals submitted by non-SRNyAH staff for either the Chaco region or areas lying outside the Chaco region would follow the following steps: interested parties, including researcher(s), consultant(s), NGOs, farmer(s), etc., would consult, when appropriate, with an SRNyAH research committee, as per (c) below, for clarification of the rules, and to obtain a positive or negative response to their preliminary research or study proposals, following advertisements which SRNyAH would place in the national and local press; assuming a positive response to the preliminary research or study proposal, a detailed research or study proposal would then be submitted to SRNyAH for its consideration, including, inter alia, the research or study objectives, description of task, research or study methodology, a plan for completing the research or study, a chronogram of implementation, names of researchers, including their qualification and experience, level of payments requested, and proof of land ownership in all cases where farmer participation is involved; a Research Committee--consisting of the Director of DRFN (or his designee), the Technical Manager, the Statistician and the Economist--would complete an evaluation of each research or study proposal, paying particular attention to, inter alia, its priority within the overall research and study program established by SRNyAH for either the Chaco region or areas lying outside the Chaco region, expected outputs, technical feasibility, soundness of the research or study design, expected benefits relative to costs should research or study results be as expected, likelihood of sustainability should research or study results be as expected, proposal for quantification of results, payment schedule, and qualification, motivation and experience of researchers and sponsoring party; if the proposal is rejected in step (c), then the process would return to step (b); if the proposal is approved in step (c), which would require the written agreement of the Technical Manager, the Statistician, and the Economist, then a contract would be written and signed between the SRNyAH and the parties involved, with the research or study proposal included as part of the contract. The contract would include, inter alia, the research or study objectives, expected outputs, description of task, research or study methodology, names of researchers and consultants, chronogram of implementation, and schedule of payments by all parties, including SRNyAH; SRNyAH would monitor carefully the progress under each research and study contract and make periodic payments as warranted; researcher(s) and/or consultants would submit final written reports, listing achievements and failures and any departures from the contract; SRNyAH would recruit independent financial and technical auditors to audit compliance and evaluate results under each contract in order to ensure the integrity of the process; SRNyAH would make final payment under the contract, or take other appropriate action, depending on the outcome of the financial and technical audit and evaluation of the research or study results.

7. The approval process for research and study proposals submitted by SNyAH staff for either the Chaco region or areas lying outside the Chaco region, which would not exceed about 30 percent of the total research and studies funding, would follow the following steps: staff, where appropriate, would consult with SRNyAH for clarification of the rules, and to obtain a positive or negative response to their preliminary research or study proposals; assuming a positive response to the preliminary research or study proposal, SRNyAH would recruit individual consultants, following the

procedures agreed for this project, to prepare the detailed TORs, which would then be submitted to SRNyAH for its consideration; The Research Committee would complete an evaluation of the detailed TORs along the lines outlined above in paragraph 6 (c), and if approved, SRNyAH would recruit the necessary consulting services following the procedures agreed for this project; SRNyAH would follow the exact same steps outlined above in paragraph 6(f), 6(g), 6(h), and 6(i).

