

Action Fiche for ARGENTINA (Annex 4)

1. IDENTIFICATION

Title/Number	Improvement of Regional Economies and Local Development DCI-ALA/2010/021-961		
Total cost	TOTAL: EUR 15,000,000 EU Contribution: EUR 7,500,000 Beneficiary: EUR 7,500,000		
Aid method / Method of implementation	Project approach - Partial decentralised management		
DAC-code	25010	DAC-code	Business support services & institutions

2. RATIONALE

2.1. Sector context

The Secretariat of Industry, Trade and Small and Medium Enterprises within the Ministry of Industry and Tourism, is in charge of the design, implementation and supervision of public policies aimed at encouraging the development of Small and Medium Enterprises (SMEs), in order to move towards the integration of the productive structure of all Argentine regions.

In this sense, the Under Secretariat of Small and Medium Sized Businesses and Productive Development implements financial assistance programs such as the National Fund for Micro, Small and Medium Sized Businesses (mSMEs) (FONAPYME, the Global Credit Programme, the Credit Access and Competitiveness Programme (PACC and the National Training Programme. The goal of these Programs is to recover the regional productive activity, to promote sectoral development through value chains, and to create new companies and more and better jobs.

The Instituto Nacional de Tecnología Industrial (INTI), as a decentralised organisation within the Ministry of Industry and Tourism, is the national technological referent, and it is technologically responsible for seeking the integration of the entire community into the production system, by promoting partnerships, local development, and the creation of new companies, thus contributing to improve welfare and the quality of life of the population. In this regard, it is an instrument to accomplish and set in motion Government policies through direct work with SMEs (10 – 20 employees) and micro and SMEs (less than 10 employees) in concrete initiatives.

To achieve these goals and according to a previous study carried out by INTI and the statistics provided by the Under Secretary of SMEs, INTI has planned a “productive occupation in the territory” as an action included in its 2008 – 2018 Strategic Plan. The purpose to increase INTI presence in the provinces with lower relative industrialisation is to place technology at

the disposal of the most neglected regions in the country. Thus, The Government expects to transfer technological capabilities, to create entrepreneurship capacity and to place the required technical means at the disposal of regional micro and SMEs to meet the demands for efficiency and quality improvement in their products and/or services.

It is in response to these strategic lines that INTI has progressed to be present in virtually all of the provincial jurisdictions. In addition to those already existing, more INTI centres have been created in new locations including San Luis, La Pampa and Chubut, and Expansion Units¹ were opened throughout the country (it only remains for the expansion agents in Río Gallegos – Province of Santa Cruz – and Río Grande – Province of Tierra del Fuego to be incorporated). Additionally, the presence of the institution has been materialised by setting up:

Demonstrative Units: Their purpose is to develop a productive experience on a small scale by showing their efficiency, self-sustainability and possibilities of similar replicas. Execution and management may be under the charge of INTI or other players under the supervision of INTI, which also promotes training, assistance and local work promotion for entrepreneurs and small local producers; and *Pilot Plants:* Small scale units whose purpose is to prepare, test and analyze the manufacturing process of any product at a pre-industrial level.

Within this framework, this project aims at supporting the institutional strategy related to technology being used for mSMEs and SMEs in neglected regions by increasing INTI's presence and implementing action lines to help solve community problems, thus contributing to a social transformation with equity. That is why the regions benefiting from this Project include the North East of Argentina, made up of the provinces of Chaco, Formosa, Misiones and Corrientes, and the North West of Argentina, made up of the provinces of Catamarca, Salta, Jujuy, Santiago del Estero and Tucumán.

The North East Argentina area is characterized by a strong primary production (agriculture, farming and forest) and manufacturing industry that is barely diversified and strongly dependent upon the primary sector (food, wood and textile industries).

The North West Argentina area is characterized by its survival agricultural and farming production. In addition, operated minerals include zinc, silver and lead. The population on the eastern range of mountains is larger and the agriculture is intensive; major crops include sugar cane, citrus and tobacco. There are also gas and oil fields.

Both regions are marked by social marginalization areas, few economic development and free exploitation of natural resources.

On its part, the North East Argentina region has the lowest Human Development Indicators (HDI) rates in Argentina. According to 2006 HDI, made up of three basic indicators: Life expectancy, literacy and purchasing power as measured with the Gross Domestic Product (GDP) per inhabitant, to have a respectable standard of living, it is observed that while Argentina reached a rate of 0.818 in 2006, the four NEA provinces varied between 0.768 and 0.794. 54.7% of the population in the region lives under the poverty line.

¹ *Expansion Units:* sectors of INTI's Extension Program that are structured according to a territory and the problems that need to be solved there, for which the strategies and methods defined by the institution are applied.

North East Argentina provinces have the lowest relative development in Argentina. In this sense, the Gross Geographic Product (GGP) per capita of each of them is lower than the average domestic product and the rate of people with unmet basic needs is one of the higher in the country. All the indicators in the four provinces are negative: Malnutrition, marginalisation and inequality. As stated above, their economy is based on primary production with a low value added, with a high rate of inhabitants in rural areas compared to the average national rate.

Province	Population	UBN
NOA:		
Catamarca	332,390	18.4%
Jujuy	611,888	26.1%
Santiago del Estero	804,457	26.2%
Salta	1,079,051	27.5%
Tucumán	1,338,523	20.5%
NEA		
Chaco	984,446	27.6%
Formosa	486,559	28.0%
Misiones	965,522	23.5%
Corrientes	930,991	24.0%
Total Argentina	35,927,409	14.3%

Source: INDEC, 2001 National Population census

The main problems of mSMEs in the North West Argentina and North East Argentina regions are:

- i. Lack of trained human resources
- ii. Waste of all by-products due to lack of knowledge
- iii. Lack of marketing channels bringing producers and consumers together
- iv. Lack of knowledge in the design of small machinery and equipment
- v. Weak coordination methods and enquiries with other governments and the private sector
- vi. Producers and mSMEs having insufficient access to information and training
- vii. Ignorance of systems to improve quality and lack of technical assistance related to the subject
- viii. Ignorance of existing management technologies for process improvement, cost reduction, human resources, etc., and lack of technical assistance related to the subject
- ix. Lack of monetary additional gains due to ignorance of product quality
- x. Few product diversification due to a lack of knowledge on value added to local production

In short, the main reasons why the development of SMEs is prevented include:

- ◆ Ignorance related to process, quality and management improvement.
- ◆ Lack of technological assistance and training in the region.
- ◆ Lack of value added in local production and the resulting losses.

2.2. Lessons learnt

EU cooperation promotes the improvement of competitiveness, productivity and export capacity of Argentine SMEs through horizontal projects and programmes. INTI has executed several projects financially supported by international organizations including the European Union, so it has long experience in managing international cooperation projects.

2.3. Complementary actions

As a national technological referent, INTI and the Argentine Ministry of Labour, Employment and Social Security signed an agreement to set up Demonstrative Plants in different regions within the country in order to promote local development and employment. Additionally, as agreed with the National Government, an executive order will be signed by the Chief of the Cabinet of Ministers for the setting up of 10 demonstrative plants of small multi-purpose slaughterhouses and meat processing plants in order to reduce the marketing and employment creation chain in areas with low relative development including the intervention area.

INTI relationships with local players in the unfavoured areas have enabled to detect unmet demands and the need to deepen knowledge transfer in the aforementioned regions where there was no intervention. In this sense, the Ministry of Production, the Secretariat of Small and Medium Sized Businesses and the Secretariat of Science and Technology, among other governmental agencies of the provinces in which this project is applied, are joining their efforts. This makes it possible to coordinate the initiatives with local authorities providing their knowledge about the specific needs of each region and facilitating the relationship of INTI in the territory and to have much support from stakeholders. Another expected result from the inter-institutional coordination is the creation of synergy among the public, private and technological sectors (the Argentine Institute of Agricultural and Livestock Technology (INTA)) – other technology institutes in the region including Agroindustrial Experimental Station Bishop Colombes in Tucumán and local Universities), which will translate into a multiplying effect of the transfer.

This relationship has also been translated into the signing of several agreements with local players committed to promote the regional development of the most unfavoured areas in the country.

2.4. Donor coordination

The Project was formulated together with the Argentine authorities (governments of the participating provinces in North West Argentina and North East Argentina), taking into account any coordinated actions with other donors and international financial institutions in other areas that are not financially supported by the European Union.

In addition, EU Member States were consulted during the Project creation process, analyzing the possibility of supplementing the EU donors' activities. An example of this is the Spanish Agency for International Cooperation for Development (AECID), which works on rural development in North West Argentina for the purposes of improving the competitiveness of rural businesses producing fruits, vegetables, quinoa and aromatic herbs with value added.

As regards the environment, INTI works with the Integrated Experts Programme of the Centre for International Migration and Development (CIM), an organization created by both the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) and the Federal Labour Agency in Germany together. This programme facilitates the hiring of German experts. Within the framework of such a programme, INTI has recently hired a biogas expert. This expertise will be taken into account to find the synergy required for the environmental issue within the framework of this Project.

On the other hand, INTI is supported by the Japan International Cooperation Agency (JICA), but at present this agency is not working in the Project intervention area nor in the productive sectors that have been selected.

3. DESCRIPTION

The rationale of the Project intervention is based on the sector's problem solving and meeting of needs, which were analysed and agreed upon with the relevant players at the identification and formulation phase.

3.1. Objectives

The purpose of the project is to make technology available to the most neglected regions in the country, increasing INTI's presence in those areas and implementing action lines that may help solve community problems by contributing to a social transformation with equity.

Overall objective: To contribute to the improvement of the community quality of life and local development in unfavoured areas of the Argentine Republic by strengthening local technical capabilities.

Specific objective: To improve the mSMEs competitiveness in under developed regions providing services that are suitable to meet the needs and for the characteristics of the local businesses.

3.2. Expected results and main activities

Result 1: Reference centres for the transfer of technology in the provinces of North West Argentina and North East Argentina are currently being operated.

For the purposes of meeting the local needs of mSMEs in the regions that have been selected and contributing to local development and community problem solving, new INTI centres will be set up in the provinces of Tucumán and Chaco, which will be strengthened and improved, as well as an Operating Unit in Jujuy, in order to meet the demands of the region through the expansion agents' network and the following main activities:

A.1.1.- Civil Works and Equipment: Improvement and generation of infrastructure at INTI Centres located in Tucumán and Chaco (labs and pilot and demonstrative plants), as well as that of the Operating Unit in Jujuy (transfer of sun power) and the purchase of equipment as planned.

A.1.2.- Training for INTI's technicians working at the Centres located in Tucumán, Chaco and Jujuy as well as in the rest of provinces in the region. Additionally, theme specialists will be trained as well as other specialists from other institutions in the region (universities, chambers, associations and government agencies related to SMEs). Visits to science and technology institutions, European companies and other information and training centres.

A.1.3.-Introductory workshops for mSMEs technicians and professionals in the intervention region. – Communication of the capabilities of the North West Argentina and North East Argentina Centres and INTI's Expansion Units in the region to the regional productive sector.

Result 2: mSMEs in North West Argentina and North East Argentina use the services of technical assistance and transfer of technology provided by the INTI Centres in the region.

To identify the weaknesses in mSMEs, an appropriate intervention model will be designed according to the needs of each of them in order to implement a solution through training, technical assistance, etc.

The main activities used to obtain this Result are:

A.2.1. A study to design the monitoring system and develop indicators in detail for gathering information about mSMEs in order to define the baseline in the industrial sectors where there is intervention.

A.2.2. Diagnostic studies and studies on the positioning of new products in the regional, national and international context in productive chains supported by the INTI Centres in North West Argentina and North East Argentina.

A.2.3. Diagnostic visits to companies. Methods for consultation and coordination with the productive sector and technological institutions in the region.

A.2.4. Design and implementation of an intervention program at the INTI Centres for mSMEs. Discussion and agreement on the intervention plan.

A.2.4. Training for mSMEs technicians on quality, regulations and productivity improvement. Theme days and visits to science and technology institutions, European companies and other information and training centres.

Result 3: Networks already set up and in operation connecting the Centres, other Science and Technology organisations, the regional Secretariat of SMEs, municipalities, business chambers, and mSMEs in North West Argentina and North East Argentina in order to contribute to the improvement of business competitiveness and ensure compliance with national and provincial laws.

The main activities used to obtain this result are:

A.3.1. Definition of priority issues: Analysis of environmental problems, alternative power sources, employment safety, food health and safety, among others.

A.3.2. Training and exchange of experiences at international events of technology, visits to European companies, other information and training centres proposing solutions to already defined problems.

A.3.3. Construction of a virtual and interactive network of technological information and training related to the intervention subjects and addressed to the intervention areas.

A.3.4. Preparation of guides and technological notebooks to be used during the productive improvement of technological and marketing management.

3.3. Risks and assumptions

In order to work on a network among INTI Centres, municipalities, universities, business chambers, mSMEs in North West Argentina and North East Argentina, the representatives of these players should be willing to participate. This will be achieved during the days of promotion, workshops, plan designs, and other coordination activities.

To achieve the goals, INTI's commitment should be continued and the productive sectors in the region should be provided with technical assistance after the Project is completed. In addition, competent technical personnel committed to the process of regionalization of the institution are required.

Finally, in order to achieve the specific goal of this project, the institutional commitment (as included in INTI's 2008 Strategic Plan) to improve INTI's presence in the provinces should be kept, installing new research and development centres. In addition, there should be political consensus to support the National Strengthening Programmes for mSMEs and local players should be committed to follow INTI's institutional policy in the different regions within the country.

3.4. Crosscutting Issues

The Project will emphatically work on the environment issue through the laboratories that will be set up in Tucumán and Chaco. They will work on the cleaning up of water with arsenic content, an issue afflicting the community in the region and requiring a technological solution.

In addition, we will address the issue of renewable power in Jujuy by setting up a Unit of sun power and transfer of solar technology. There will be a space for applied research to create experiences related to the technology for the use of solar thermal energy for applications increasing local productive capacity (water pumping, communications, etc.). The project will work on this issue also in Chaco, generating electric power with the gasification of coastal wood waste coming from sawmills. This gas will be used to generate electric power for the public mains.

Any activity that may cause irreversible harm to the environment and any company infringing the national environmental laws in force will be excluded from the project scope. Within the different scopes of execution of the project, the Beneficiary agrees to foster equality among men and women and not to discriminate against any of them when defining the composition of the local team personnel and in general, in terms of regards human rights.

3.5. Stakeholders

The direct beneficiary will be INTI, especially the Regional Centres in Tucumán and Chaco, and the Unit in Jujuy, as well as their influence area in North West Argentina and North East Argentina.

The indirect beneficiaries comprise the business chambers, SMEs, mSMEs, and groups of entrepreneurs in the intervention areas.

Stakeholders also comprise the Government administrations whose participation and commitment is essential to materialise this initiative; said administrations will actively participate as from the commencement of the activities. The provincial and local authorities have been duly consulted, so that they facilitate INTI setting up in the region and its

articulation with the representatives of the productive sector, thus contributing to the appropriation of the project by local players².

The project will work with the science and technical organizations present in the regions such as National Universities, provincial organizations including the INTA for synergy between the organisations present in these regions.

The end beneficiaries will be consumers and the community in general.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The action will be implemented by decentralised management through the signature of a financing agreement with the Argentine Republic. The Commission controls ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts EUR > 50,000 and may apply ex post for procurement contracts EUR ≤ 50,000 . The Commission controls ex ante the contracting procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the beneficiary country for operating costs and contracts up to the ceilings indicated in the table below.

The responsible Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

Works	Supplies	Services	Grants
EUR < 300,000	EUR < 150,000	EUR < 200,000	EUR ≤ 100,000

The project will be managed by a Management Unit to be created within the INTI and financed by national resources. An imprest administrator and an imprest accounting officer will be assigned to the management and implementation of the project by INTI, in agreement with the Head of the EU Delegation.

A Monitoring Committee will be established for the implementation of the Project, involving the EU Delegation and senior representatives of the major stakeholders. Short and medium technical assistance will be used mainly for sector analysis, technical training of beneficiaries being Micro SMEs, design and production of diffusion material, etc. The project is consistent

² During 2007 and 2008, INTI began this expansion process by subscribing agreements with the Provincial Governments for setting up INTI Research and Development Centers in the following Provinces: Chaco, San Luis, La Pampa, Catamarca, Santiago del Estero, La Rioja, Formosa, San Juan. Additionally, the pertinent agreements were signed with the Municipal Governments to set up Extension Units in: Posadas-Misiones, Salta (Capital City), Tucumán (Capital City) and Santiago del Estero (Capital City).

with aid effectiveness agenda given due to the fact that it is integrated to national strategies and policies.

Prior to the commencement of the Project activities, agreements will be signed with Chaco, Tucumán and Jujuy for the setting up of INTI Centres in those regions.

4.2. Procurement and grant award procedures

1) Contracts: All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question. Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by Regulation (EC) No. 1905/2006. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in articles 31(7) and (8) of Regulation (EC) No. 1905/2006.

2) Specific rules on programme estimates: All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question (i.e. the Practical Guide to procedures for programme estimates).

4.3. Budget and calendar

The total program cost is estimated at EUR 15,000,000 of which EUR 7,500,000 will be financed from the budget of the European Union. The contribution of Argentina in cash and partially in kind is EUR 7,500,000.

DESCRIPTION	E.U	%	ARGENTINA	%	TOTAL	%
1. SERVICES	3,100,000	41%	1,050,000	14%	4,150,000	28%
1.1. Technical Assistance (1)	1,500,000	20%	300,000	4%	1,800,000	12%
1.2. Monitoring, Evaluation, Aud. (1)	300,000	4%	0	0%	300,000	2%
1.3. Studies	450,000	6%	100,000	1%	550,000	4%
1.4. Training	450,000	6%	300,000	4%	750,000	5%
1.5. Exchange of Experiences	400,000	5%	350,000	5%	750,000	5%
2. EQUIPAMENT AND SUPPLIES	3,600,000	48%	2,100,000	28%	5,700,000	38%
2.1. Equipment (2)	3,400,000	45%	1,900,000	25%	5,300,000	35%
2.2. Supplies	200,000	3%	200,000	3%	400,000	3%
3. GRANTS	0	0%	0	0%	0	0%
4. WORKS (3)	0	0%	1,500,000	20%	1,500,000	10%
5. INFORMATION AND VISIBILITY	450,000	6%	100,000	1%	550,000	4%
6. OPERATIONAL EXPENSES	200,000	3%	2,750,000	37%	2,950,000	20%
6.1. locals staff	0	0%	2,250,000	30%	2,250,000	15%
6.2. Other functioning expenses	200,000	3%	500,000	7%	700,000	5%
7. CONTINGENCIES (4)	150,000	2%	0	0%	150,000	1%
8. TOTAL	7,500,000	100%	7,500,000	100%	15,000,000	100%

(1) The EU funds corresponding to the budget headings 1.1 (Technical Assistance) and 1.2 (Monitoring, evaluation and audit) are managed directly by the European Commission; (2) contribution of the beneficiary country consists of actions made in the framework of the implementation of INTI's Strategic Paper (3) contribution of the Beneficiary Country: improved infrastructure in the three INTI Centres and expansion of the labs facilities for technology development for SMEs and mSMEs (4) the contribution of the European Union to the budgetary line "Contingencies" can only be used with prior agreement of the Commission.

The implementation period of the Financing Agreement will be of 48 months from the date of its signature. The operational implementation phase will last 42 months, and the closing phase 6 months.

4.4. Performance monitoring

Internal Monitoring:

A further elaborated monitoring system will be designed during the start-up phase with its corresponding indicators and baseline values, based on the Objectively Verifiable Indicators (OVI) and presented for approval to the EU Delegation.

The monitoring and evaluation system will be structured in base of the following indicators:

Specific objective: To improve the SMEs competitiveness in under developed regions providing services that are suitable to meet the needs and for the characteristics of the local businesses.

- 15% increase of non-traditional products at the end of the project.
- At least 40% of participating SMEs have produced new products and/or processes
- At least 20% of participating SMEs have increased their sales at the end of the project

Result 1: Reference centres for the transfer of technology in the provinces of North West Argentina and North East Argentina are currently being operated.

- Three INTI Reference Centres implemented
- 40% increase use of services from Reference Centres by SMEs

Result 2: SMEs in North West Argentina and North East Argentina use the services of technical assistance and transfer of technology provided by the INTI Centres in the region.

- 500 SMEs change policy on innovation
- More than 10 diagnoses done.

Result 3: Networks already set up and in operation connecting the Centres, other Science and Technology organizations, the regional Secretariat of SMEs, municipalities, business chambers, and SMEs in North West Argentina and North East Argentina in order to contribute to the improvement of business competitiveness and ensure compliance with national and provincial laws.

- Network created involving 200 SMEs, laboratories, local government, business chambers.
- Exchange with more than 50 European SMEs.

External Monitoring: The Commission will be able to undertake external monitoring missions. The first mission will be conducted when the Programme has been running for at least six months, similarly there will be a mission within the last 6 months leading up to termination. Additionally, the Commission will be empowered to undertake monitoring missions when it is considered pertinent.

4.5. Evaluation and audit

The Delegation will conduct a mid-term evaluation to monitor how the objectives and results are being attained, in accordance with the terms of reference, and to suggest and implement changes in the programme if necessary. A final evaluation will be conducted at the end of the programme. In both cases, the final reports will be submitted to the Delegation for approval.

The Delegation will launch external audits annually, to be carried out by internationally recognized audit firms. At the end of the programme, there will be an external audit covering the entire implementation period.

4.6. Communication and visibility

During the Project implementation, provincial motivation campaigns directed to mSMEs including environmental aspects of the production system, commercialisation, and international markets, among others. To launch the activities at the INTI Centres in Tucumán, Chaco and Jujuy, introductory activities targeted at the productive sector will be carried out. The activities include: Institutional brochures with the new technological offer, campaigns in the provincial and national media.

In addition, during the Project execution stage, notebooks with promotional material prepared by experts working with SMEs and mSMEs will be prepared as well as guides or technological notebooks and other brochures containing sectoral information. In order to ensure the required visibility of the European Union's cooperation, promotional activities (including brochures, articles and reports, visits, conferences, seminars and promotional material) to present the Project will be organised or elaborated, taking into account EU Visibility Guidelines.