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INTERNATIONAL FINANCE CORPORATION

MULTILATERAL INVESTMENT GUARANTEE AGENCY

COUNTRY PARTNERSHIP STRATEGY

FOR

THE ARGENTINE REPUBLIC

FOR THE PERIOD FY15-18

August 7, 2014

Argentina, Paraguay and Uruguay Country Management Unit
Latin America and Caribbean Region
International Finance Corporation
Latin America and Caribbean Department

Multilateral Investment Guarantee Agency

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CURRENCY EQUIVALENTS

(As of July 29, 2014)

8.19 Peso = US\$ 1

FISCAL YEAR (FY)

January 1–December 31

| IBRD | | IFC | | MIGA | |
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ABBREVIATIONS AND ACRONYMS

| | |
|-----------|--|
| AAA | Analytical and Advisory Activities |
| ACUMAR | <i>Autoridad de Cuenca Matanza-Riachuelo</i> (Matanza-Riachuelo River Basin Authority) |
| AFIP | <i>Administración Federal de Ingresos Públicos</i> (Federal Tax Administration) |
| ANSES | <i>Administración Nacional de Seguridad Social</i> (National Social Security Administration) |
| APL | Adaptable Program Loan |
| ARBA | <i>Agencia de Recaudación de la Provincia de Buenos Aires</i> (Tax collection agency of the Province of Buenos Aires) |
| AUH | <i>Asignación universal por Hijo</i> (Universal Allocation per Child) |
| AySA | <i>Agua y Saneamientos Argentinos S.A.</i> (Water and Sanitation Agency Argentina) |
| BCRA | <i>Banco Central de la República Argentina</i> (Central Bank of the Republic of Argentina) |
| CAF | <i>Corporación Andina de Fomento</i> (Development Bank of Latin America) |
| CCIs | Chronic Conditions and Injuries |
| CEDLAS | <i>Centro de Estudios Distributivos, Laborales y Sociales</i> (Center for Distributional, Labor and Social Studies) |
| CFAA | Country Financial Accountability Assessments |
| CNEA | <i>Comisión Nacional de Energía Atómica</i> (National Atomic Energy Commission) |
| COFEMA | <i>Consejo Federal del Medio Ambiente</i> (Federal Environment Council) |
| CPI | Consumer Price Index |
| CPS | Country Partnership Strategy |
| CR | Completion Report |
| CREMA | Performance-based Road Rehabilitation and Maintenance Contracts |
| DLI | Disbursement-Linked Indicator |
| DRM | Disaster Risk Management |
| FDI | Foreign Direct Investment |
| FM | Financial Management |
| FON.DE.AR | <i>Fondo para el Desarrollo Economico Argentino</i> (Economic Development Fund Argentina) |
| FONAPyME | <i>Fondo Nacional de Desarrollo para la Micro, Pequena y Mediana Empresas</i> (National Development Fund for Micro, Small and Medium-Size Enterprises) |
| FSAP | Financial Sector Assessment Program |
| FY | Fiscal Year |
| GAAP | Governance and Accountability Action Plan |
| GDP | Gross Domestic Product |
| GEF | Global Environment Facility |
| HPMP | Hydro chlorofluorocarbons (HCFCs) Phase-out Management Plan |
| IBRD | International Bank for Reconstruction and Development |

| | |
|-----------------|---|
| ICSID | International Centre for Settlement of Investment Disputes |
| IDB | Inter-American Development Bank |
| IEG | Independent Evaluation Group |
| IFC | International Finance Corporation |
| IFS | International Financial Statistics |
| IMF | International Monetary Fund |
| IMR | Infant Mortality Rate |
| INDEC | <i>Instituto Nacional de Estadística y Censos</i> (National Statistics and Census Institute) |
| IPCC | Intergovernmental Panel on Climate Change |
| LAC | Latin America and the Caribbean Region |
| MECON | <i>Ministerio de Economía y Finanzas Públicas</i> (Ministry of Economy and Public Finances) |
| MERCOSUR | <i>Mercado Común del Sur</i> (Southern Common Market) |
| MIGA | Multilateral Investment Guarantee Agency |
| MP | Montreal Protocol |
| M-R River Basin | Matanza-Riachuelo River Basin |
| M&E | Monitoring and Evaluation |
| NCD | Non-communicable Disease |
| NLTA | Non-lending Technical Assistance |
| OECD | Organization for Economic Co-operation and Development |
| PEFA | Public Expenditure and Financial Accountability (Assessment) |
| PISA | Program for International Student Assessment |
| PRAMU | Argentina Mining Decontamination Project |
| PROMER | Argentina Rural Education Improvement Project |
| PROG.R.ES.AR | <i>Programa de Respaldo a Estudiantes de Argentina</i> (Support Program for Argentine Students) |
| PROSAP | Provincial Agricultural Development Project |
| RAAP | Rapid Assessment Action Plan |
| RAICES | <i>Red de Argentinos Investigadores y Científicos en el Exterior</i> (Argentine Network of Researchers and Scientists Abroad) |
| RAS | Reimbursable Advisory Services |
| SEDLAC | Socio-Economic Database for Latin America and the Caribbean |
| SINTyS | Social and Fiscal National Identification System |
| SME | Small and Medium Enterprise |
| TTL | Task Team Leader |
| UMCs | Upper-Middle-Income Countries |
| UNFCCC | United Nations Framework Convention on Climate Change |
| US | United States |
| WBG | World Bank Group |
| WDI | World Development Indicators |
| WEO | World Economic Outlook |
| WHO | World Health Organization |
| YPF | <i>Yacimientos Petrolíferos Fiscales</i> (National Oil Company) |

ACKNOWLEDGMENTS

The World Bank Group greatly appreciates the collaboration of the Argentine authorities in the preparation of this Country Partnership Strategy. The preparation of the document involved discussions with government representatives from various sectors at the central and provincial levels, as well as with civil society, private sector, academia and development partners. The strategy is the result of a team effort that drew on knowledge, experience, and guidance from individuals across the World Bank Group. We thank them for their contributions.

TABLE OF CONTENTS

| | |
|---|-----|
| INTRODUCTION | 1 |
| I. COUNTRY DIAGNOSIS..... | 1 |
| A. Poverty, Inclusion, and Shared Prosperity | 1 |
| B. Economic Developments and Outlook | 7 |
| C. Country Development Challenges for Sustained Poverty Reduction and Shared Prosperity | 21 |
| II. GOVERNMENT VISION | 26 |
| III. WORLD BANK GROUP ENGAGEMENT | 28 |
| A. Lessons Learned from the FY10-14 WBG Engagement and Stakeholder Feedback | 28 |
| B. Proposed World Bank Group Partnership Strategy | 31 |
| C. Portfolio and Implementing the FY15-18 Country Partnership Strategy | 44 |
| IV. MANAGING RISKS | 45 |
| | |
| Annex 1. Results Framework—Argentina Country Partnership Strategy FY15-18..... | 48 |
| Annex 2. Argentina CPS FY10-12 Completion Report..... | 53 |
| Annex 3. Monitoring and Evaluation (M&E) of the CPS FY14-18 Results Framework | 94 |
| Annex 4. Main Economic Indicators, 2004-2013 | 99 |
| Annex 5. Balance of Payments, 2008-2013 | 101 |
| Annex 6. Fiscal Accounts | 102 |
| Annex 7. Evolution of Social Spending in Argentina..... | 104 |
| Annex 8. Growth Employment and FDI: Argentina and Comparator Countries..... | 108 |
| Annex 9. Labor Productivity and Wages | 110 |
| Annex 10. Social Indicators..... | 111 |
| Annex 11. Status of Gender Issues in Argentina | 112 |
| Annex 12: Consultations with Stakeholders | 115 |
| Annex 13. Argentina at a Glance | 117 |
| Annex 14. Argentina Operations Portfolio (IBRD and Grants)..... | 120 |
| Annex 15. Argentina Trust Fund Portfolio | 121 |
| Annex 16. IFC Committed and Disbursed Outstanding Investment Portfolio | 122 |
| Annex 17. Map of Argentina | 123 |
| | |
| Table 1. Economic Indicators | 20 |
| Table 2. Argentina CPS: WBG Results Areas and Core CPS Results, FY15-18 | 35 |
| Table 3. IBRD Portfolio Performance | 45 |
| Table 4. IFC Portfolio Performance..... | 45 |

| | |
|--|----|
| Figure 1. Poverty Reduction and Shared Prosperity | iv |
| Figure 2. Argentina CPS - Mapping of the WBG Result Areas | v |
| Figure 3. A Decade of Falling Poverty and Inequality, 2004-12 | 2 |
| Figure 4. Employment Grew Especially in Large Firms, 2004-12 | 3 |
| Figure 5. Labor Income Drove Urban Poverty Reduction, 2004-12..... | 4 |
| Figure 6. Urban Poverty Remains Higher in the North | 5 |
| Figure 7. The 2002 Crisis Doubled Poverty Rates..... | 6 |
| Figure 8. Productivity Increased | 8 |
| Figure 9. Argentina's GDP Growth Fluctuated Over the Past Decade..... | 8 |
| Figure 10. Service Sector Drove GDP Growth..... | 9 |
| Figure 11. Investment-to-GDP Ratio is Low | 9 |
| Figure 12. Subsidies Increased as Percentage of GDP | 10 |
| Figure 13. Fiscal Deficits Were Higher Without Transfers from the Central Bank and ANSES | 10 |
| Figure 14. Tourism Balance Deteriorated..... | 13 |
| Figure 15. Energy and Fuels Balance Deteriorated | 13 |
| Figure 16. Central Bank International Reserves Declined in Recent Years (in \$ billion) | 13 |
| Figure 17. International Reserves in Months of Imports Are at the Lower End (2013) | 13 |
| Figure 18. Development Bank Engagement (Percentage of Active Portfolio)..... | 28 |
| Figure 19. Selective Engagement for Sustained Poverty Reduction and Equity | 32 |
| | |
| Box 1. Harmonization of Poverty Data and Price..... | 2 |
| Box 2. Nationalization of Pension Funds, Aerolíneas Argentinas, and YPF..... | 10 |
| Box 3. The Impact of Trade and Foreign Exchange Restrictions | 11 |
| Box 4. The New Central Bank Charter Increased the Limit for Transfers to the Public Sector | 14 |
| Box 5. Changes to Improve Officially Reported CPI and GDP Statistics | 16 |
| Box 6. Settling the Paris Club Debt..... | 17 |
| Box 7. Argentina's Long-term Growth Determinants | 21 |

EXECUTIVE SUMMARY

Economic and Social Developments

1. **After the 2002 crisis, Argentina's growth rebounded, achieving one of the highest growth rates in the Latin America and the Caribbean (LAC) region.** Argentina's post-crisis GDP growth rates averaged 6 percent annually from 2003 to 2013, exceeded in LAC only by Panama and Peru. It was well above the 1.6 percent average annual growth rate Argentina achieved during 1980-2000. Especially in the period till the global financial crisis, Argentina's exports grew as a consequence of increased competitiveness from currency depreciation, economic growth in main trading partners, and high international commodity prices. Domestic demand was supported primarily by internal consumption and private investment. Until 2010, export growth and improved tax revenue led to fiscal and external surpluses, allowing Argentina to accumulate international reserves, reduce debt, and build fiscal space as buffers against shocks. Following the global financial turmoil of 2008, Argentina's economy slowed, with growth averaging 4.3 percent from 2009 to 2013 and with further weakening expected in 2014.

2. **Economic growth during 2003-2013 was inclusive, making Argentina one of the top two LAC performers in terms of poverty reduction and improvements in shared prosperity.** The 2002 crisis was impoverishing. Since then, Argentina has recovered lost ground and expanded the size of the middle class. Along with proactive social protection policies, economic growth enabled the country to reduce poverty and unemployment. Poverty measured at \$4-a-day¹ declined from 31 percent in 2004 to 10.8 percent in 2013.² Inequality was reduced,³ and the middle class grew from 34 percent of the population to 53 percent between 2000 and 2011. Gains in poverty reduction over the past decade have been driven largely by improved labor market outcomes as both earning increases and new job creation benefited lower-skilled groups. More than two-thirds of poverty reduction derived from improved job opportunities and earnings.

3. **Strong economic growth was accompanied by rising macro-imbalances and policy uncertainty, creating challenges to the sustainability of the macroeconomic policy framework.** Such imbalances include a sustained inflation pressure which the Government, among other measures, has sought to contain through prices freezes for specific products. Fiscal accounts deteriorated as a result of the rapid rise of subsidies and social expenditures, while the current account weakened as a consequence of currency appreciation and loss of competitiveness. International reserves declined by about \$22 billion during 2010-2013. The imbalances, together with a number of sectoral policies, have led to a deteriorating business environment, particularly in the energy sector. A change of statistical methodology for the consumer price index in 2007 raised questions about official inflation figures, eventually leading to an IMF censure and a call for Argentina to improve the quality of its inflation and GDP statistics. Argentina continued to face challenges from the debt in default since 2001 with

¹ Unless otherwise specified, the currency used throughout this document is the US dollar.

² Poverty measured at \$1.25-a-day declined from 6.3 percent in 2004 to 1.3 percent in 2012. Data from: SEDLAC: Socio-Economic Database for Latin America and the Caribbean (CEDLAS and World Bank).

³ The Gini coefficient fell from 50.2 in 2004 to 42.5 in 2012.

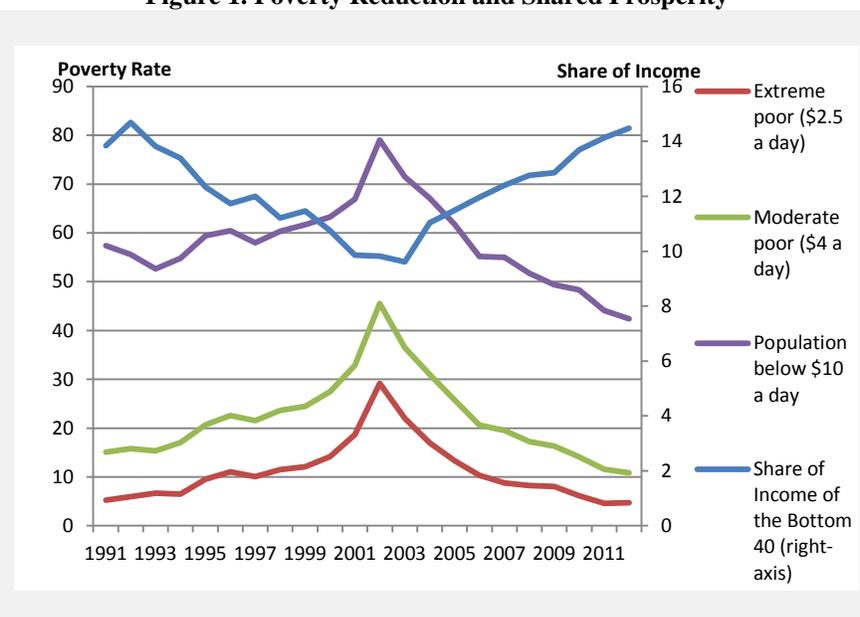
holdouts that had not participated in the 2005 and 2010 debt exchanges. Argentina also had a debt in default with Paris Club creditors until a May 2014 agreement on a new payment schedule. In addition, the nationalization of the private pension funds (in 2008), the Argentine Airlines (in 2008), and the oil company YPF (in 2012) increased uncertainty about the regulatory environment and property rights. Faced with pressure on its foreign reserves, the Government increasingly used restrictive trade and exchange rate policies to curb the demand for foreign exchange. These imbalances have become more binding as growth weakened.

4. **Recently, Argentina has begun to address several of these imbalances and has worked to resolve a number of international disputes.** In early 2014, Argentina allowed its currency to depreciate and tightened its monetary policy to alleviate pressures on the exchange rate and international reserves. The Government reduced subsidies on gas and water consumption by an average of 20 percent in March 2014. Argentina also reached settlements on investment and property disputes. It agreed with Repsol over the nationalized assets of YPF, and paid its outstanding debt to companies that had won cases against the country in the International Centre for Settlement of Investment Disputes (ICSID). On May 29, 2014, an agreement was reached with Paris Club creditor countries to clear debt in arrears, with a repayment plan worth \$9.7 billion over five years. Argentina made the first payment to the Paris Club in July 2014 (see Box 6). On June 6, 2014, the IMF Executive Board reviewed Argentina’s progress on improving the quality of its official statistics, noting the successful completion of an initial set of specific actions which had been agreed upon.

5. **Today, more than 40 percent of the Argentine population remains at risk of falling into poverty.**⁴ Three challenges stand out for the poor and vulnerable population:

- First, the greatest vulnerability to poverty arises in periods of economic crises or prolonged sluggish growth, which reduce employment and earnings and limit the ability of the government to finance social programs that directly support the

Figure 1. Poverty Reduction and Shared Prosperity



⁴ Those considered “vulnerable” to falling into poverty in the event of an adverse shock constitute those living on \$4 to-\$10 per day; in 2012 that figure was 33 percent of Argentina’s populace, with another almost 10.9 percent already living in poverty; hence the “more than 40 percent” above. The vulnerability measure is uni-dimensional and does not include non-monetary poverty indicators.

poor (see Figure 1). Argentina has developed a comprehensive social protection system with high coverage rates, which also helped mitigate the impact of the 2009 global crisis during which poverty and inequality continued to decline. Nonetheless, because of the importance of labor income in poverty reduction, a weakened business climate and labor market can have significant adverse effects on poverty rates. Strengthening macroeconomic resilience, improving the business environment, and boosting investor confidence will be critical to fostering investment and expanding and sustaining the employment thereby generated.

- Second, although Argentina is a broadly inclusive society, endowments and opportunities continue to vary for different groups in society and across regions. Poverty risks are highest among those with limited access to, and command of, human and basic infrastructure assets. The less well developed and integrated Northern provinces, for example, have poverty rates two to three times higher than the national average, and lag behind the rest of the country in social services and basic infrastructure.
- Third, Argentina’s economy depends on natural capital; and environmental degradation represents a significant cost to the economy, threatening livelihoods. Preserving natural capital and addressing environmental degradation are critical to sustainability and equity, particularly for the poorer and more vulnerable populace that depends heavily on these resources.

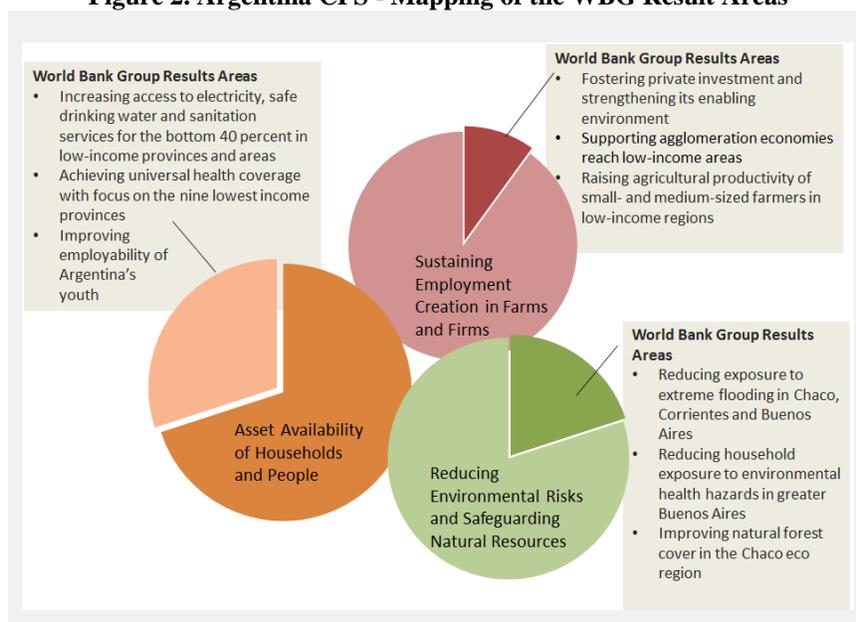
The Argentina Country Partnership Strategy (CPS), FY15-18

6. **The CPS for FY15-18 is selectively built around nine World Bank Group (WBG) result areas, set within three broader themes: (a) Employment Creation in Firms and Farms; (b) Availability of Assets for People and Households; and (c) Reducing Environmental Risks and Safeguarding Natural Resources** (see Figure 2).

The results areas were selected because they are important to achieving sustained poverty reduction and sharing of the gains of wealth creation—the twin goals of the WBG; they reflect WBG expertise and lessons from past performance; they respond to expressed demand from our counterparts at the federal, provincial, and firm levels; and they are related to sectors and areas in which investments are meeting a favorable policy environment for sustained impact.

7. **The CPS details a select number of outcomes to be supported by financial, knowledge, and advisory services from across the WBG.** With respect to these specific outcomes – closely linked to the overarching goal of supporting sustained poverty reduction and

Figure 2. Argentina CPS - Mapping of the WBG Result Areas



shared prosperity in Argentina – the WBG has a proven track record as well as knowledge base to engage. During the CPS period, the Bank and IFC will make a joint effort to help the government in achieving specified outcomes in the urban development and agribusiness areas which are core areas of focus for this CPS. In urban development, this includes reducing average transit times to city centers from poor neighborhoods in two metropolitan areas by 15 percent. Several ongoing and new provincial financing engagements as well as a program of analytical and monitoring work is planned to lead to such an outcome. IFC will intervene with investments in target areas based on the Bank’s analytical work and will draw upon its successful experience in the urban space in Colombia. Additionally, the Bank and IFC will explore synergies to increase by 12 percent the gross value of agricultural production (\$/ha) of 80,000 small and medium-size farms in lower-income areas. Here, IFC will complement the Bank’s knowledge and financial services with investments in farms and SMEs. Further, the WBG aims to support an increase in effective national healthcare coverage from 28 percent to 50 percent (through a roll-out mechanism focusing first on uncovered and low-income households) by using several results-based financing arrangements as well a program of impact evaluations. Other such results include reaching 2.3 million households with flood protection; and reducing the annual deforestation rate of natural forests in critical areas of Chaco, Salta, and Santiago de Estero, from 0.56 percent to 0.28 percent.

8. This CPS makes a number of gradual shifts as to where and how the WBG will engage. These include (a) phasing out WBG support for road maintenance management and direct income support for the poor, which were areas of substantial engagement over the past decade and are now well established within the Government’s own programs; (b) scaling-up support to enhance the employability of young people as well as support by the IFC to the private sector; (c) using a more comprehensive development approach with respect to urbanization, environmental management, and public sector management; (d) considerably increasing financial services that are results and output-driven; (e) implementing advisory and knowledge services bundled into programmatic and multi-year engagements; (f) setting goals for expanding the portfolio of impact evaluations; and (g) an increased share of WBG financing directed to low-income geographic areas. In addition, the strategy outlines a cross-portfolio approach to governance with specific measures to be achieved over the CPS period, including the complete move to the Open Procurement System for all IBRD engagements/activities.

9. The proposed CPS will span four years; in 2016 a mid-term Performance and Learning Review will focus on the validity of the strategy and spell out any proposed adjustments. The CPS builds on lessons learned and outlines a new program that further expands the scope of collaboration among WBG organizations and with other key development partners (e.g., Inter-American Development Bank, Development Bank of Latin America) for each of the relevant strategic results areas and associated CPS results. The FY15-18 CPS envisages \$1.0 to \$1.2 billion of new IBRD investment financing per fiscal year, while IFC would expect to commit about a total of \$1.7 billion to support Argentine’s private sector under a stable market environment. MIGA will be considering requests for coverage for investments on a case-by-case basis.

10. The outcomes targeted by this CPS are subject to various economic and political risks as well as risks related to program implementation.

- At the macroeconomic level, the ongoing dispute with several holdout creditors poses significant risks. On July 30, 2014, Argentina entered into a partial debt default as it was unable to make payments to those private creditors who had accepted exchange bonds as part of Argentina's debt restructurings in 2005 and 2010. On July 31, 2014, Argentina's credit rating on its foreign currency debt was downgraded to 'selective default' by several credit rating agencies. If the situation remains unresolved for too long, Argentina's economy will suffer, and more so if macro policies do not adjust. The Argentine Government has expressed its willingness and capacity to continue paying the restructured bonds. The Government also stated that it had paid its debt obligation to exchange bond holders but that the Court ruling did not allow for the transfer of payment to recipient bondholders. If an agreement with the holdout creditors is reached in a relatively short time, the impact on the economy would be limited.
- International reserve losses, the fiscal deficit, and persistent inflation as well as policy uncertainty continue to create short- and medium-term challenges. Fiscal and external accounts are likely to continue posting deficits, with the risk of fueling inflationary pressures and weakening resilience to shocks. GDP growth is likely to remain sluggish. Uncertainties about the regulatory and business environment could potentially constrain access to finance, discourage foreign investors, and adversely affect economic outcomes. Macroeconomic vulnerability and sluggish growth are likely to reduce investment and employment creation as well as making it difficult to sustain socially inclusive spending. The Government is aware of the risks and recently adopted policies—including the exchange rate depreciation, tightening of monetary policy and reduction of gas and water subsidies—suggest the Government's willingness to control macroeconomic imbalances. Efforts towards improving statistical quality and reaching agreement on international settlements may also improve investor confidence and facilitate new foreign investment.
- Uncertainty in the global economy could create downside risks to demand for Argentine products. Argentina is particularly exposed to commodity price swings and droughts. Agricultural and agribusiness exports make up the lion's share of Argentina's total merchandise exports (about 60 percent in 2013) and export taxes are an important fiscal resource (about 1.7 percent of GDP in 2013).
- At the political level, there may be opposition to government policies. In addition, the 2015 presidential elections may cause changes in government priorities. However, the WBG program is focusing on areas where there is wide consensus across the political spectrum. The CPS Performance and Learning Review would take place after the October 2015 elections and would give the WBG and the Government an opportunity to revisit program priorities.
- At the program level, while continued significant efforts from both national and sub-national Governments and the WBG will be made, it is likely that project implementation issues will arise, e.g., due to challenges in retaining highly skilled staff in project implementation units, complex fiduciary and procurement arrangements, as well as administrative requirements of the institutions involved. An expanded engagement at the provincial level may also require additional capacity building at the local level, where lags persist. The WBG will continue to hold regular portfolio reviews and joint

implementation workshops to address bottlenecks and provide solutions. In addition, the WBG will seek simplicity of project design.

INTRODUCTION

1. **The proposed World Bank Group (WBG) Country Partnership Strategy (CPS) for Argentina for FY15-18 focuses on the need to sustain social gains achieved in recent years and expand social inclusion in an efficient and sustainable manner, while supporting Argentina in mitigating the risks to vulnerable groups of economic downturns and external shocks.** The CPS builds on lessons learned from previous strategies. In addition, it is aligned with both the country's development goals and the WBG's new strategy, which establishes the key goals of ending extreme poverty and promoting shared prosperity in a sustainable manner. Following this introduction, the CPS presents the poverty and shared prosperity diagnostic, gives an overview of economic developments and outlook, analyzes the development challenges, summarizes the Government program, outlines the proposed WBG engagement for FY15-18, and identifies key risks and the ways in which they will be managed. Annexes provide more detailed information on selected economic and social aspects of Argentina and on the WBG's engagement with the country.

I. COUNTRY DIAGNOSIS

A. Poverty, Inclusion, and Shared Prosperity

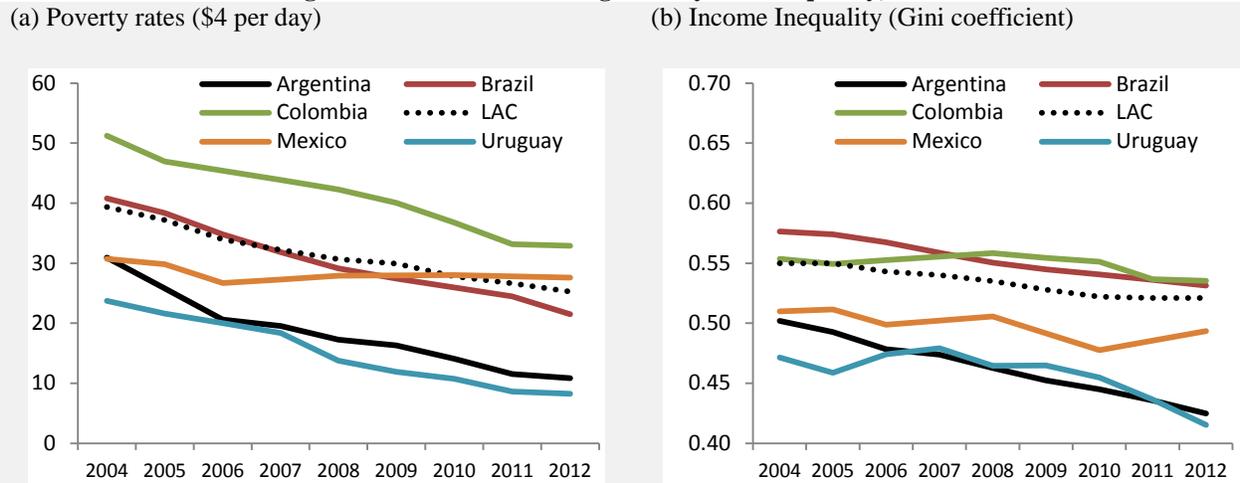
Developments since 2002

2. **Since its economic crisis of 2002, Argentina has been one of the top two performers in the Latin America and Caribbean (LAC) region in reducing poverty and sharing the gains of rising prosperity by expanding the middle class.** Total poverty (measured at \$4-a-day)¹ declined from 31.0 percent in 2004 to 10.8 percent in 2012 (see Figure 3 and Box 1), while extreme poverty (measured at \$2.50-a-day) fell from 17.0 percent to 4.7 percent.² Income inequality, measured by the Gini coefficient, fell from 50.2 in 2004 to 42.5 in 2012. Argentina's poverty rate and Gini coefficient are among the lowest in LAC. At the same time, the middle class in Argentina grew by 68 percent between 2004 and 2012, reaching 53.7 percent of the population. Regarding non-monetary poverty, according to INDEC census figures, the proportion of the population with at least one unsatisfied basic need fell from 17.7 percent in 2001 to 12.5 percent in 2010.

¹ Unless otherwise specified the currency used throughout this document is the US dollar.

² Poverty, inequality and shared prosperity indicators are calculated using harmonized urban-only household surveys from SEDLAC: Socio-Economic Database for Latin America and the Caribbean (CEDLAS and World Bank). See Box 1 for more details.

Figure 3. A Decade of Falling Poverty and Inequality, 2004-12



Source: SEDLAC (CEDLAS and the World Bank). While Argentina and Uruguay indicators rely on urban-only samples, the rest of the surveys are national. Note that data are unavailable for Brazil in 2010, Colombia in 2006 and 2007, and Mexico in 2007, 2009, and 2011. Poverty rates and Gini coefficients for these years are interpolated using a linear average.

Box 1. Harmonization of Poverty Data and Price

All of the document’s data attributed to “SEDLAC (CEDLAS and the World Bank)” rely on a harmonized version of the urban-only household survey data from the Encuesta Permanente de Hogares-Continua (EPHC). This survey is collected quarterly by Argentina’s Instituto Nacional de Estadística y Censos (INDEC), although the results included in this document use the combination of the third and fourth quarters only.

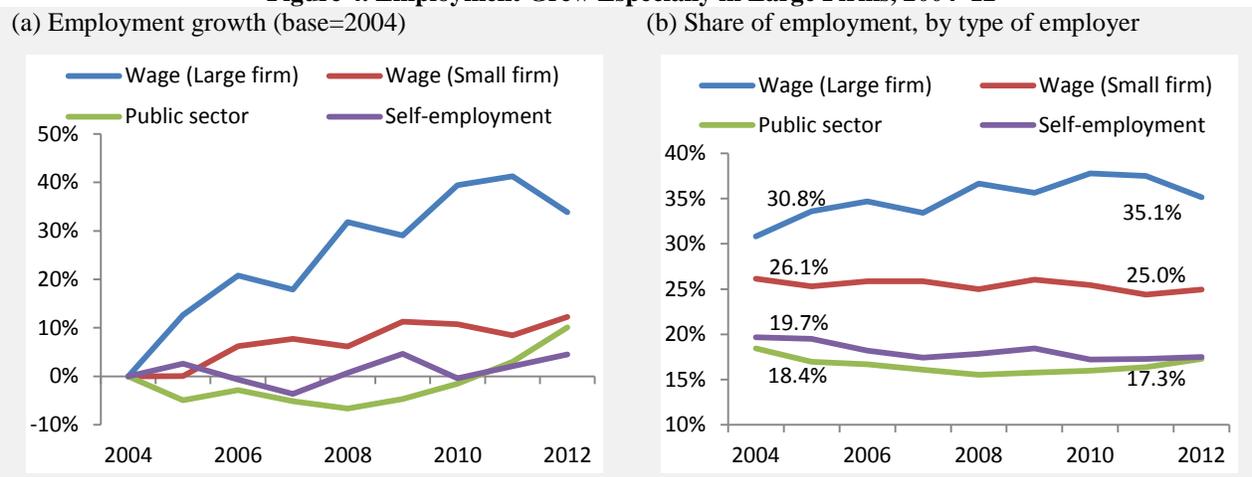
The harmonization undertaken by CEDLAS and the World Bank increases the comparability of household surveys among various LAC countries, allowing for internationally comparable indicators. The EPHC is representative of the 61 percent of the population living in the 31 largest urban areas in the country. While the majority of the population is urban, previous analysis suggests that urban-only household surveys may underestimate national poverty: the 2001 census showed the rural population and those living in small towns were significantly more likely to have at least one unsatisfied basic need (at 36 and 24 percent, respectively) than the rest of the population (at 16 percent).

All monetary measures, including poverty rates, are adjusted to USD in 2005 purchasing power parity using private estimates of inflation, which differ from official estimates. As a result, poverty is reported using international poverty lines. The official poverty line is largely adjusted using official inflation rates. In addition, as the harmonization process may result in an income aggregate different from the official income aggregate, the harmonized data cannot be used to calculate official poverty rates. In the future, both poverty statistics should converge as official inflation estimates based on a revised methodology become available and a new poverty line is introduced.

3. The sustained decline in poverty and inequality was a function of high and pro-poor growth. Income growth accounted for 58 percent of poverty reduction, while changes in income distribution accounted for 42 percent. The growth pattern was strongly pro-poor during 2004-12. Average annual income growth was 5.1 percent, while the income of the bottom 40 percent of the population grew at an annual average of 8.8 percent. Even within the bottom 40 percent, income growth since 2004 has strongly and consistently favored the poorest, with the bottom decile experiencing annualized growth rates of 11.1 percent, nearly three times the 3.8 percent for those in the top decile.

4. **Employment growth was significant and markedly different from the 1990s.** The growth rate of employment in 2004-13 was 2.9 percent, compared to 0.4 percent in 1992-2000. Figure 4(a) shows that employment increased among all firm types and particularly among larger firms (employing more than five workers). Consequently, large firms' share of total employment increased from 30.8 in 2004 to 35.1 percent in 2012 (see Figure 4b). Rising formal private-sector employment resulted in declining informality rates for wage-earners—from 58 percent in 2004 to 46 percent in 2012.³ In addition, the self-employment rate fell slightly, from 20 percent to 17 percent of adults with jobs. The improvement in job quality resulted in higher earnings.

Figure 4. Employment Grew Especially in Large Firms, 2004–12

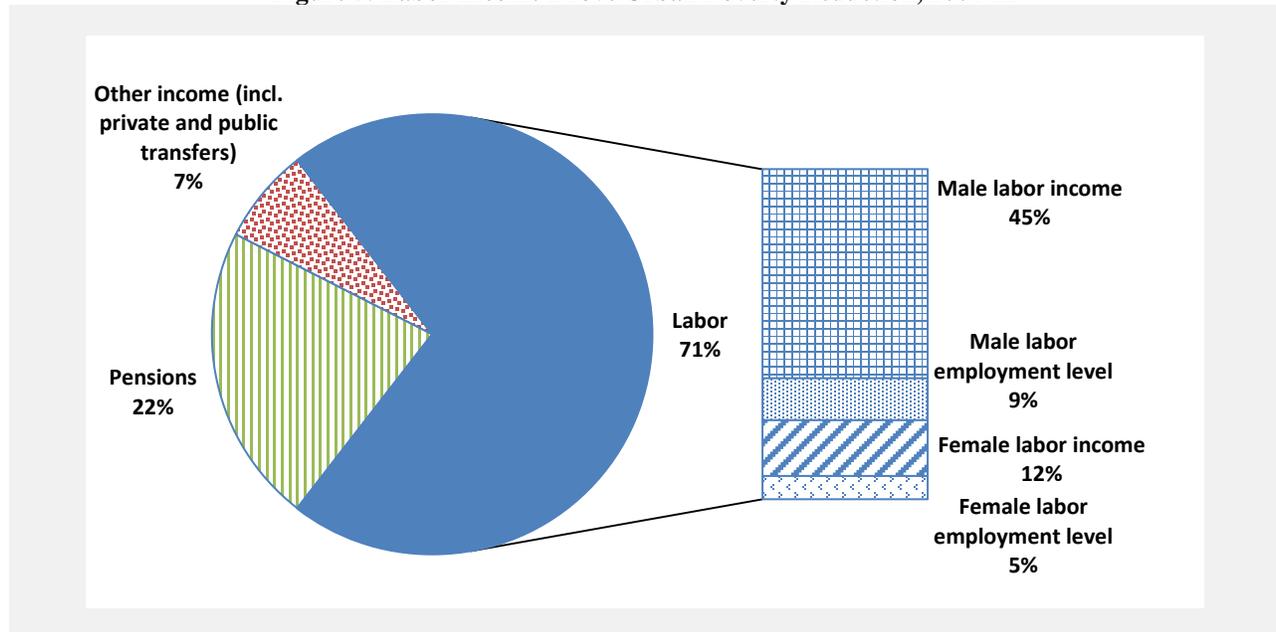


Source: SEDLAC (CEDLAS and the World Bank). Figures are based on main employer of employed individuals between the ages of 16 and 65. Note that unpaid workers and employers are not reported in the figures above. Combined, these two groups account for 5 percent of employment in 2004 and in 2012.

5. **Labor market outcomes drove urban poverty reduction.** Increased labor earnings and employment levels accounted for nearly 71 percent of the fall in poverty seen between 2004 and 2012 (see Figure 5). Poverty reduction through employment was so strong because both new jobs and higher earnings largely benefited lower-skilled groups. Higher earnings were the primary driver for individuals and families moving out of poverty, accounting for more than half of overall poverty reduction. Increases in employment accounted for 17 percent of the reduction in poverty—11 percent attributable to male and 6 percent to female employment.

³ World Bank calculations using SEDLAC (CEDLAS and the World Bank).

Figure 5. Labor Income Drove Urban Poverty Reduction, 2004-12



Source: SEDLAC (CEDLAS and the World Bank). This analysis, known as the Shapley Decomposition, separates changes in poverty rates by income source. Methodology based on Barros, R, M. Carvalho, S. Franco, and R. Mendoga (2006) “Uma Análise das Principais Causas da Queda Recente na Desigualdade de Renda Brasileira.” *Revista Econômica*, vol. 8(1), pp. 117-147.

6. **Labor market outcomes benefitted men more than women.** Gains were stronger for low-skilled men. The average monthly real earnings of men who completed primary schooling rose 80 percent between 2004 and 2012.⁴ Earnings for men with post-secondary schooling, on the other hand, rose 40 percent during the period. On the other hand, women’s earnings grew between 16 and 30 percentage points less than similarly educated men. Today, women continue to be less likely than men in employment and, if they are working, more likely to be employed in the informal sector. They also suffer from higher unemployment rates and have lower earnings (see Annex 11).

7. **Non-labor income, especially pensions, accounted for about one-third of the decline in poverty.** Social spending directly benefited 44.6 percent of the population in 2009, including 91.9 percent of those in extreme poverty and 78.8 percent of those in moderate poverty. Social spending was progressive, and well-targeted.⁵

8. **The population’s asset base and human development outcomes improved over the past 10 years but important gaps remain.** Among urban children, for example, access to sanitation rose from 68.7 percent in 2004 to 78.4 percent in 2012. Educational attainment has

⁴ Real earnings are adjusted to USD in 2005 purchasing power parity using private estimates of inflation, which differ from official estimates (see Box 1).

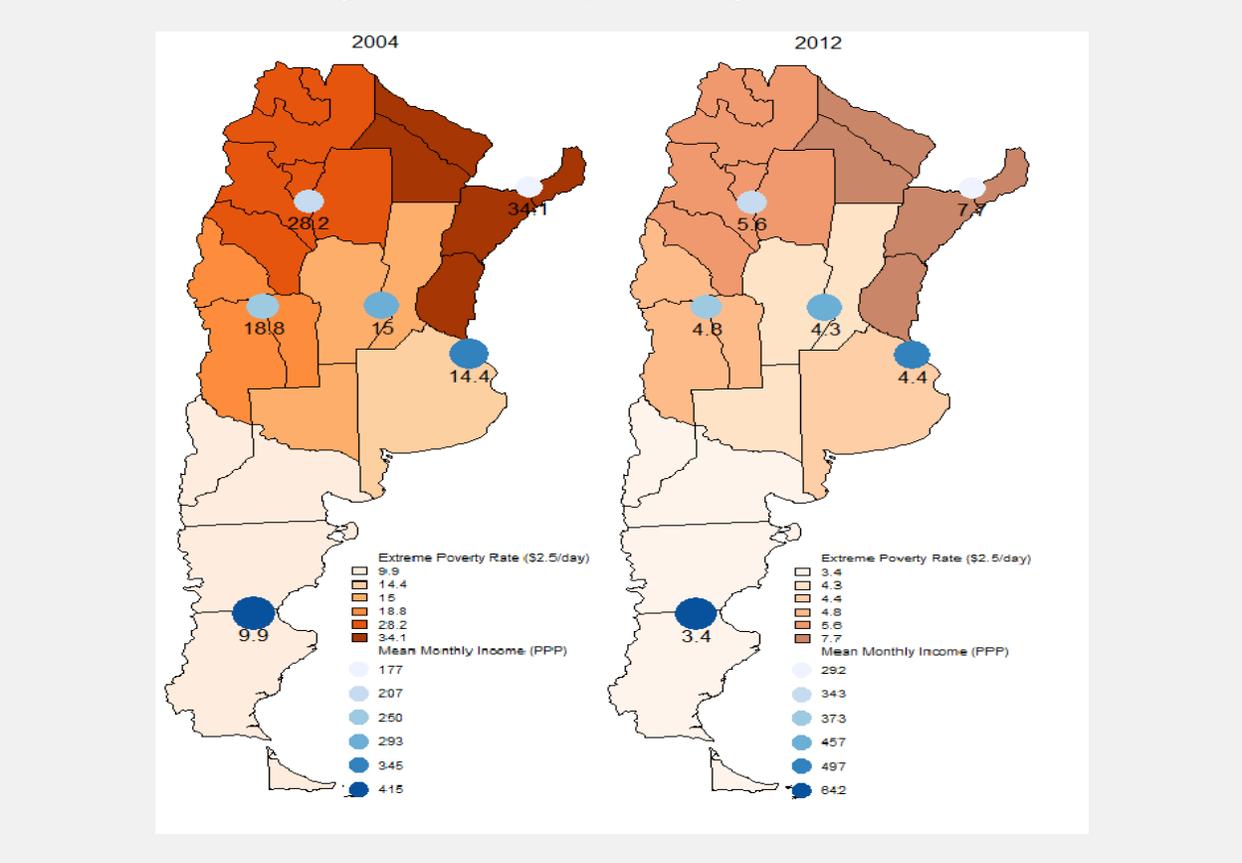
⁵ Pension income contributed 21 percent to poverty reduction in 2004-12 and 31 percent in 2007-12 because of the moratorium. The primary beneficiaries of the pension moratorium—nearly 90 percent according to official statistics—were women who did not have 30 years of contributions into the pension system. Another 7 percent of the decline in poverty in 2004-12 derived from public transfers, including conditional cash transfers (CCTs). Extreme poverty in 2009 was nearly half what it would have been in the absence of progressive social spending.

also increased somewhat, with the share of 19-25 year olds who did not attend secondary school falling from 17.6 percent to 11.5 percent during the period. Nonetheless international test scores show deficits in the quality of education. Argentina has made remarkable improvement in reducing the infant mortality rate (IMR) from 20.2 in 2002 to 11.1 per 1,000 live births in 2013.

Today and Risks for the Future

9. **Significant regional disparities persist with respect to poverty and access to basic services.** The gap between regions has grown since the 2002 crisis, with Patagonia far outpacing Northeast and Northwest regions (see Figure 6). In addition, disparities exist among and within provinces in terms of levels of economic and social development and access to high-quality basic services, such as education, health, roads, and water. Even the more developed Province of Buenos Aires accommodates a large number of poor people lacking basic services and opportunities for escaping poverty (1.7 million persons).

Figure 6. Urban Poverty Remains Higher in the North



Source: World Development Indicators and SEDLAC (CEDLAS and World Bank).

10. **Argentina has been socially inclusive but endowments and opportunities continue to vary.** Gender equality has improved, putting Argentina among LAC leaders, especially in female political participation (37.4 percent of seats in Congress in 2012), literacy rates (97.8 percent in 2010), primary school enrollment and completion, and contraceptive use (78 percent in 2005). However, it fares worse than other upper-middle-income countries (UMCs) in several other key areas, including teenage pregnancy (54.7 births per 1,000 women ages 15-19 in 2012, compared

to 31.2) and maternal mortality rates (35 deaths per 100,000 live births in 2013). A more detailed gender analysis is included in Annex 11.

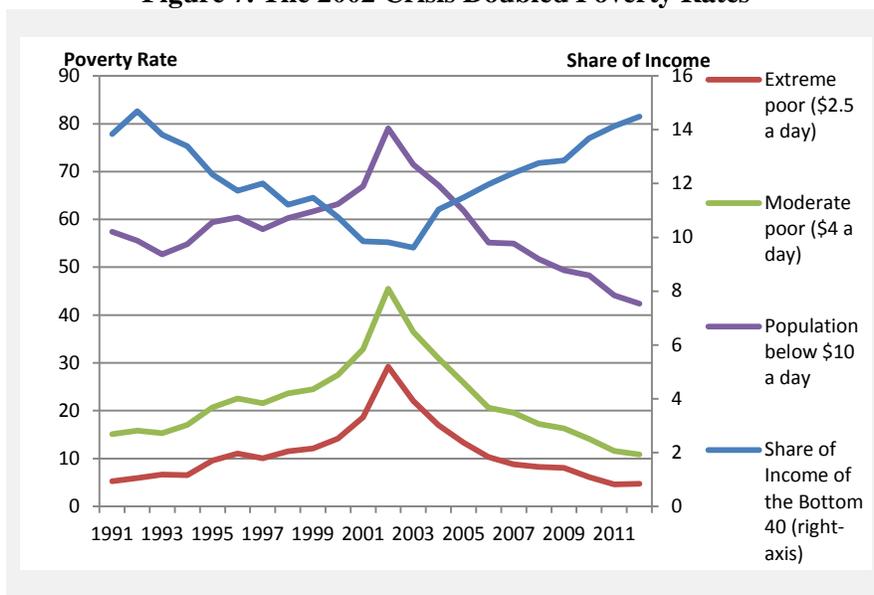
11. **Indigenous people continue to be worse off, despite provincial and federal programs to improve their well-being.** Indigenous people (2.5 percent of the population) mostly live in the provinces of Salta, Jujuy, Chubut, Neuquén, Tierra del Fuego, Chaco, Formosa, Santa Fe, Tucuman, and Mendoza. In access to services, 23.5 percent of indigenous households have unsatisfied basic needs, compared to 13.8 for the rest of the population.⁶ Schools in predominantly indigenous communities are among the worst performing, especially in Spanish. Illiteracy among the indigenous population stands at 3.8 percent compared to 1.9 percent for the rest of the population. Although access to public health services is high, 47.4 percent of indigenous people do not have access to health insurance, and only 10 percent over the age of 65 are covered by the social security system.

12. **More than 40 percent of the population is vulnerable to adverse shocks.** As of 2012, 10.9 percent of the population lived in poverty (living on less than \$4 per day). Another 33 percent was vulnerable (living on between \$4 and \$10 per day) to falling back into poverty in the event of an adverse shock.

13. **Three main challenges create risks to sustaining and further expanding the gains in poverty reduction and mitigating vulnerabilities.**

a. **Historically, the greatest vulnerability of Argentina’s population to poverty stems from the economy’s exposure to adverse economic shocks, which reduces employment and earnings and limits the ability to finance social programs supporting the poor.** Prolonged periods of slower growth or recession also create challenges for poverty reduction. Figure 7 shows that poverty and shared prosperity indicators had worsened throughout the 1990s.

Figure 7. The 2002 Crisis Doubled Poverty Rates



Source: World Development Indicators and SEDLAC (CEDLAS and World Bank).

⁶ Cuyul, Andrés et al. (2010) –Enfoque étnico en los sistemas de información en salud: la incorporación del enfoque intercultural en los sistemas de información de salud en las provincias de Jujuy, Salta, Formosa, Chaco, Misiones y Neuquén [*The Ethnic Focus in Health Information Systems: Including an Intercultural Focus in the Health Information Systems in Jujuy, Salta, Formosa, Chaco, Misiones and Neuquén*]. Universidad de Buenos Aires. Facultad de Medicina.

Even so, the impact of the 2002 crisis was severe and widespread, leading to a one-year increase of 56 percent in extreme poverty and 34 percent in moderate poverty.

b. Low asset endowments limit participation in economic activity, putting the poor and vulnerable further at risk. Educational attainment is strongly correlated with labor market outcomes, and the poor have substantially lower educational attainment. Among heads of household in 2012, the average years of schooling was 8.8 for those living in poverty compared to 11.2 for the middle class. Similarly, the unemployment rate among 25-65 year-olds living in poverty was 24 percent in 2012, compared to 7.4 percent overall. The self-employment rate—which may indicate lack of access to good employment opportunities—was 23 percent among the poor, compared to 16 percent overall. Similarly, lack of access to energy, transport, and water and sanitation limits the ability of the poor to access education and health services and participate in economic activities.

c. Environmental and natural resources degradation undermines sustainable growth, in a resource-based economy, affecting particularly the poor. Natural capital contributes 17 percent to national wealth in Argentina.⁷ The total cost of environmental degradation amounts to about 7 to 8 percent of GDP. The economic cost of damage from environmental health problems associated with urban and indoor air pollution, noise, inadequate water supply, and sanitation and hygiene are equivalent to about 3 to 4 percent of GDP. Vulnerability to natural disasters associated with extreme weather events and deforestation and the corresponding loss of biodiversity result in economic costs of about 4 percent of GDP. The increasing specter of adverse climate change impacts on Argentina's natural resources underscores the need for a sustainable and inclusive growth path, especially for the poorest households that are often the most dependent on these resources.

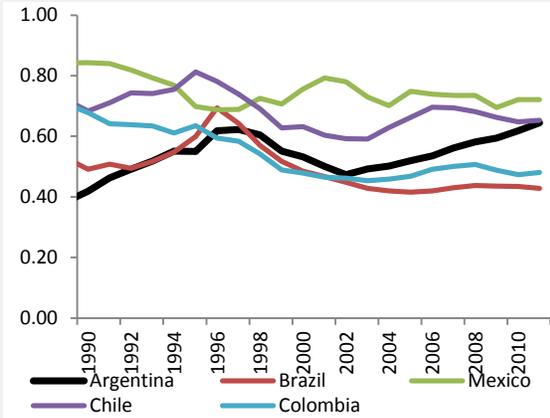
B. Economic Developments and Outlook

14. **After the 2002 crisis Argentina grew rapidly and in an inclusive manner.** Post-crisis annual GDP growth averaged 6 percent from 2003 to 2013—well above the 1.6 percent average witnessed from 1980 to 2000 – and third in LAC behind Panama and Peru. The growth surge resulted mainly from rapid export gains as well as internal consumption and private investment. Rising commodity prices pushed Argentina's terms of trade up by 20 percent from 2003 to 2013, and trading partners' growth further enhanced export performance. Growth was driven by productivity gains that facilitated some catch-up with levels of the United States, Chile, and Mexico (see Figure 8). Recent growth is attributable to increases in total factor productivity (TFP) and, to a lesser degree, in capital stock.⁸ Productivity increases were largely driven by capital-intensive industries with mid-level skilled labor in the manufacturing, utilities, and transportation/communication sectors. The recent improvement in TFP is good for the long-term health of the labor market, although the challenge will be to sustain the recent trends. Real wage increases have been strong since 2007 and have outpaced labor productivity after 2010 (see Annex 9).

⁷ Staff calculations.

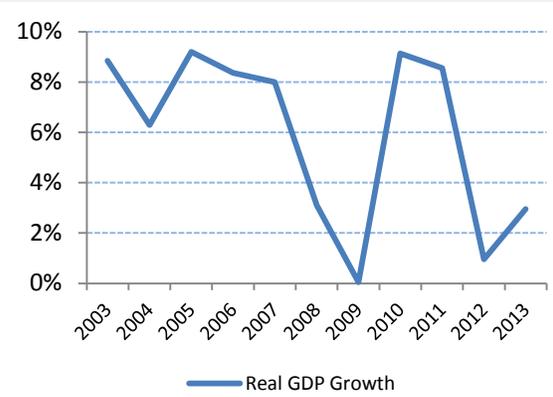
⁸ TFP is measured using a standard Cobb-Douglas production function. It includes a margin of error because it is measured as a residual, and the margin of error could be higher in the context of changing relative prices, such as terms of trade or the relative price of capital. The data source is the Penn World Table and estimations are not adjusted for capacity utilization and labor quality.

Figure 8. Productivity Increased
(Total factor productivity index, USA=1)



Source: St. Louis Federal Reserve.

Figure 9. Argentina's GDP Growth Fluctuated Over the Past Decade



Source: Staff calculations.

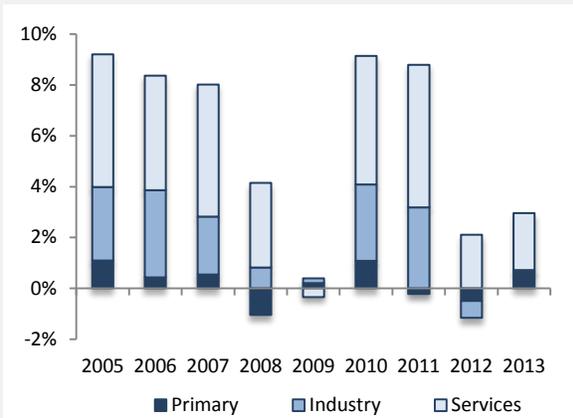
15. **Growth was particularly strong in the first part of the past decade; however, over time macro imbalances and policy uncertainty have become more visible.** For a while, the strong economic performance before and, in part, after the global financial turmoil (see Figure 9) overshadowed growing macroeconomic imbalances, including inflation and a deteriorating business environment, particularly in an energy sector affected by subsidies and their attendant disincentives. Weakening fiscal and current account balances as well as the fall in international reserves increased macroeconomic risk in the second half of the decade. Government interventions in the economy, nationalizations, and international legal disputes increased policy uncertainty. Changes in the methodology of measuring the CPI resulted in consistent differences between official figures and private estimates, and increasing trade and exchange restrictions further weakened the business environment. The section below presents the developments since the previous CPS.

Economic Developments since the Last CPS

16. **Economic activity rallied in 2010-11 but has since slowed.** The impact of the global 2008 financial crisis was short-lived and GDP grew by an annual average of 8.8 percent in 2010-11. However, real GDP growth decelerated to 0.9 percent in 2012 before rebounding to 2.9 percent in 2013.⁹ Growth was mostly driven by the expansion of service sectors during 2010-13 (see Figure 10). The growth deceleration was also reflected in declining investment rates. Investment as a share of GDP stood at 17 percent in 2013, compared to 19 percent during 2005-2009. Argentina's investment to GDP ratios are lower than comparator emerging economies and fall significantly short of the rapidly growing Asian economies (see Figure 11).

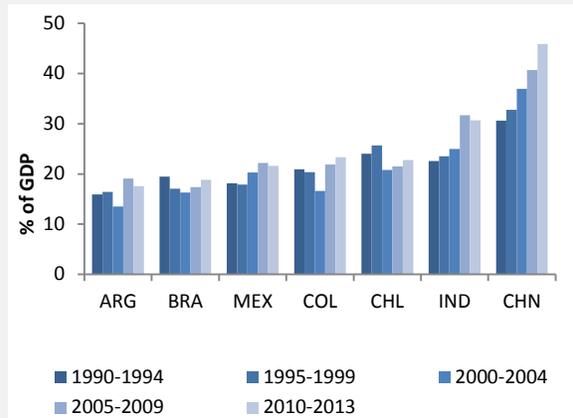
⁹ A new GDP index was released, rebasing the National Accounts System to 2004. Data for 2013 use the new GDP index.

Figure 10. The Service Sector Drove GDP Growth
(Sectoral Contribution to GDP Growth %)



Source: INDEC and WDI.

Figure 11. The Investment-to-GDP Ratio is Low



Source: INDEC and WDI.

17. **Fiscal accounts have come under pressure as expenditures outpaced revenues.** The fiscal surplus began declining in 2009, and the budget turned from balance into a deficit after 2010, gradually increasing to about two percent by 2013. In 2012, a primary deficit of 0.2 percent of GDP was recorded for the first time in a decade. Provincial budgets also posted fiscal deficits, averaging 0.5 percent of GDP since 2009 (with the exception of 2010). Total revenues expanded at an average rate of 28.9 percent between 2010 and 2013, higher than official and private inflation estimates. In other words, revenues increased in real terms. However, they were outpaced by expenditures, which grew at an average rate of 30.8 percent. Subsidies, particularly to energy, transport, and food, increased from 0.8 percent of GDP in 2006 to more than 3.5 percent of GDP in 2013 (see Figure 12). Over the same period, social expenditures increased from 17 to 21 percent of GDP (see Annex 7). The increase was notably stronger for the social security system.¹⁰

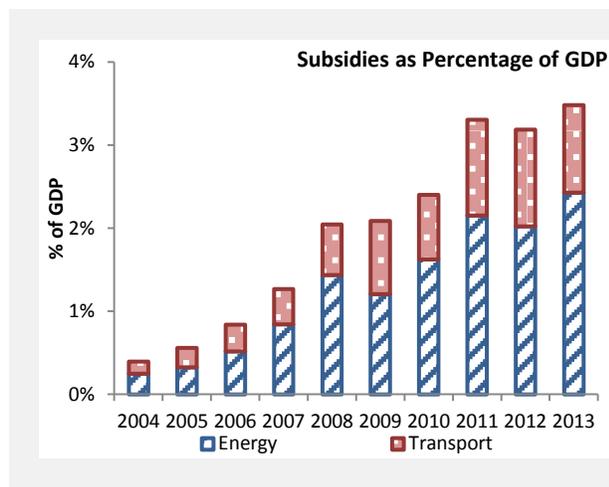
18. **From 2009 to 2013, total national tax collection increased from 22 to 26 percent of GDP.** VAT collection and social security contributions averaged more than 6 percent of GDP, followed by income tax at 5 percent and export taxes at approximately 2 percent. Amid rising commodity prices, export taxes proved to be a robust source of revenue. However, taxing profits of exporting sectors could be more efficient and incomes from commodity exports can be volatile. A decline in commodity prices or growth in trading partners is likely to reduce fiscal revenues and lead to further expansion of the fiscal deficit. Less volatile revenue sources could strengthen fiscal accounts and their predictability.

19. **Fiscal deficits would be larger if accrued earnings of the Central Bank and non-reinvested returns from the national pension administration are excluded.** Current revenue was augmented by accrued Central Bank earnings from increases in the value of its assets and by the non-reinvested returns from the investments of the Sustainability Guarantee Fund, managed

¹⁰ Future pressure from the social security system stems from the aging population: if coverage of the elderly is maintained above 90 percent, an additional 1 percent of GDP increase in social protection spending is projected by 2030 because of population aging.

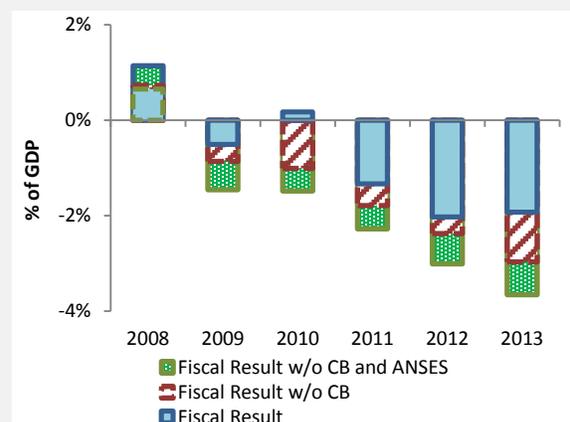
by the national pension administration. During the 2008 international financial crisis, the entire pension system was nationalized, individual accounts were transferred to the Sustainability Guaranty Fund, and private pension funds dissolved (see Box 2). Income from the Central Bank and the National Administration of Social Security (ANSES) is recorded in the Government's budget as current revenue under the property income category. These non-conventional revenue sources added up to 1.7 percent of GDP in 2013 (see Figure 13).

Figure 12. Subsidies Increased as Percentage of GDP



Source: MECON and staff calculation.

Figure 13. Fiscal Deficits Would Have Been Higher Without Transfers from the Central Bank and ANSES



Source: Ministerio de Economía y Finanzas Públicas.

Box 2. Nationalization of Pension Funds, Aerolíneas Argentinas, and YPF

Pension System: The Argentine public pension system had been reformed in 1994, when individual private pension funds were introduced. In 2005, a moratorium expanded the pension system's coverage to the population of retirement age who had not made sufficient contributions. In 2007, pensioners in private funds were given the option to change to the public pension system. After various reforms and changes, the sustainability of the pension system as a whole, including the private funds, was not achieved. Private pension funds collapsed during the 2008 international financial crisis. The Government nationalized the entire system, aiming also to achieve full coverage of the system. Private funds were dissolved, and individual accounts were transferred to the Sustainability Guaranty Fund (FGS in Spanish).

National Airline: In September 2008, Congress approved the acquisition of Aerolíneas Argentinas and Austral, the two major national airlines. The Government cited the weak financial position of these companies and their poor management as the motivation for the nationalization. The law stipulated that the National Valuation Court would determine the final price to be paid. In February 2014, the Argentine justice system ratified the negative value of \$950 million, which was considered insufficient by the company. A case against Argentina has been filed at the International Centre for Settlement of Investment Disputes (ICSID).

YPF: On May 3, 2012, the Argentine Congress passed a law for the Government to assume ownership of 51 percent of YPF, previously controlled by the Spanish company Repsol. YPF is Argentina's largest oil company with a market value of \$10-13 billion at the time of the nationalization. The Government cited lack of investment by Repsol and the deterioration of the energy balance as motivations for the takeover. In February 2014, almost two years after the nationalization, Repsol's Board of Directors and shareholders approved a settlement of nearly \$5 billion from Argentina.

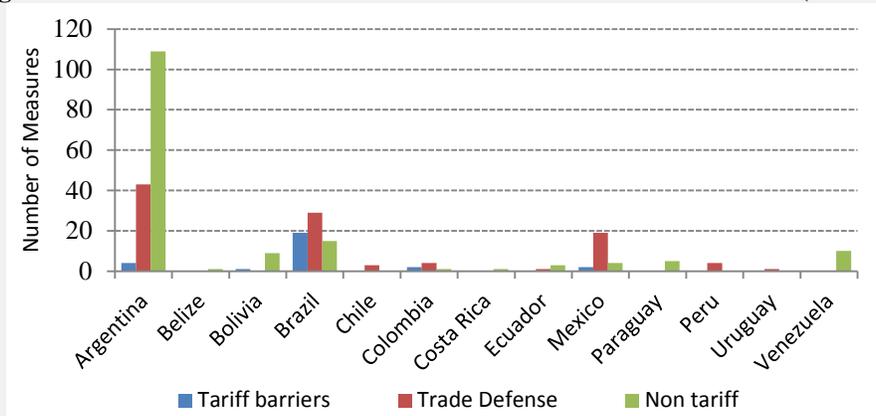
20. **Budget deficits were largely financed by short-term Central Bank advances, leading to monetary expansion.** Annual Central Bank advances represented 22 percent of the local currency indebtedness in 2013, compared to 12 percent in 2010. After 2012, the stock of Central Bank advances as a percentage of the monetary base increased when the new Central Bank charter raised the limit on transfers to government. The stock of advances surged from 30 percent of the monetary base in 2011 to 48 percent in 2013. The monetary base stood at about 11 percent of GDP in 2013 and the financing of the fiscal deficit through short-term Central Bank advances creates risks of fueling inflation since it amounts to a significant portion of the monetary base. The M2/GDP ratio in Argentina is about 18 percent—a low value when compared to countries with similar per capita income level.

21. **Argentina’s external situation has weakened since 2008.** A worsening trade balance and strong income and service account deficits have been factors in the deterioration of external accounts. While expansionary fiscal policies increased domestic demand, real appreciation of the Argentine peso shifted expenditures toward imported goods and services. The Government opted for trade and exchange rate restrictions to control the weakening of external balances. These restrictions ranged from regulations regarding purchases of US dollars and taxation on the use of credit cards abroad to replacement of automatic import licenses by strict import controls (see Box 3). On the back of these capital controls, Argentina registered a net capital inflow of \$397 million in 2013, compared to net outflows of \$21.5 million in 2011 and \$3.4 billion in 2012. However, the current account balance weakened in 2013, resulting in a trade surplus of only \$8.0 billion—36 percent less than in 2012 and the lowest since 2003—and a current account deficit of \$4.6 billion, reflecting the continuing pressure on external accounts. Although the restrictions may have slowed the deterioration in external accounts, they were not fully effective to reverse or stop the deterioration. At the same time, the restrictions are likely to reduce the country’s potential growth through their impact on the business environment and investment.

Box 3. The Impact of Trade and Foreign Exchange Restrictions

Trade Restrictions: The Government started to impose stricter trade controls in 2011, adding to restrictive exchange rate policies. Subsequently, the number of new trade controls increased and exceeds the number of newly introduced measures in other Latin American countries (see Figure below).

Argentina has more restrictive trade measures than other LAC countries (as of 2013)



Source: CIPPEC based on Global Trade Alert data.

Notable trade restricting measures included a policy that imports and exports need to be balanced for several

industries; the obligation to repatriate foreign earnings in the mining, oil, and gas sectors; the elimination of the automatic import licensing regime; the introduction of pre-approval requirements for imports; and the introduction of price controls on imports of a multitude of goods. In February 2012, the Government required that all proposed import operations must be approved by Government. Importers have to present a sworn declaration of the goods and services they wish to import to the tax collection agency (AFIP) and the Secretariat of Internal Commerce.

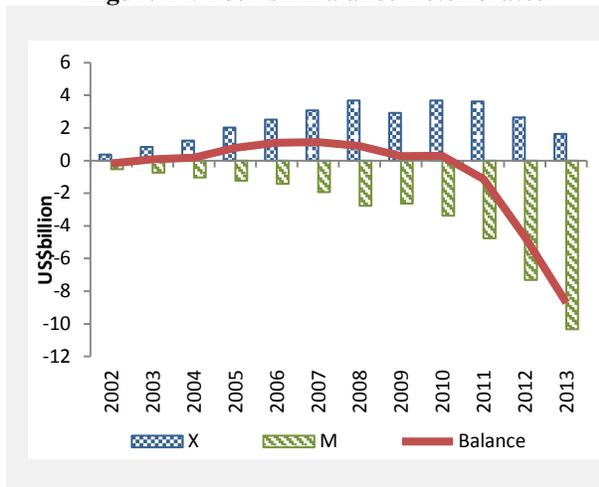
Foreign exchange restrictions: Initial measures were taken in November 2011. Gas, oil, and mining companies were required to repatriate 100 percent of all future export earnings (up from 70 percent), while insurance companies were told to repatriate funds held abroad. Non-residents were obligated to conduct their foreign exchange transactions through the foreign exchange rate market, while residents are required to get prior authorization from AFIP to purchase dollars (to a maximum of \$2000/month) in commercial banks and foreign exchange bureaus. In January 2012 the Central Bank restricted transfers of dividends abroad and required increased reserve levels.

Impact of Restrictions: Although real appreciation of the peso made imports relatively cheap, numerous formal and informal trade barriers reduced imports. At the same time, the high export taxes on agricultural products in conjunction with the overvalued official exchange rate gave companies an incentive to under-invoice their exports and increase their inventories amid expectations of faster currency depreciation. Overall, trade restrictions may have slowed down the deterioration of the trade surplus. However, barriers to services imports and profit remittances have not proven effective. Some of the components of the services account recorded their highest deficits in 2012. A sustainable improvement in the current account balance would require a coordinated policy change to improve competitiveness and encourage domestic savings.

22. **Foreign direct investment (FDI) inflows fell in 2013.** Inflows rose from \$4.0 billion in 2009 to \$12.1 billion in 2012, averaging 2 percent of GDP. The FDI increase was attributable to profit reinvestment of \$8.1 billion in 2012. Profit transfers and dividends from foreign companies have fallen from \$11.7 billion in 2010 to \$8.3 billion in 2013, led by the non-financial private sector. In 2013, total inflows fell 25 percent, and equity contributions contracted 36 percent.

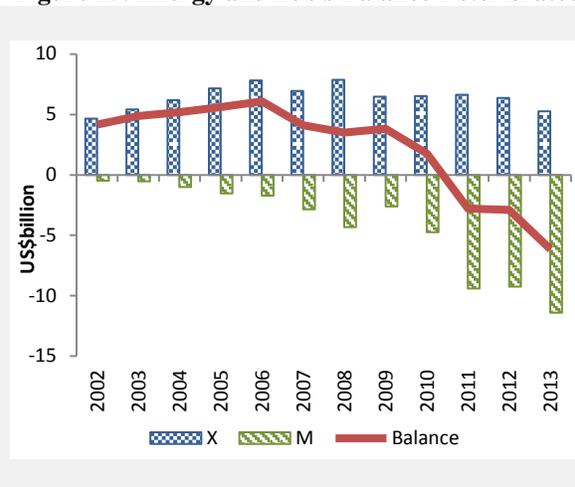
23. **International reserves declined.** With restricted access to international capital markets, US dollar reserves have been the only financing source for servicing external debt. Deterioration of the current account balance created additional pressures on international reserves. The appreciated currency encouraged consumption and led to an increase in spending by Argentines traveling abroad and to a major deterioration in the energy balance. The latter was further exacerbated by energy subsidies (see Figure 14 and Figure 15). Hence, Central Bank reserves declined from \$52.2 billion in 2010 to \$30.6 billion in 2013. Compared to other emerging economies, Argentina's reserves-to-imports ratio is at the lower end (see Figure 16 and Figure 17). Without access to fresh capital flows or a major improvement in the current account balance, declining international reserves will continue to be a risk.

Figure 14. Tourism Balance Deteriorated



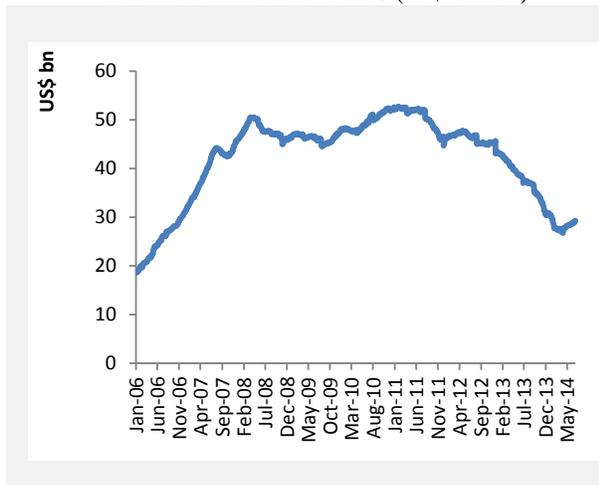
Source: INDEC.

Figure 15. Energy and Fuels Balance Deteriorated



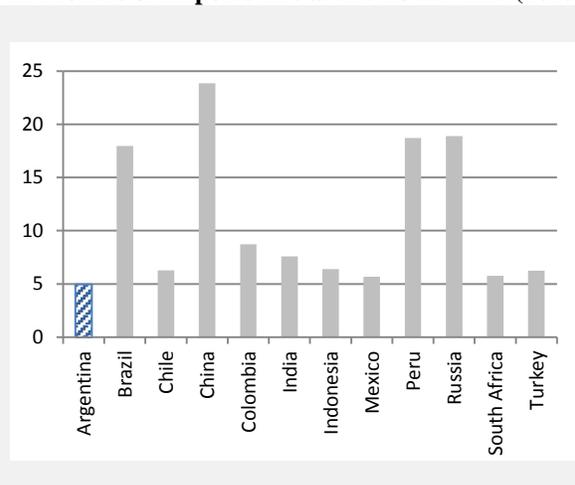
Source: INDEC.

Figure 16. Central Bank International Reserves Declined in Recent Years (in \$ billion)



Source: BCRA.

Figure 17. International Reserves in Months of Imports Are at the Lower End (2013)



Source: WDI.

24. **Inflation varied according to different estimates.** The official national inflation figure for 2013 was 10.9 percent. In the same year, the average of four provinces (Neuquen, San Luis, Santa Fe, Tierra del Fuego) showed an annual inflation rate of 25.2 percent based on official provincial statistics. Market analysts have contested official inflation numbers since 2007, releasing their own estimates. Three members of the opposition in Congress have been reporting the average of some private market analysts estimates on a regular basis. According to their figures, inflation was 28.4 percent in 2013. No public information exists on the sources and the methodology of these inflation estimates as well as their coverage. (see Box 5 for details).

25. **Faced with continued inflationary pressures, the Government opted for a number of heterodox measures to control inflation.** In 2013, it reached an agreement with the largest supermarket chains to freeze retail prices from January to June, and prices were stable until July.

In 2014, the Secretary of Commerce added the productive sectors to the arrangement and established quarterly price revisions.¹¹ The impact of price freeze arrangements on inflation is likely to be temporary. Prices could increase every time the freeze agreements are renewed and retailers may reduce the supply of those goods of which prices are frozen. Fundamental factors behind inflation include the expansionary fiscal and monetary policy mix. Also the reform of the Central Bank charter in early 2012 further expanded possibilities for fiscal financing (see Box 4). The monetary base increased by an average of 33 percent a year in 2010-13.

26. Argentina’s financial system has remained sound but less developed than countries with similar income levels. The financial landscape is dominated by banks and the Sustainability Guarantee Fund, with insurance companies, mutual funds, and other nonbank financial institutions playing a relatively small role. Overall, the banking sector appears resilient, protected by large capital and liquidity buffers and strong quality of assets. Banks’ profitability has recovered in recent years, supported by sizable financial margins and strong service income. In 2012, credit to the private sector represented 18 percent and deposits 23 percent of GDP. Long-term finance is almost non-existent. Capital markets have low depth, small institutional investors, and debt issues average 1.5 years. Trade finance declined after implementation of foreign exchange controls in 2011. In the absence of long-term funding, most transactions are settled in cash and firms rely on retained earnings to finance investments. In recent years, the Central Bank has made strides in upgrading regulation and supervision to Basel II standards and has developed a road map for implementation of Basel III. However, transition to the new regulatory framework could be complicated by the uncertainty regarding key economic variables, which makes pricing financial risks more difficult.

Box 4. The New Central Bank Charter Increased the Limit for Transfers to the Public Sector

On March 22, 2012, Congress approved a new Central Bank charter. It brought two main changes: (i) a more active role for the Central Bank in allocating credit, and (ii) expanded possibilities for fiscal financing. In the first case, the new charter gives the Central Bank’s Directorate a new role in allocating credit through the application of differential reserve requirements for commercial banks. The charter also allows the Central Bank to apply different policies for small and medium-size enterprises (SMEs) and regional economies. These changes move the Central Bank closer to being a development bank. In the second case, the abolition of the Convertibility Law will allow the government to tap previously unexploited reserves for debt-service payments, with no need to maintain any legal balance between reserves and the monetary base. Another important change, which will increase financing available to the Treasury, is the doubling of the temporary advances the Central Bank can transfer to the Treasury. The new charter states that the Central Bank will be able to transfer temporary advances of up to 12 percent of the monetary base and 10 percent of the Treasury’s revenues from the previous year, whether to pay debt in foreign currency or for other purposes.

27. Debt levels have declined. Continued primary surpluses, together with restructurings of defaulted sovereign debt in 2005 and 2010, led to a reduction in the debt-to-GDP ratio from 166 percent in 2002 to 32.8 percent in the third quarter of 2013. Bondholders tendered more than 93 percent of the debt by 2010. Until recently, the untendered debt amounted to about \$11 billion. With limited access to international capital markets since 2008, the Government has increasingly

¹¹ Known as “Precios Cuidados”, the program publishes a list of products with their corresponding prices. It first started in the Greater Area of Buenos Aires but has also been used in other parts of the country and other sectors, such as for construction materials. In the second stage of the program that started in April 2014, 108 products were added to the previous 194 and a 3 percent average increase in prices was allowed.

relied on inter-public sector borrowing and Central Bank reserves to service sovereign debt. Now more than 60 percent of the total debt is owed to public agencies, which may pose a challenge for the long-term fiscal sustainability of the creditor public institutions.¹²

Most Recent Economic Developments and Policies

28. **Argentina has begun to address several macroeconomic imbalances, although a larger set of coordinated policy changes is required to address them fully.** The Government took steps in early 2014 to rebalance the current account and stop the fall in international reserves. Primarily, the Central Bank allowed a significantly faster depreciation rate, 32 percent in 2013 followed by 23 percent during the first quarter of 2014. Foreign exchange restrictions were loosened and the black-market premium reacted positively and narrowed. The exchange rate has remained stable since February and averaged AR\$8.12/US\$1 in June. Low-interest credit lines for agricultural producers and exporters were frozen, creating incentives to sell production and bring in foreign exchange earnings. The Central Bank lowered the limit on the equity that banks could hold in foreign currency to 30 percent, leading to increased sales of foreign exchange in the first four months of 2014. These measures halted the fall in reserves in April, bringing the level to \$29.3 billion at the end of June.

29. **Monetary policy was tightened.** The Central Bank complemented the devaluation with a large increase in interest rates. Between January and February 2014, the implicit rate of the Central Bank's three-month and twelve-month notes (LEBACS) increased by 900 basis points, leaving three-month notes at 28.8 percent and twelve-month notes at 30.2 percent. Through these auctions, the Central Bank absorbed AR\$60 billion during the first six months of 2014, more than 15 percent of the monetary base, and contributed to the AR\$15 billion contraction of the monetary base. As a result, its debt stock in notes increased to AR\$151.8 billion, and the stock's mean interest rate jumped from 17 percent to almost 22 percent.

30. **The government announced a 20 percent reduction in subsidies on gas and water in March 2014.** The reduction in subsidies to all residential and commercial consumers will be implemented in three steps. Initial cuts started in April and the Government also introduced further cuts for June and August. In an attempt to encourage efficient use, users who cut their consumption by more than 20 percent will avoid tariff increases. The cost of these services for residential consumers is expected to increase by an average of more than 200 percent. Pensioners and beneficiaries of social security will not see any increase in their tariffs.

31. **The Government has launched a new nationwide price index in 2014, which was considered important progress by markets and across the political spectrum** (see Box 5). The new index showed higher inflation readings compared to the previous index. From January to June 2014, the cumulative inflation rate was 15 percent. In addition to the changes in the inflation index, the devaluation of the Argentine peso in early 2014 had a high pass-through effect on prices. Regarding provincial inflation numbers, the average of the three provinces (Neuquen, San Luis, Tierra del Fuego) showed a cumulative inflation of 21 percent during January-June 2014. Three members from the opposition in Congress continued to report inflation

¹² This reflects data from the third quarter of 2013.

figures reflecting the average of some private estimates, which showed 20 percent inflation for the same period (see Box 5 for the debate on the methodology and coverage of these inflation estimates). All inflation measures showed a declining trend during January-June 2014.

Box 5. Changes to Improve Officially Reported CPI and GDP Statistics

Since 2007, critics have questioned the CPI published by INDEC, which only covered the Greater Buenos Aires area. The official inflation rate deviated significantly from the inflation rate reported by unofficial sources and provincial statistical offices. Between mid-2008 and 2013, the official annual inflation rate averaged 9.3 percent, whereas the average of the four provinces (Neuquen, San Luis, Santa Fe, Tierra del Fuego) showed an annual inflation rate of 21.1 percent based on provincial official statistics. The inflation numbers reported by the three members from the opposition in Congress, reflecting the mean of different private estimates, recorded an average annual inflation rate of 21.6 percent during 2010-2013. However, there also has been a debate on the methodology and the coverage of these inflation estimates, which are not made public. The Government also criticized them for being non representative and having methodological shortcomings. The co-existence of various inflation figures reflected the question about the quality of official statistics. The changes in the CPI also led to changes in other indices, such as poverty figures and the measurement of some components of the GDP.

In early 2014, the new nationwide CPI was launched. It has a wide coverage, tracing 230,000 prices in more than 13,000 stores in cities with more than 5,000 residents (almost 87 percent of the total population). The new index divides the country into six regions, with different baskets tailored to each region's consumption patterns.

The first results from the CPI were released on February 13, 2014, revealing an inflation rate of 3.7 percent in January. The monthly rate was significantly higher than the previous CPI's 1.4 percent in December 2013. Subsequently, monthly inflation rates declined.

In May 2014, INDEC published a new GDP index indicating a real growth rate of 2.9 percent for 2013. The new national accounts system uses 2004 as the base year instead of the 1993 base used in previous data. .

32. Argentina's progress on new inflation and GDP statistics are under review. On June 6, 2014, the IMF Executive Board reviewed Argentina's progress on improving its statistics, noting the successful completion of the requirements for this review. The Board considered the Managing Director's report on Argentina's progress in implementing an initial set of specified actions sought by the IMF to address the quality of the official data for the CPI and GDP. The Board recognized the implementation of all the specified actions it had called for at this juncture and the initial steps taken by the Argentine authorities to remedy the provision of inaccurate data. In line with the Board decision adopted in December 2013, the Argentine authorities are expected to implement actions previously specified for the end of September 2014 and the end of February 2015.

33. The Government is working to settle international disputes. In October 2013, Argentina agreed to compensate five companies that had won ICSID rulings over investment disputes. The companies agreed to accept payment in Argentine bonds and with a 25 percent 'haircut'. As noted earlier, agreement with Repsol was reached on a \$5 billion settlement in bonds on the nationalization of YPF in February 2014. Finally on May 29, 2014, the Government and Paris Club creditors reached an agreement to repay debt in arrears over a five-year period. The first payment was made in July 2014 (see Box 6). Also, Argentina still has an unresolved dispute with creditors that did not participate in the 2005 and 2010 debt restructurings. Argentina restructured its defaulted debt (\$95 billion) with a significant haircut in two exchanges, one in 2005 and another in 2010, reaching 93 percent of acceptance among

bondholders (the “exchange bondholders”). A minority of bondholders that refused to participate in the exchange (the “holdouts”), among which is the hedge fund NML Capital, sued in New York City (where the bonds were issued) to collect the full amount. In June 2014, the US Supreme Court upheld a lower court decision which ordered Argentina to pay the holdout creditors whenever a payment to the exchange bondholders was made.¹³ Argentina deposited \$539 million in the Bank of New York Mellon (BoNY), the Indenture Trustee– before the scheduled payment due date (end June 2014) which was the amount due to exchange bond holders. However, the payment could not be transferred to the recipient bondholders as the Court ruling binds also the payment system intermediaries.¹⁴ For this reason, the Argentine Government argues that the country did not enter into a default. Mediation so far has not produced an agreed solution. On July 31, 2014, Argentina’s credit rating on its foreign currency debt was downgraded to ‘selective default’ by several credit rating agencies.

Box 6. Settling the Paris Club Debt

Argentina’s Ministry of Economy and the Paris Club announced an agreement on May 29, 2014, to clear debt in arrears that Argentina owes to Paris Club creditors over a five year period. The main points of the agreement are:

- The total stock of arrears was set at \$9.7 billion as April 30, 2014.
- The agreement provides a flexible structure for clearance of arrears within five years including a minimum of USD 1150 million to be paid by May 2015.(*). Another payment will be due in May 2016.
- Paris Club members’ export credit agencies that wish to do so will resume their export credit activities.

(*): According to the terms agreed upon on 29 May 2014, the first payment of Argentina, due by 30 July, was made as scheduled.

Economic Outlook

34. **A prolonged slowdown is more likely than a deep economic rift.** The sluggish economic performance, continued inflation, loss of reserves, a deterioration of the business environment and the ongoing debt challenges with the holdouts point to such slowdown. But debt ratios in the public and private sector are much smaller compared to the past decade and macroeconomic imbalances are still moderate (see Table 1). Argentina faces liquidity rather than solvency challenges, in financing its fiscal and current account deficits. In addition, the banking system is stronger and the economy today is not as dollarized and large currency mismatches of

¹³ Argentina’s appeal to the US Supreme Court was denied on June 16, 2014, leaving the lower court decisions in place and posing additional macroeconomic challenges. The Court ordered Argentina to pay full face value plus accrued interest in cash (\$1.3 billion) to NML Capital and other plaintiffs before paying the exchange bonds. In addition, the Court ruling binds the payment system intermediaries so that they cannot transfer payments to exchange bondholders unless Argentina pays the holdouts.

¹⁴ Argentina argues that the payment to holdout creditors was not possible given the RUFO (Rights-of-Future-Offers) clause included for exchange bond holders which stipulates that no better restructuring offer can be voluntarily made than those they had agreed to. The RUFO clause expires at the end of calendar year 2014.

the convertibility regime do not exist. Hence, the risks of a sudden and deep debt or banking crisis are moderate.

35. **In the short-term, Argentina is facing significant risks arising from recent developments in the debt holdouts case.** The impact of the stand-off with holdout creditors on the Argentine economy will depend on its duration. A solution in the next few months would likely have moderate impacts, deepening the slowdown somewhat. However, a prolongation of reaching a solution beyond that could lead to further complications stemming from a potential acceleration of future payments to exchange bondholders which the latter could request given the default situation. Policies would need to adjust to fiscal, external and inflationary pressures more profoundly, including tightening of the fiscal and monetary stance as well as implementing an exchange rate regime which protects international reserves from falling further.

36. **Additional short-term risks stem from weak external and fiscal accounts.** Growth deceleration in Argentina's main trading partners (particularly in China and Brazil)¹⁵ would adversely affect Argentina, particularly if commodity prices weaken. In 2013, 23.2 percent of exports were commodity-based and 36.2 percent were agro-industrial. The country's exports contracted by 9 percent during the first quarter of 2014. Commodities and the car industry were hit particularly hard. The US Federal Reserve's tapering of quantitative easing will increase the risks of portfolio adjustments, capital flow reversals, and increases in interest rates. In Argentina, public spending continues to put pressure on the fiscal accounts, although revenue increases have been considerable. In the absence of a fiscal tightening, financing needs are likely to create debt-rollover challenges and the risk of fueling inflation. For exchange rates, the managed float can be expected to continue, possibly with further depreciations.

37. **Nonetheless, short term risks apart from the ongoing debt challenges with holdout creditors are manageable.** The primary fiscal deficit is modest and could potentially be contained by reducing subsidies to public utilities and the overall deficit could be financed in capital markets. Inflation could remain high but not hard to reign in once the Central Bank is given back its policy space to design a monetary program with an indicative interest rate interval or, if needed, a loose inflation target. The current account deficit is small and could be managed by a combination of more competitive exchange rate, gradual lifting of capital controls and debt issuance as well as by FDI inflows.

38. **Medium-term growth prospects in the next one to three years are moderate.** Driven mostly by agriculture and manufacturing, annual GDP growth is projected to recover to around 2-3 percent in the upcoming years. Inflation is expected to remain a significant challenge. The main internal challenges facing the economy over the medium term are the current account and fiscal deficits, inflationary pressures, declining levels of reserves, and a weakening ability to respond to shocks. Argentina increased fiscal revenues significantly in the last decade, which helped maintain a high level of public spending. However, a slowing growth rate or a fall in commodity prices could reduce the ability to sustain public spending at its current levels.

¹⁵ Brazil is the destination of 21.6 percent of Argentina's exports; nearly 80 percent of which is for the automotive industry.

39. **Long-term growth prospects are strong.** The economy has vast reserves of natural resources and sound social indicators. It also has a solid human capital basis. Historically, Argentina's economic cycle has alternated between intense boom and bust phases, but growth drivers are still strong. Realizing the growth potential will require tackling the short- and medium-run macro-economic challenges outlined above.

40. **The short- and medium-term risks and the long-term prospects create distinct challenges for poor and vulnerable households.** The short-term risks threaten growth, jobs, and the sustainability of social spending. These challenges are extended by the weakening business environment. Mitigating the risks requires addressing macro imbalances and ensuring the assets of the poor and vulnerable are protected from potential shocks, thereby strengthening the economy's ability to create employment and expand shared prosperity. Addressing these risks requires increasing productivity and improving the business environment for firms and farms. Capitalizing on abundant natural and environmental capital for long-term growth requires investment in individuals' asset base and a sound governance framework.

Table 1. Economic Indicators

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|----------------------------|---------|---------|---------|---------|---------|
| | <i>Projections</i> | | | | | |
| | <i>(percentage change)</i> | | | | | |
| GDP growth | 9.1 | 8.6 | 0.9 | 2.9 | -1.0 | 1.8 |
| GDP deflator | 17.5 | 17.2 | 18.1 | 18.5 | 24.1 | 19.4 |
| CPI INDEC | 10.9 | 9.5 | 10.8 | 10.9 | .. | .. |
| CPI Provinces* | 23.7 | 24.0 | 21.0 | 25.2 | .. | .. |
| Terms of trade | 2.8 | 11.3 | 4.3 | -6.1 | .. | .. |
| Unemployment rate, Q4 (%) | 7.3 | 6.7 | 6.9 | 6.4 | .. | .. |
| Monetary Indicators | | | | | | |
| Exchange rate, eop (ARS / US\$) | 3.98 | 4.30 | 4.92 | 6.52 | .. | .. |
| Monetary base | 31.1 | 39.0 | 37.9 | 22.7 | .. | .. |
| Credit to private sector | 36.5 | 48.4 | 41.6 | 34.3 | .. | .. |
| Private sector deposits | 29.6 | 26.8 | 30.4 | 27.9 | .. | .. |
| Central Bank bill rate (nominal) | 13.7 | 12.9 | 13.9 | 16.9 | .. | .. |
| Time deposit interest rate (nominal) | 9.1 | 10.6 | 12.0 | 14.9 | .. | .. |
| <i>(percentage of GDP, unless otherwise stated)</i> | | | | | | |
| National Accounts | | | | | | |
| Nominal GDP (ARS bn) | 1,810.3 | 2,303.2 | 2,744.8 | 3,341.8 | 4,115.1 | 5,001.8 |
| Agriculture | 8.2 | 7.8 | 6.9 | 7.0 | .. | .. |
| Industry | 30.9 | 30.5 | 29.6 | 28.6 | .. | .. |
| Services | 60.9 | 61.7 | 63.5 | 64.4 | .. | .. |
| Gross fixed capital formation | 17.9 | 18.5 | 16.9 | 17.0 | 15.9 | 17.0 |
| Fiscal accounts | | | | | | |
| Total revenues | 19.4 | 18.9 | 20.1 | 21.5 | 22.5 | 22.3 |
| Total expenditures | 19.2 | 20.2 | 22.1 | 23.4 | 24.3 | 24.1 |
| Current expenditures | 16.7 | 17.9 | 19.8 | 20.7 | 21.8 | 21.6 |
| Wages | 2.7 | 2.7 | 2.9 | 3.0 | .. | .. |
| Energy and transport subsidies | 2.4 | 3.3 | 3.2 | 3.5 | .. | .. |
| Capital expenditures | 2.5 | 2.3 | 2.3 | 2.7 | 2.5 | 2.5 |
| Primary balance | 1.2 | 1.5 | 1.9 | 1.3 | 1.2 | 1.2 |
| Interest payments | 1.4 | 0.2 | -0.2 | -0.7 | -0.6 | -0.6 |
| Overall balance | 0.2 | -1.3 | -2.0 | -1.9 | -1.8 | -1.8 |
| Provincial overall balance | 0.4 | -0.7 | -0.5 | .. | .. | .. |
| Gross public debt | 35.5 | 32.1 | 32.7 | 32.8 | 41.0 | 42.2 |
| o/w Foreign currency debt | 20.9 | 19.3 | 19.3 | 20.3 | 24.6 | 26.5 |
| Debt service (% exports) | 16.3 | 19.0 | 15.8 | 13.1 | .. | .. |
| <i>(US\$ millions, unless otherwise stated)</i> | | | | | | |
| Balance of Payments | | | | | | |
| Current account balance | -777 | -2,271 | 48 | -4,635 | -5,049 | -5,705 |
| (% of GDP) | -0.2 | -0.4 | 0.0 | -0.7 | -1.0 | -1.2 |
| Trade balance | 11,395 | 9,732 | 12,419 | 8,005 | 5,944 | 6,700 |
| Fuel and energy balance | 1,760 | -2,784 | -2,901 | -6,163 | .. | .. |
| Exports of goods and services (fob) | 68,187 | 84,051 | 80,927 | 81,660 | 73,807 | 75,925 |
| Imports of goods and services (cif) | 56,793 | 74,319 | 68,508 | 73,655 | 67,863 | 69,225 |
| Intermediate and capital goods | 40,884 | 50,734 | 46,296 | 47,759 | .. | .. |
| Consumer goods | 6,520 | 7,988 | 7,267 | 7,508 | .. | .. |
| Services balance | -1,160 | -2,247 | -3,366 | -4,346 | .. | .. |
| Tourism balance | 294 | -1,139 | -4,667 | -8,708 | .. | .. |
| Income | -13,479 | -12,402 | -11,503 | -10,709 | .. | .. |
| Net profits and dividends | -10,730 | -9,184 | -8,245 | -7,719 | .. | .. |
| Capital and Financial Account | 6,893 | 357 | -625 | -3,840 | .. | .. |
| Foreign Direct Investment (% of GDP) | 2.4 | 1.9 | 2.0 | 1.5 | 1.0 | 1.8 |
| Gross reserves, year end | 52,190 | 46,376 | 43,290 | 30,599 | 28,120 | 22,984 |
| Gross reserves (months of imports) | 11.0 | 7.5 | 7.6 | 5.0 | 5.0 | 4.0 |

While gross public debt is not expected to expand significantly, debt-to-GDP ratio is expected to increase in 2014 as a result of the Argentine peso depreciation

* Includes CPI indexes published by Neuquén, San Luis, Santa Fe and Tierra del Fuego

C. Country Development Challenges for Sustained Poverty Reduction and Shared Prosperity

41. **Protecting and expanding Argentina’s social inclusion gains requires sustained growth, macroeconomic resilience, efficiency and transparency in public spending and service delivery, and stewardship of natural and environmental resources.** The poverty and shared prosperity analysis in section I-A highlights three main risks for sustained poverty reduction. These are (a) macroeconomic vulnerability to shocks; (b) an underdeveloped asset base of individual and households, limiting their ability to participate in economic activity; and (c) natural resource and environmental degradation. In this context, the short- and medium-term macroeconomic and fiscal risks described in the previous section are key development challenges. Primary among them is the decline in GDP growth relative to the past decade. Second is the sustainability of a fiscal framework that has supported a social contract based on high levels of spending. Third, labor income is critical for poverty reduction and a weakened business climate and labor market may have significant effects on poverty rates. Regarding the asset base of individuals and households, opportunities remain relatively high in Argentina; however, access to services and their quality is uneven across regions and parental circumstances, limiting upward mobility. The country could benefit from improving the regulatory and governance environments, which would foster a stronger investment climate and enhanced transparency in service delivery. Finally, given the importance of natural and environmental resources for long-term growth, their degradation represents an important challenge going forward and poses particular risks for vulnerable and poor households.

Driving Employment Creation in Firms and Farms

42. **Increasing macroeconomic stability will require rebalancing the current and fiscal accounts, lowering inflation, and enhancing competitiveness.** These are critical for Argentina to create the underlying conditions for firms and farms to flourish (see also Box 7 on Argentina’s long term growth drivers). In addition, strengthening the business environment and competitiveness will be important for encouraging investment, especially in infrastructure and energy—two critical areas for realizing Argentina’s potential. Argentina is South America’s largest natural gas producer and a significant producer of oil. The sector is heavily regulated, limiting the industry’s attractiveness to private investors while shielding consumers from rising prices. Demand continues to rise while production is in decline, leading to increasing dependence on imports and contributing to fiscal imbalances.

Box 7. Argentina’s Long-term Growth Determinants

Argentina’s low average growth rate is not due to its incapability to grow. On the contrary, Argentina is able to grow fast, but high growth phases alternate with crises. Empirical findings indicate that high fiscal volatility is consistent with low growth rates and high growth volatility, which in turn has contributed to the low average growth rates. Sources of fiscal instability include high policy volatility, lack of adherence to fiscal discipline and poor institutional development.

Dornbusch and De Pablo (1987) argue that continuous fiscal problems had an adverse effect on investment and growth. A paper published by IDB (2009) underscores the importance of the policymaking process and the quality of the institutional framework for growth. Nicolini et al (2011), consider that the systematic mismanagement of government budgets is the principal reason for Argentina’s departure from its growth potential. In a paper for the World Bank, Fanelli (2012) emphasizes the weak property rights structure and low appropriability as a chronic problem in Argentina. Auguste (2012) highlights the negative impact of eroding human capital and macroeconomic

instability in the country's TFP. He states that Argentina has lagged behind other countries throughout the 20th century, even if it has had phases of higher growth.

Recommendations to unlock growth in Argentina focus on guaranteeing macroeconomic stability, strengthening property rights to promote investment, improving the education quality, and investing in infrastructure to alleviate bottlenecks and in R+D to boost productivity. Efficiency in the public sector should also be addressed, especially in the view that public spending has increased as a share of GDP. Efforts should be directed to reduce informality in the job market and tax avoidance.

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43. The main obstacles to business development in Argentina include policy uncertainty, regulatory burden, and access to finance. The financial sector does not provide sufficient funding for productive investments, constraining firms to rely on retained earnings to finance investments and limiting leverage. Restrictions on imports and capital flows limit firms' ability to access technology, innovate, and expand productive capacities. The high level of administrative burdens on firms, price regulations, and State involvement in commercial activities increase business risks and weaken the competitive environment. Creating the conditions for innovation, improved access to technology and financing, as well as enhanced competition will be key to further firm-level productivity growth.

44. Argentina has a formal legal and institutional framework for enhancing good governance, including all branches of government; nonetheless, challenges remain with respect to effective enforcement. Its regional commitments are notable through participation in UNCAC's MESISIC¹⁶ (Committee of Experts), the anti-corruption agency that includes a mechanism through which civil servants can submit grievances.¹⁷ Gaps between these laws and their effective enforcement, however, continue to be one of the country's biggest governance challenges. An inefficient public sector in the executive and judicial branches, in particular, remain a serious concern, although domestic investment dispute resolution is available through both local courts and administrative tribunals. Further improving governance would foster private sector development and employment creation.

45. Reducing the internal costs of exporting, importing, and distributing goods will improve firm and farm competitiveness. Argentina is almost 4,000 kilometers long and more than 1,000 kilometers wide, making transportation critical for trade and competitiveness.¹⁸

¹⁶ UNCAC is the UN Convention Against Corruption and MESICIC is the Spanish name (El Mecanismo de Seguimiento de la Implementación de la Convención Interamericana contra la Corrupción) for the follow-up mechanism for the implementation of the Inter-American Convention against Corruption.

¹⁷ The Argentinian Criminal Code was amended in 2011 to address money-laundering among companies.

¹⁸ The Norte Grande region lags other regions by far in terms of paved road km/1000 inhabitants for both the national roads (1.32 km/1000 inhabitants for Norte Grande versus 2.42 km/1000 inhabitants for the other regions)

Logistics costs (around 27 percent of GDP) are the second highest in Latin America and nearly three times higher than the average of Organisation of Economic Co-operation and Development (OECD) countries.¹⁹ Argentina dropped from the 89th position in 2010/2011 to the 105th place in 2013/2014 in the competitiveness of its transport infrastructure services.²⁰ Deteriorating road infrastructure continues to create difficulties for the population; particularly in the poorer areas in the Northeast region.

46. With half of Argentina's population and 64 percent of its firms located in the five largest metropolitan regions, agglomeration presents both an opportunity and a threat for employment creation.²¹ Cities are engines of economic growth and pathways out of poverty. Development is largely taking place on the outskirts of Argentina's metropolitan regions and the benefits of agglomeration are being foregone while the costs are being compounded. For example, outdoor air pollution in Argentina is associated with 6,650 deaths and about 20 million days of illness a year. The demand and supply mismatch in service provision is manifested in the proliferation of slums and increasing inequalities in terms of access to land, housing, and services. In Greater Buenos Aires approximately 5 million people live in 1,500 settlements with irregular land tenure situations and inadequate access to basic services such as transportation, water, and sanitation. Their access to reliable and affordable public transportation is critical for jobs and keeping themselves out of poverty.²²

47. Maintaining Argentina's position as one of the world's top food providers requires adapting to climate change and addressing the needs of smaller farmers. With more than 32 million hectares of productive land and countercyclical seasonal advantages, Argentina has great potential in agriculture. While the effects of rising atmospheric temperatures on the frequency and intensity of El Niño events in the future remains uncertain, it is clear that an effect can be expected and evidence is emerging that points to more intense and frequent weather patterns. For Argentina this could mean increasingly adverse impacts from intense droughts as well as rainfall and flooding. To increase productivity, the large number of small and medium-sized farms in lagging regions need supporting infrastructure, access to finance, economies of scale that allow integration in supply chains, and access to state-of-the-art climate-smart production technologies. This will help link the smaller farms with the capital-intensive dynamic part of the sector, which includes global leaders in technology adoption.

Asset Availability of Households and People

48. Ensuring that poor and vulnerable households have the assets to cope with short- and medium-term risks requires strengthening public sector service delivery and investing

and provincial roads (1.15 km/ 1000 inhabitants for Norte Grande versus 2.36 km/1000 inhabitants for the other regions).

¹⁹ As a comparison, logistics costs amount to 18 percent of GDP in Chile.

²⁰ World Economic Forum's Competitiveness Index.

²¹ Observatorio de Empleo y Dinámica Empresarial, Ministry of Employment.

²² In the five metropolitan regions of Argentina, one-third of the population at the bottom 40 percent of income depends on public or non-motorized (e.g., walking and cycling) transportation, which is almost 20 percentage points higher than the population in the top 60 percent of income. With expanding urbanization, trips are getting longer both in distance and time; and this along with a persistent underinvestment in public transport infrastructure is reducing urban productivity.

in basic infrastructure and human development. Provincial governments are responsible for the delivery of key basic services, including health, education, energy, water and sanitation, and roads. However, strong vertical imbalances between service delivery responsibilities and fiscal resources limit provincial capacity to deliver services effectively.²³ Substantial differences in revenue efforts, particularly in the poorer provinces, coupled with differences in management capacity leads to inequality in the provision of services.

49. Improving basic services in the impoverished central and northern rural areas is important for human capital formation. The Government estimates most of the remaining people without modern energy services are low-income people living in isolated areas (about 725,000 people). Access to improved water and sanitation is significantly worse in rural areas and poorer provinces—for example household access to improved sanitation was only 18.6 percent in the northern province of Misiones in 2010. Water and sanitation issues are associated with nearly 980 deaths and about 17.6 million days of illness annually. Improved access to modern energy services, potable water, and sanitation is particularly important for ensuring that the poor and vulnerable have the assets they need to withstand potential shocks.

50. Despite remarkable improvements in healthcare coverage, significant inequalities persist in access and quality. Social health insurance coverage increased from 52 percent in 2001 to 64 percent in 2010 thanks to an increase in formal employment. However, there are large differences across provinces and between socioeconomic groups. For instance, while the infant mortality rate in 2012 was 8.3/1000 in the City of Buenos Aires it was 17.3/1000 in the Province of Formosa. Similarly, chronic conditions and injuries (CCIs) will continue to rise because of the aging population; and CCIs disproportionately affect the poor,²⁴ partly because of the strong correlation between socioeconomic status and preventive behavior. Expanding basic health coverage to the working age population and limiting the onset of CCIs will reduce the growth in public health expenditure and have a positive economic impact on the labor market.²⁵

51. Disparities in education are an impediment to getting better jobs.²⁶ The Argentine education system does not effectively promote equality of opportunities. PISA, OECD's international standardized test, shows a negative trend in learning outcomes since 2000. Argentina shows the highest between-student variance in learning outcomes among all countries as well as the largest proportion of student-to-student variation in test scores because of socioeconomic conditions.²⁷

²³ The provinces are responsible for over 40 percent of the aggregated public sector spending, and approximately 70 percent for education and health expenditures. However, out of the total tax collection only 15 percent correspond to provincial taxes. The rest is levied by the National Government and then distributed through the tax sharing system.

²⁴ Banco Mundial. 2011. "Enfermedades no Transmisibles: El desafío de la mortalidad y la discapacidad evitables." Nota de Discusión.

²⁵ See Bonilla-Chacin 2014 on the impact of CCIs on the labor market in Latin America.

²⁶ For example, the transition from lower to upper secondary education is much more difficult in rural areas than in urban areas (the dropout rate in the last year of lower secondary is 22.6 percent in rural areas versus 3.7 percent in urban areas), and the dropout rate among upper secondary school students is 3.7 percent in the top income quintile but it increases to 41.3 percent in the bottom quintile. Upper secondary dropout rates are also significantly higher among boys.

²⁷ PISA 2009.

52. **While there has been remarkable progress in reducing overall unemployment during the past decade, important challenges remain.** Specifically, the unemployment rate among youth aged 16-24 years old was 16.5 percent in 2012, more than three times the unemployment rate of the population aged 25-64 years old. More than half of the youth with a salaried job were employed in the informal sector, while the same indicator was below 30 percent for the population aged 25 to 64. Improving employability of vulnerable youth is essential to reducing inequality. Put more starkly, students from private schools are twice as likely to achieve a score of 2 or higher than students from public schools on a standardized PISA test. These findings indicate that children from lower socioeconomic strata have worse educational outcomes and can thus expect to have less success in the labor market as adults.

Reducing Environmental Risks and Safeguarding Natural Resources

53. **Degradation of Argentina's rich but fragile natural and environmental resources is a threat to long-term economic growth and social progress.** Natural resources account for about 10 percent of GDP and 60 percent of all exports. Argentina's total wealth per capita has increased over the last 15 years; however, this has been achieved through the degradation of natural and environmental resources, which might lose their capacity to contribute to Argentina's growth. Also, estimates suggest that Argentines have a higher estimated natural disaster loss per capita than most countries in the region; this poses a particular threat to the poor and vulnerable, who are least able to cope with these events.

54. **Over the past two decades, damages from natural disasters have been predominantly related to floods.** The computed expected annual value of flood cost was about 0.7 percent of GDP in 2012. Floods result in death tolls and loss of livelihoods. Unsustainable urban planning and territorial management practices has driven an increase in the exposure of people and assets to floods. Climate change may increase the likelihood of rainfall concentrations and increased river flow driving flood risk further up. Sea level rise associated with climate change could additionally significantly increase coastal flood risk for large parts of Buenos Aires coastal population. Improving disaster risk management through better urban and territorial planning and flood mitigation investments will protect households from disaster induced poverty.

55. **Environmental degradation poses a major cost to the economy and the poor.** The top three priority issues, based on the orders of magnitude for their economic costs, are judged to be outdoor air pollution, exposure to lead, and access to water and sanitation for the urban poor.²⁸ The annual cost of the environmental health effects is estimated to be about 3.4 percent of GDP. More than 80 percent of the cost is equally divided between outdoor air pollution, urban noise, and lead (Pb), while 12 percent is from inadequate water supply sanitation and hygiene, and 6 percent is from household air pollution. Improving water quality in the Matanza-Riachuelo basin, the most contaminated river basin and visible environmental issue in the country, will improve living conditions for one of the most vulnerable populations in the country.

²⁸ See the background note "Why Sustaining Support to Rural Education is Important for Social Inclusion and Poverty Reduction in Argentina" prepared by World Bank staff.

56. **Argentina is well endowed with natural forest resources that are home to some of the poorest indigenous communities and serve important environmental functions and commercial purposes.** With deforestation rates on the order of 0.56 percent for the most critical natural areas, natural forests and the ecological services and biodiversity they provide are under threat. Deforestation means the loss of the services provided by these ecosystems, and the total mean annual cost of deforestation in wooded areas (savannah) is estimated at about \$1.2 billion (0.3 percent of GDP), while the cost in tropical forests is estimated at about \$2.4 billion (0.5 percent of GDP). Supporting forest-dependent communities (that are largely composed of indigenous people) to carry out sustainable forest management, strengthen property rights, and improve efficiency of wood fuel use will help stem the rapid rate of deforestation.

II. GOVERNMENT VISION

57. **The Government aims to maintain the achievements of the past decade and sustain inclusive growth.** In an increasingly volatile international context, policies have been geared toward further reducing poverty and inequality, improving labor markets and social protection, and increasing productivity, as detailed below. The Office of the Cabinet Ministers outlined the strategic priorities and attendant actions, which focus on social and economic inclusion, public health, public safety, infrastructure investment, tourism, industry, and agriculture.

58. **The Government continues to see formal employment as the basis for social inclusion.** It has developed a wide range of programs to improve labor quality and productivity, targeting youth employment through training and employment services. Additionally, a new law was passed in 2014 (Law 26.940) that promotes formalization of informal jobs. It is also considering technical and financial assistance to improve the incomes of small cooperatives and the self-employed. The Government also plans to provide training to 100,000 women to increase their job opportunities.

59. **The infrastructure investment program is a key priority for the Government.** The objective continues to be to support investment in the more impoverished areas of the country while at the same time maintaining delivery of key basic services such as energy, water and sanitation, and transportation. Infrastructure development has a direct impact on the quality of life and on overall productivity. The Government has implemented extensive investment plans in energy, transportation, communications, and water and sanitation, such as the expansion and maintenance of the road system and the construction of 110,000 houses through the PRO.CRE.AR program.

60. **The Government's strategy to promote productivity gains in the industrial sector is contained in the 2020 Strategic Industrial Plan.** It defines a set of goals to reach by the year 2020 in 11 strategic subsectors, seeking to increase production, investment, and industrialized exports. Several credit programs, like the FON.DE.AR and the FONAPyME, will continue financing small and medium-size enterprises (SMEs) at low interest rates. The Government also considers science and technology essential for increasing productivity and development in upcoming years. The Ministry of Science and Technology will continue promoting R&D in all productive sectors and funding scientific research through the National Scientific and Technical Research Council. It will also continue its flagship program of repatriating Argentine scientists, the *Red de Argentinos Investigadores y Científicos en el Exterior (RAICES)*.

61. **The Government will seek to improve the agricultural sector's competitiveness, focusing on small-scale producers and their access to markets.** Argentina will take the necessary steps to increase productivity through investment in basic rural infrastructure, such as roads, electricity distribution, and irrigation as well as the use of technology and the opening of new markets. Goals for upcoming years are included in the *Programa Estratégico Agroalimentario y Agroindustrial 2016* (the Agri-food and Agribusiness Strategic Plan), including support for small farms.

62. **The Government is working toward its goal of sustaining the social security coverage attained after 2008.** It expects to do so through instruments such as expanding pensions for the elderly and ensuring universal allowance for children and pregnant women (AUH). It plans to increase family transfers by 18 percent, bringing the number of beneficiaries to 4.5 million people. It will also provide new non-contributive pensions to 1.6 million people.

63. **The objectives for the education sector focus on increasing education quality and improving infrastructure at all levels.** Through initiatives like "Our School" program, the Government expects to train 300,000 teachers. It also expects to construct more than 600 schools and new public universities across the country in 2014. Other goals are to increase the national coverage of pre-elementary and secondary schools, and to increase to 100 percent the reach of the "Conectar Igualdad" program, which provides netbooks to secondary public school students. Additionally, the PROG.R.ES.AR program has provided financial assistance to over one million young students to complete secondary and university education.

64. **Expanding medical coverage and preventing the spread of preventable diseases are the main objectives of the Government's health policies.** To expand medical coverage, the Government will enhance non-contributive insurance programs, such as *Plan SUMAR*, that provide free healthcare to an increasingly larger population without social health insurance, including children and pregnant women. To stop the propagation of preventable diseases such as dengue and Chagas disease, it has committed to eradicating inadequate housing units and increasing prevention within high-occurrence areas. At the same time, the Ministry of Health is collaborating with other ministries to develop a multisectoral policy framework to address the risk factors of the main chronic conditions and injuries, which currently constitute the main burden of disease of the Argentine population, especially among the poor.

65. **The issue of public safety has been one of the top priorities of the national government agenda.** The Government expects to improve public safety by increasing the capacity of police forces, incorporating more law enforcement officers and providing them with improved equipment and technology. It expects to introduce 1,000 new officers and to provide scholarships and courses on various crime monitoring systems. Planned equipment purchases include security cameras, bulletproof vests, helicopters, and multiple forms of police vehicles.

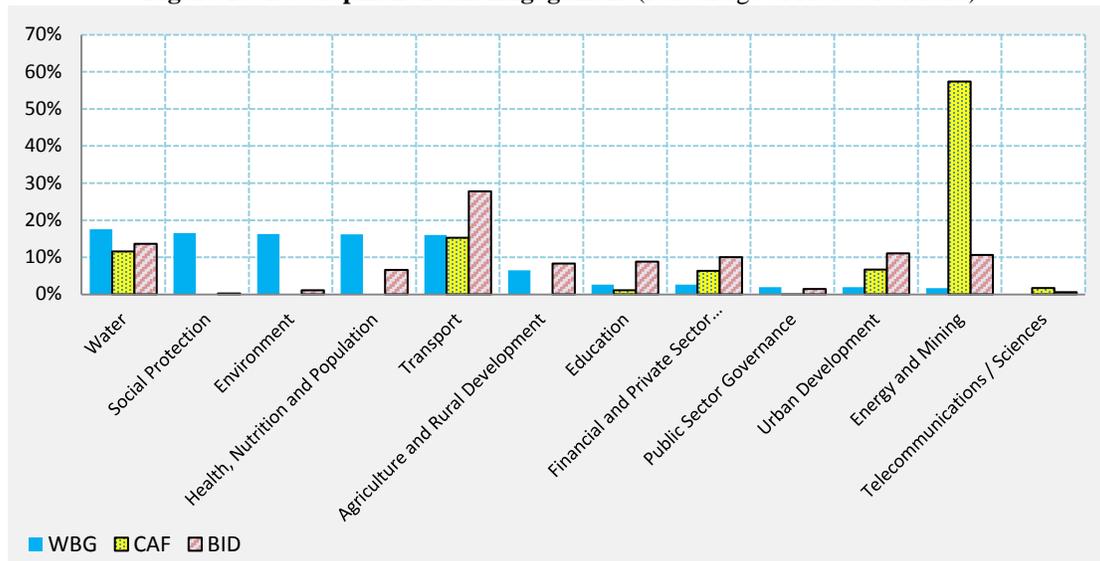
66. **A unified environmental strategy is under discussion** focusing on (a) urban issues and solid waste management; (b) a new federal environmental agreement that updates the role of COFEMA (Consejo Federal del Medio Ambiente) and identifies national priorities; (c) environmental management of energy, mining, oil, and gas; and (d) the transfer of funds from the federal to provincial governments in the context of the native forests law.

III. WORLD BANK GROUP ENGAGEMENT

67. **The proposed WBG engagement with Argentina consists of a portfolio of financial, knowledge, and convening services focused on on promoting shared prosperity and reducing poverty.** The CPS builds on lessons learned and outlines a new program that further expands the scope of collaboration among WBG organizations and other key development partners (e.g., Inter-American Development Bank-BID, Development Bank of Latin America - CAF) for each strategic objectives outcome, based on each organization’s comparative advantage and client demand (see Figure 18).

68. **At the same time, the CPS emphasizes selectivity and impact; to that end, it makes a number of shifts as to how, where, and in which areas the WBG will work.** It also introduces cross-cutting program goals on transparency and accountability. The engagement will also share Argentina’s best practice experience globally in several areas, such as the results-based universal healthcare system and a unique road safety program.

Figure 18. Development Bank Engagement (Percentage of Active Portfolio)



Source: WBG staff estimates.

A. Lessons Learned from the FY10-14 WBG Engagement and Stakeholder Feedback

69. **The FY10-12 CPS²⁹ supported the country during a period of global uncertainty following the 2008 global financial crisis.** The country context was continuing weak access to financial markets following the 2001 debt default. The CPS provided strategic support in three key areas: (a) sustainable growth with equity, (b) social inclusion, and (c) improved governance. These areas remained relevant throughout FY10-14, although the CPS Progress Report³⁰ included some adjustments to the results framework and program of activities in light of

²⁹ *Country Partnership Strategy for the Argentine Republic for the Period 2010-2012*, Report No. 48476-AR, May, 2009.

³⁰ *Country Partnership Strategy Progress Report for the Argentine Republic for the Period 2010-2012*, Report No. 59222-AR, February 24, 2011.

implementation experience and some shifting priorities. No new CPS was discussed after FY12 and no new lending was approved by the Board of Executive Directors. The lessons learned are based on the Country Partnership Strategy Completion Report (CPSCR), which also provides an overview of the continued WBG engagement through FY14.³¹ During the FY10-12 CPS, IBRD committed \$3.3 billion in 14 investment operations and IFC committed \$730.7 million to clients in Argentina—\$586 million from IFC’s own account and an additional \$144.7 million mobilized from partners.

70. The CPSCR identifies five key lessons that helped guide the design of the new strategy: (a) focusing on results while having flexibility to adapt to changing circumstances and Government priorities was crucial for the achievement of development results; (b) integrating governance as a cross-cutting theme into the overall engagement was the most efficient strategy for achieving results; (c) ensuring the CPS results framework is tied to the activities under implementation and is consistent with activities proposed is essential; (d) strengthening dialogue with Government counterparts by focusing on areas where there is a mutual commitment to catalyzed innovation and strong results; and (e) maintaining a regular dialogue with Government counterparts and sharing implementation experiences helped improve portfolio performance.

71. As noted, it is important to ensure that the CPS results framework is consistent with the proposed activities and the time period of implementation. Realistic and measureable results need to be tied to the activities already under implementation or expected to be delivered early in the CPS period. In a CPS of three years it is unrealistic to think that activities delivered after the first year or two will yield tangible results in the CPS period. This is especially true in Argentina, where long project effectiveness delays are frequent.

72. As noted, it is important to focus on governance as a cross-cutting theme instead of as an independent pillar. Under the FY10-12 CPS and its predecessor, improving governance was treated as a pillar. Intended results were only partly achieved because specific activities sometimes did not materialize. Significant governance improvements were achieved by treating governance as a cross-cutting theme incorporated into project design, most notably in the *Plan Nacer* and CREMA roads projects.

73. Regular dialogue with Government counterparts yielded positive results and lessons to improve portfolio performance. The main lessons in this respect include the need to (a) increase the presence of results-based financing³² to replicate successful experiences in health and social protection; (b) avoid unnecessary project complexity and reduce coordination demands; (c) seek simplicity in design to avoid lengthy administrative processes; (d) recognize that additional financing requires the same processes as any new loan for the Government; (e) scale-up and formalize the use of mid-term reviews to address weaknesses in design and monitoring and evaluation (M&E); (f) simplify and reduce the number of indicators to better demonstrate results; and (g) provide sufficient transition time when changing Task Team Leaders (TTLs) and counterpart managers.

³¹ The CPSCR is attached as Annex 2 of this document.

³² Results-based financing links disbursement to results achieved/performance.

74. **Results-based financing has a successful record of delivering services to beneficiaries, building human capital, and fostering employability.** Setting targets and linking disbursement to results helps strengthen governance and accountability and contributes to developing a public sector culture that rewards performance. Results-oriented financing efforts have been successful for national programs (as in the case of health and employment support schemes) and provincial programs (as in the case of the health sector).

75. **Programmatic multi-year knowledge and advisory services are particularly effective instruments for evidence-based policy dialogue.** Effective policy dialogue can be achieved by combining global analytical experience with first-class local research institutions and think-tanks and leveraging platforms for policy dialogue (e.g., on the subject of how population aging will impact the sustainability of Argentina's welfare system). The Impact Evaluation of *Plan NACER* was a powerful instrument for policy dialogue not only in terms of final results but also in design and implementation. To be effective, impact evaluations require significant human and financial resources and stable partnerships between international specialists and local institutions.

76. **Input-based public sector support has had limited impact.** Large projects with national scale have traditionally supported development of information technology- (IT-) based solutions to improve governance of the public sector. However, they have sometimes tended to suffer from limited focus and have not mobilized additional resources to introduce sustainable changes. Direct support to provincial governments focused on building capacity for public service delivery has shown a strong record of results through operations based on Disbursement-Linked Indicators (DLIs) and through technical assistance for Rapid Assessment Action Plans (RAAPs).

Stakeholder Consultations

77. **Engaging with Argentina's civil society, key opinion leaders, prominent political figures and government counterparts was part of the consultation process which, together with the results of the FY12 client survey, contributed to shaping the country partnership strategy.** The key areas of consultations included three main topics: (a) how to effectively reach the poor, through a program that is focusing new operations in the poorest provinces of the north east and north west of Argentina; (b) macro-economic perspectives that will impact the implementation of the CPS; and (c) how to advance a stronger gender agenda that promotes more women benefiting from the gains of inclusive growth (see Annex 12).

78. **Stakeholder consultations underscored poverty and equality of opportunities as top development priorities,** along with improving macroeconomic stability, reducing poverty and expanding shared prosperity; enhancing the quality of infrastructure, transport, and logistics services; increasing productivity and competitiveness; strengthening public sector management and service delivery at both federal and provincial levels; increasing the quality of education; reducing disparities among provinces; improving the fiscal sustainability of social programs and their quality, coverage, and efficiency; and reducing environmental degradation and better managing climate change and disaster risk. Addressing gender inequalities was seen by representatives of civil society as a key factor to make further progress in reducing poverty and inequality, with a special focus on worker productivity and reduction in the gender wage gap.

79. **For project implementation, flexibility and results-based approaches in program design were highlighted.** Key points included simplifying and reducing results indicators, supporting fiduciary aspects, while keeping flexibility in project implementation and putting a special focus on reducing the complexity of WBG projects. The prevalent responses to WBG 2012 Client survey attach higher value to the WBG's financial services. In terms of knowledge, the Bank is recognized for its contributions to the following sectors: health, education, agriculture, climate change, economic growth, and poverty reduction.

80. **Feedback received on challenges to reaching the poorest provinces of the north, included suggestions** to: (i) continue with the scheme of results-based financing to replicate successful experiences; (ii) support capacity building for public officials at the provincial level, specially the poorest ones; and (iii) focus on the simplicity of project design.

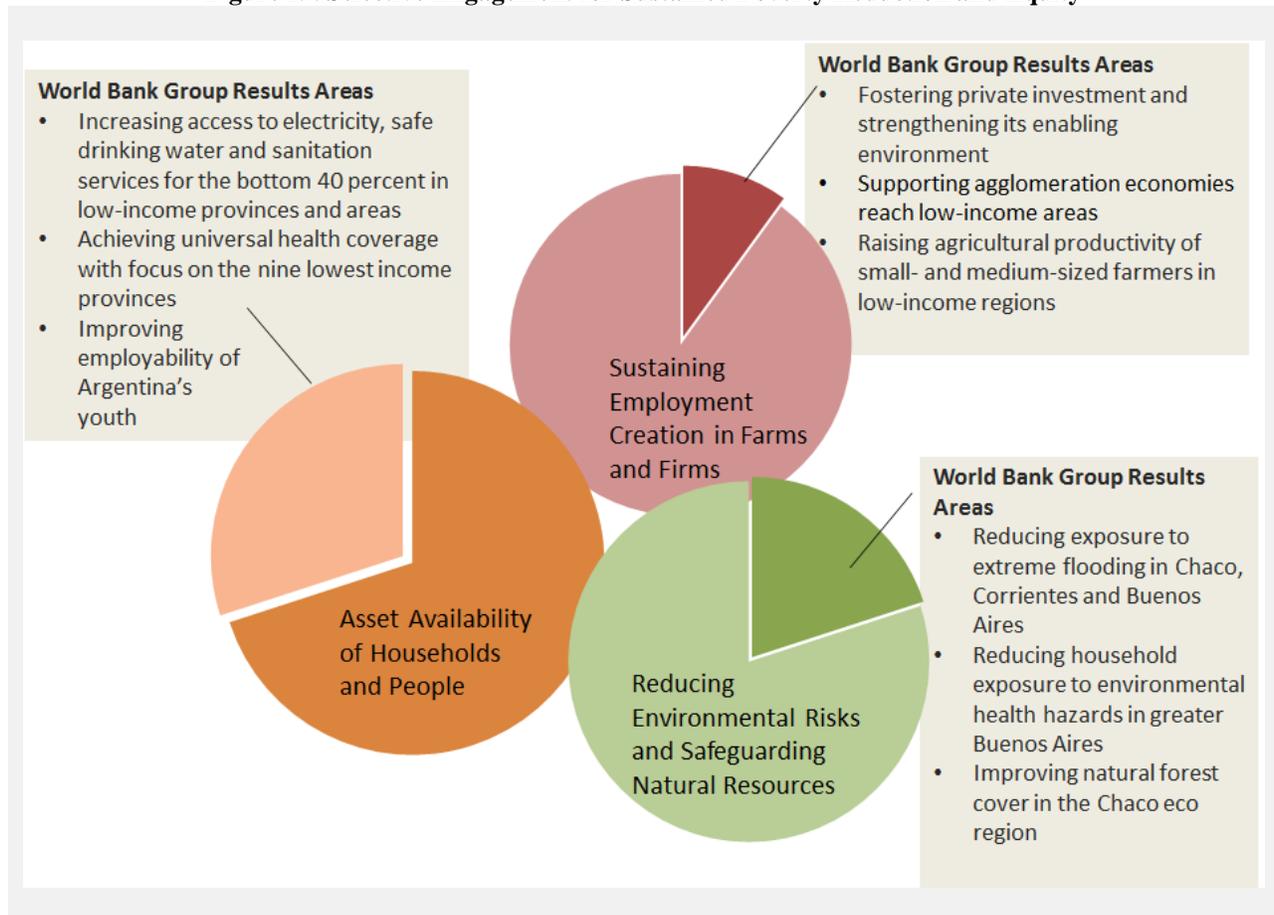
B. Proposed World Bank Group Partnership Strategy

Overview, Strategic Objectives, and Results

81. **The World Bank Group CPS for FY15-18 supports the Government's development objectives of protecting the recent social gains and expanding social inclusion** in an efficient and environmentally sustainable manner, building on and expanding the successful innovations of the past. WBG engagement will be selective and directed to areas where there is scope for contributing to the WBG's development objectives with the greatest possible impact.

82. **The CPS for FY15-18 is selectively built around nine World Bank Group (WBG) result areas, set within three broader themes: (a) Employment Creation in Firms and Farms; (b) Availability of Assets for People and Households; and (c) Reducing Environmental Risks and Safeguarding Natural Resources** (Figure 19 depicts the mapping of the WBG result areas to the three themes.) The result areas were selected because they are important to achieving sustained poverty reduction and sharing of the gains of wealth creation—the twin goals of the WBG; they reflect WBG expertise and lessons from past performance; they respond to expressed demand from our counterparts at the federal, provincial, and firm levels; and they are sectors and areas in which investments are meeting a favorable policy environment for sustained impact.

Figure 19. Selective Engagement for Sustained Poverty Reduction and Equity



83. **The CPS details a select number of outcomes to be supported by the bundle of financial, knowledge, and advisory services from across the WBG.** A more specific mapping of planned WBG activities for the FY15-16 period is provided in Annex 1. At a result-area level, this CPS specifies a select number of more aggregate results that could be attributed to WBG support to the country (see Table 2). See Annex 3 for the monitoring arrangements and data sources for the CPS outcome indicators.

84. **This CPS makes a number of gradual shifts as to how, where, and in which areas the WBG will work.** Many of the instruments for both financing and policy support stem from the ongoing portfolio of 20 investment projects (\$2.2. billion undisbursed), three GEF operations, 18 trust fund- (TF-) financed activities, and 11 knowledge and convening services. About half of the active project portfolio is scheduled to close by end-CY2015. This will provide a further opportunity, in consultation with the newly appointed government, to select new WBG's activities to be aligned with the CPS results areas. Together with new financial engagement envisaged as well as our emphasis on knowledge, convening, and advisory services, this CPS aims to achieve the following shifts over the next four years:

- The WBG will be *phasing out* its support over the CPS period (both financially as well as advisory services) with respect to *road maintenance management*, which was a mainstay

of past WBG programs) as the Government has mainstreamed the successful model at both the federal and provincial levels. Also, the CPS will not provide *direct income support for the poor*. Again, this has been a core part of the Bank program for almost two decades, in both crisis and non-crisis times, and the Bank has accompanied Argentina in broadening its income transfer schemes through workfare and universal child benefits that are now well established.

- The CPS will *scale-up* support to raise the *employability of young people* through job-oriented skill building, training, apprenticeships, and partnerships with firms as well as the *contribution and financial support by IFC to the private sector*. For IFC, this would be gradual, starting with the current client base but then expanding through new client engagements during the period of the CPS.
- The program *adapts the development approach* with respect to *urbanization* (bringing the WBG's logistics, urban transport, basic services, skill-building and governance interventions in lower-income communities and municipalities within a common framework, drawing upon ongoing experience in Colombia); *environmental management* (integrating individual activities in a structured program to systemically address the causes of environmental degradation); and *public sector management and governance*, moving from a focus on input-based IT systems toward engagement that provides incentives for service delivery for the poor and vulnerable population.
- Regarding the results-focus, the CPS envisions an increase of financial services in relevant Global Practices (e.g., water, sanitation, and public sector management) that use results-based or output-based modalities (as has already taken place in the human development sectors). Further, the CPS shifts advisory and knowledge support into *nine programmatic and multi-year engagements* that support the overall CPS outcomes results. Lastly, the CPS will provide a special boost for impact evaluations (IEs), especially in the 'asset availability of households and people' theme with the target to increase the portfolio of ongoing and completed IEs by 50 percent over the CPS period. Wherever possible and appropriate, IEs would include gender disaggregated data.
- As to the *geographic focus of activities*, IBRD project financing (through both federal as well as provincial lending) would increase the flow to the lowest-income provinces in the North plus low-income municipalities in the largest metropolitan areas. IFC will continue its focus on frontier regions. The WBG would continue to engage in Reimbursable Advisory Services, including in middle-or high-income provinces but seeking pairing arrangements with lower-income provinces or municipalities.

85. **The IBRD will use a cross-portfolio approach to governance.** The WBG's focus on governance will address the underlying issues that lead to implementation problems as well as problems with the delivery of public services. It will continue to help update regulations, develop institutional transparency, and improve capacity-building programs for public servants. Support will be provided to federal and provincial institutions on the development of the National Procurement Strategic Plan in order to strengthen country systems. The Bank is also engaged in dialogue and capacity building with the supreme audit institutions at the federal and provincial levels, and it will continue looking for similar engagement opportunities with other critical institutions. At the project level, the IBRD will continue to emphasize lending and supervision support to maximize results while managing fiduciary risks.

86. **Specific targets for portfolio governance indicators have been defined.** Across the portfolio, the CPS provides several governance indicators that include a full implementation of the open procurement initiative; the more frequent use of a concurrent, external auditor (who verifies the quantity and quality of service-delivery outputs); and an increase in the percentage of projects in the Argentina portfolio that are audited by the supreme audit institution at the federal or provincial level. Also, in line with the IBRD commitment on citizen engagement, with the Government the WBG will work toward ensuring that all newly financed programs contain citizen feedback and accountability mechanisms.

87. **The WBG will integrate gender into ongoing and forthcoming engagements.** This includes soliciting gender community inputs at the design stage of new operations to ensure existing data gaps are identified and narrowed. Support will be provided to expand gender mainstreaming in projects, learning from good practices from within and outside the region and focusing on relevant gender issues in Impact Evaluations (see Annex 11). The youth employment policy of the Ministry of Labor, which is supported by the Bank, acknowledges the decline in labor participation of young women and has developed a strategy to address such issues. Whenever appropriate and feasible, the WBG will measure the gender impact of new operations by supporting gender disaggregated data collection at the subnational, local, and project levels, as for example, in the proposed Youth Employment project³³.

88. **The proposed CPS will span four years, In 2016, a mid-term learning and performance review will focus on the validity of the strategy and spell out any proposed adjustments.** The CPS envisages \$1.0 to \$1.2 billion of new IBRD investment lending financing per fiscal year, while IFC would expect to commit about a total of \$1.7 billion to support Argentina's private sector assuming reasonably stable market conditions. MIGA will be considering requests for coverage for investments on a case-by-case basis.

³³ While many of the existing projects do not have gender-disaggregated indicators as part of their outcome level indicators, most of them do track valuable information by gender. The Bank will ensure this information is systematically collected, analyzed, and shared with stakeholders. See, for instance, the gender focus of an ongoing IE under the Norte Grande Infrastructure Project (see Annex 11).

Table 2. Argentina CPS: WBG Results Areas and Core CPS Results, FY15-18

| | World Bank Group Results Areas | Link to Poverty and Shared Prosperity Analysis | WBG Experience, and Shifts | CPS Result (FY18) |
|---|---|--|---|---|
| Sustaining Employment Creation in Firms and Farms | Fostering private investment and strengthening its enabling environment. | Private, formal sector job creation and earnings increases contributed close to 70 percent of poverty reduction between 2002 and 2013. Macro instability has historically been the most important factor in rising poverty. | IFC experience high; IBRD more limited in last 10 years but core for sustained employment creation. | Reduction in cost of freight transport in selected corridors of Northern Argentina by 20 percent. IFC: Direct jobs supported through IFC clients rise from 56,000 to 61,000. |
| | Supporting agglomeration economies' reach low-income areas. | Half of the bottom 40 percent of income earners live within 40km of Buenos Aires (BA). Congestion, municipal governance, and lack of infrastructure hinder higher agglomeration economies. | Long-time engagement at provincial level, now shifting to more integrated urban development model. | 15 percent reduction in average transit time for bottom 40 percent in 2 metropolitan areas (Buenos Aires, Rosario). |
| | Raising agricultural productivity of small- and medium-size farms in low income regions. | Production (\$/ha) differentials are very high by geographical area as well as farm size. | Long-term engagement to support agricultural development with increasing focus on small- and medium-size farms. | Increase the gross value of agricultural production (\$/ha) of 80,000 small- and medium-size farms by 12 percent on average by 2018. |
| Asset Availability of Households and People | Increasing access to electricity, safe drinking water, and sanitation and services for the bottom 40 percent in low-income provinces and areas. | While limited in number, those still without electricity connection are the poorest and most excluded population group. In Norte Grande provinces, 17 percent of the population lack access to safe drinking water and 59 percent lack improved sanitation services. | Long-term engagement at provincial level, now moving to results-based financing. | 365,000 people receive electricity service (out of 725,000 without in 2010); access in the Norte Grande provinces to safe drinking water increases from 83 to 92 percent and to sanitation from 41 to 55 percent. |
| | Achieving universal health coverage with focus on the nine poorest provinces. | Poorer and indigenous groups have much more limited access to health services, which impairs their health and limits abilities of families to rise out of poverty. | Systemic impact through comprehensive approach to sector, now moving to include non-communicable diseases. | Proportion of eligible people benefiting from effective healthcare rises from 28 percent (2014) to 50 percent (2018). |

| | World Bank Group Results Areas | Link to Poverty and Shared Prosperity Analysis | WBG Experience, and Shifts | CPS Result (FY18) |
|---|--|---|---|---|
| | Improving employability of Argentina's youth. | Education access (in rural areas) and learning outcomes are heavily influenced by socio-economic status. The school-to-work transition and reinsertion into the labor market are crucial steps into the middle-class. | Rural education focus from previous engagement; this CPS now also moving into school-to-work transition and support for unemployed youth. | Secondary school completion rate in rural areas rises from 61.5 percent (2010) to 65.5 percent (2018); relative chance of labor market insertion rate for 400,000 young people doubles. |
| Reducing Environmental Risks and Safeguarding Natural Resources | Reducing exposure to extreme flooding in Chaco, Corrientes, and Buenos Aires. | Floods are a core risk for poor and vulnerable households to fall deeper into poverty. | Long-term engagement now shifting to a more integrated approach with disaster risk management (DRM). | Flood risk protection reaches 2.3 million people in the three provinces (baseline 2014: 200,000 people). |
| | Reducing household exposure to environmental health hazards in Greater Buenos Aires. | Poor urban households have a higher burden of environmental health problems. The total estimated population of the 14 municipalities in the Province of Buenos Aires, Matanza-Riachuelo Basin is 3.5 million, of which 1.2million are poor. | Engagement in large scale project, with systemic impact. | 75 percent of sewage discharges from AySA Waste Water Treatment Plants, WWTP (Laferrere, El Jaguel, Sudoeste, Lanus, Fiorito) to Rio Matanza-Riachuelo will be treated according to a regional standard on water quality. Baseline is Zero. Increase in sewerage coverage from 33 percent to 72 percent in the Province of Buenos Aires' 14 municipalities of the Matanza-Riachuelo Basin. |
| | Improving natural forest cover in the Chaco Eco Region. | Most of the remaining native forests are located in the northern provinces and are an important source of livelihood for the poor. | Small-scale interventions will potentially leverage higher impact. | Annual deforestation rate of natural forest in critical areas of Chaco, Salta, and Santiago de Estero (Category I or red according to the National Forest Law 26331) falls from 0.56 percent (Baseline 2011) to 0.28 percent. This would represent a 50 percent decline in deforestation in critical areas in targeted provinces. |

SUSTAINING EMPLOYMENT CREATION IN FIRMS AND FARMS

89. **As presented in the country development challenges section, macroeconomic stability, the investment environment, urban infrastructure, and planning and competitiveness are among the key areas for enhancing Argentina’s long term growth.** The WBG will initially focus on private investment and competitiveness, supporting agglomeration economies, and raising agriculture productivity among farmers on small plots. The objective will be to contribute to the protection of jobs during the economic slowdown and to the creation of more and better employment as growth accelerates. Within this broader objective the challenges are numerous. The choice of results areas is guided by client demand, existing dialogue, and WBG comparative advantages. Going forward, the flexible design of the program will allow for engagement in key areas such as macroeconomic and fiscal challenges and longer-term growth fundamentals, financial sector development, and trade. A core knowledge task for the Group will be to undertake an integrated analysis on growth drivers and poverty. The WBG will also develop a set of policy notes for the incoming Government (beginning calendar year 2016), which could include specific notes on strengthening the business environment, financial sector development, competitiveness, and trade and infrastructure logistics.

WBG Results Area 1. Fostering private investment and strengthening its enabling environment

CPS Outcome: Reduction in cost of freight transport in selected corridors of Northern Argentina by 20 percent; Direct jobs supported through IFC clients rise from 56,000 to 61,000.

90. **Supporting investments in logistics infrastructure is critical for the competitiveness of firms and farms.** The challenges are particularly acute in the export corridors and the lagging regions. The Norte Grande Road Infrastructure Project reduces bottlenecks to economic activity in the poorest provinces by building all-weather roads and reducing transport costs. Recent analysis shows that improved road quality yields a 28 percent reduction in freight transport costs per ton/km, providing a significant boost to competitiveness. Efforts to exploit the complementarities of the World Bank Group will be scaled up, with the IFC focusing investments in ports, roads, and barges; IBRD on ongoing investments in the roads sector, as well as analytical and advisory services; and MIGA on selected opportunities that present themselves.

91. **IFC will focus on providing renewed access to financing for existing and new clients combined with selective support for companies in a range of sectors.** IFC will undertake deliberate and gradual engagement with existing and new clients to alleviate the lack of long-term financing consequent upon the absence of access to international capital markets. Given the low growth projected for 2014-2015 IFC will focus on job preservation, switching to job generation as growth picks up in the second half of the CPS period. In addition, IFC will target Argentine companies with an outward focus, selectively financing investments for export-oriented companies to help them gain production efficiencies, increase international competitiveness, and raise productivity. IFC will work with Argentine commercial banks and financial intermediaries to expand their reach and support domestic SMEs across different sectors, especially in poorer and remote provinces – complementing the Bank’s knowledge and financial services. Investment support in infrastructure and logistics—including transport, and oil and gas—will help boost productivity through reduced cost and enhanced reliability of essential

services. MIGA will be considering requests for investments coverage on a case-by-case basis. For example, it may potentially be involved in agribusiness, manufacturing, and services.

92. **Reliable energy services are core for the investment climate and for firms and farms to grow.** IFC and IBRD interventions will complement each other in this sector for enhanced impact. IFC will support the energy sector in Argentina by exploring opportunities in the oil and gas sectors with companies that have strong fundamentals. With the resolution of the YPF nationalization, significant private investment in this sector will be essential to reducing dependence on imported fuel. Opportunities are emerging with current clients, and IFC has targeted new clients to support this industry. IFC's social and environmental standards would aim to provide added value to clients in this sector, seeking to ensure improved management of natural resources. IBRD may complement IFC's activities with technical assistance in key areas related to poverty and tariff policy, renewables, and extractive resource governance.

WBG Results Area 2. Supporting agglomeration economies' reach low-income areas

CPS Outcome: 15 percent reduction in average transit time for bottom 40 percent of income earners in two metropolitan areas (Buenos Aires and Rosario)

93. **Cities present important opportunities to improve the livelihoods of urban residents.** As the country urbanized rapidly, lack of planning for physical infrastructure, housing and amenities led to a mismatch in the demand for and provision of services, which manifested itself in proliferating slums. Well-functioning land, housing and job markets are a critical part of sustainable, equitable growth. Access to formal job markets may be inhibited by a lack of housing, limited access to transportation, and distance of housing to jobs, which in turn impacts commuting times and costs of transportation. Cities on sustainable pathways are able to take an integrated view at spatial development, by linking urban development³⁸ and public transit investments. Integrated land development and transit present opportunities to: (i) enhance a city's economic competitiveness, as zoning and land use can be used to better connect workers to jobs; (ii) reduce local pollution, by promoting densification and mass transport thereby reducing congestion and pollution; and (iii) promote inclusive development, by coordinating low-income housing programs and transit development.

94. **A key element of this strategy is a focus on urban development linked to urban transportation.** The Bank will leverage investments in Bus Rapid Transport to promote more sustainable land use patterns and urban development. The Metropolitan Areas Urban Transport Project maintains and improves the quality and sustainability of urban transport systems. This is critical for enabling lower income population segments to access urban services, employment opportunities, and commercial facilities. Complementary knowledge services provide insights into: (i) the implications of tariff increases on the poor; (ii) land value capture instruments; and (iii) a GEF grant pilots innovative less energy intensive transport options in cities. Together, this bundle of activities facilitates policy dialogue on integrated urban development and sustainable transport solutions.

³⁸ Suzuki, H., Cervero, R., and Iuchi K. (2013), Transforming Cities with Transport- Transit and Land-Use Integration for Sustainable Urban Development, The World Bank

WBG Results Area 3. Raising agricultural productivity of small- and medium-size farms in low-income regions

CPS Outcome: Increase the gross value of agricultural production (\$/ha) of 80,000 small- and medium-size farms by 12 percent on average by 2018

95. **The longstanding engagement in agriculture will continue with a narrower focus on the twin challenges of increasing the productivity of small- and medium-size farms and adapting to climate change.** The first challenge is the duality of a sector characterized by a small number of large farms and a large number of small- and medium-size farms. The land endowment duality (75 percent of the 330,000 farms cultivate only 15 percent of the agricultural land) has translated over time into a difference in access to key factors of production. The second challenge is the specter of climate change, where emerging evidence points to the likelihood of more intense and frequent extreme weather patterns. More frequent heat stress above crop thresholds will likely reduce crop and livestock yields.

96. **Being one of two key areas of enhanced coordinated support, the Bank and IFC will make a joint effort in the provision of basic infrastructure and financing.** Growth and productivity opportunities for those that own or till small- and medium-size farms in less well-off communities will be aided through financial support to investments in basic productive infrastructure (irrigation and drainage, rural roads, rural electricity, etc.) and rural institutions that provide access to credit and technical services. Redressing the historical imbalance in public investment for smaller farms will increase productivity and contribute to equitable growth. IFC aims to support smaller companies and projects through long-term loans at affordable rates distributed through its local commercial bank partners. It will also serve current agribusiness clients to ensure Argentina's relevance as a global food producer. In addition, IFC aims to deploy a suite of short-term financial products, such as trade finance lines and warehouse financing tools, designed to primarily benefit small farms and SMEs. Explicit criteria that favor climate-smart agriculture will drive the allocation of IBRD resources.

ASSET AVAILABILITY OF HOUSEHOLDS AND PEOPLE

97. **Argentina faces many short and medium term risks as discussed in the economic outlook section. Ensuring that poor and vulnerable households have the assets to cope with short- and medium-term risks requires strengthening public sector service delivery and investing in basic infrastructure and human development.** The WBG will focus on strengthening public sector management and governance for public service delivery, increasing access to electricity, water, sanitation, and health services for the most vulnerable groups in the poorer provinces, and improving employability of youth. These results areas are selected on the basis of their impact on poverty and inequality, a successful record of results and innovation in performance-based operations, and evidence-based policy engagement and strong demand by the Government. Better public sector management and governance will create the enabling environment for improved service delivery. Obstacles created by public administrative processes reduce the quality and coverage of service delivery. The focus on removing these obstacles will contribute to expanded service coverage to the poor and excluded segments of the population, equalizing the access to education, health, water and sanitation, and other services by increasing public accountability and transparency. The experience of pilot programs will be combined with a sector-based service-delivery approach in the various Results Areas under this theme.

98. **With regard to Bank support and previous engagements, there has been important work by the Government to strengthen implementation capacity and oversight in the health sector, for example.** In other sectors, the Government has coordinated efforts across line ministries, including transport, health, and education as well as infrastructure and public contracting. Yet much remains to be done to enhance transparency in response to an ever-demanding middle class and those who are often excluded from better, more responsive service delivery targeted to their needs. The advancements in participation and greater anti-corruption efforts will require working together to ensure their sustainability. This CPS offers an opportunity to re-engage with Argentina to strengthen governance, both at the federal and provincial levels, and it seeks to broaden the package of services, including further dialogue to strengthen transparency and accountability.

WBG Results Area 4. Increasing access to electricity, safe drinking water, and sanitation services for the bottom 40 percent in low-income provinces and areas

CPS Outcomes: 365,000 people receive electricity services (out of 725,000 without in 2010); access in the Norte Grande provinces to safe drinking water increases from 83 to 92 percent and to sanitation from 41 to 55 percent

99. **Access to basic infrastructure services such as electricity, potable water, and sanitation are critical for protecting and increasing human capital assets.** Argentina's electricity coverage is high. Therefore, people who still have no access are those who are poor and mostly indigenous, living in very remote and isolated rural areas. Those areas are difficult to be electrified by conventional technologies. Only 84 percent of Argentine households have a piped water supply, and only 53 percent have piped sewerage coverage (2010). The problem is particularly acute in the poorer areas of the greater Buenos Aires metropolitan area and in the impoverished Northeast region. Wastewater treatment is limited, with only a 10 percent treatment ratio. As highlighted earlier, the poor often bear a disproportionately large share of the burden associated with inadequate sewage treatment. Many of the sector challenges are not caused only by the lack of infrastructure but are often a function of utility performance.

100. **Ongoing and new operations will support the achievement of the ambitious CPS targets.** Through ongoing projects, IBRD will continue to invest in the construction and rehabilitation of drinking water and sewerage treatment plants, construction and rehabilitation of sewerage collectors and distribution networks, and improvements in urban drainage systems. These efforts will focus on the poorer Northern provinces, where water and sanitation coverage is the lowest (as low as 71 percent for water and 19 percent for sanitation). The projects are expected to benefit more than 1 million people during the CPS period and help lower the Unmet Basic Needs (UBN) index. The water and sanitation program will shift away from traditional contracting approaches and toward financing for results to address more systemic issues associated with improving utility performance. A new financing engagement will provide the households that are not on the electricity grid (as well as the schools and health centers in their communities) with environmentally friendly off-grid sources of electricity.

WBG Results Area 5. Achieving universal health coverage with focus on the nine poorest provinces

CPS Outcome: Proportion of eligible people benefiting from effective healthcare nationally increases from 28 percent (2014) to 50 percent (2018)

101. **The Bank will continue to support the Government’s strategy to strengthen the governance of the health system and to increase access to quality health services for the vulnerable groups.** The emphasis will be on reaching vulnerable populations and reducing inequalities. During the past decade, the World Bank has supported the Government in its efforts to design and implement a comprehensive health system reform strategy, with the goals of increasing coverage of basic health services and strengthening the governance and results-orientation of overall public spending.³⁹ Systemic sector change, results-based financing, performance agreements for intergovernmental transfer of funds, transparent accountability mechanisms, multi-sector interventions, and institutional development will continue to be the thrusts of the operational portfolio in health.

102. **New financial support under the proposed CPS will be focused on addressing the burden of non-communicable diseases (NCDs).** This requires innovative, multi-sector interventions across different levels of Government. Although the ongoing and planned national health programs supported by the World Bank have countrywide reach, they mostly benefit the least-advanced provinces in the North, where more people use only these services because they do not have formal employment and associated social security health insurance.⁴⁰

103. **The use of external, independent audits to verify the achievement of outcome and output targets will continue.** Auditors that verify indicators linked to disbursement of Bank funds have been a key factor in strengthening governance and accountability in the ongoing operations and will continue to be used in the new CPS period. At the same time, a program of impact evaluations is underway that uses rigorous methods to generate evidence about the existing pay-for-results program for maternal and child health, and it will be expanded under the new CPS to include interventions addressing health needs of other population groups, such as youth and all women below age 65. The Bank will also work with the Government to share Argentina’s successful innovations in health service delivery with other countries.

WBG Results Area 6. Improving employability of Argentina’s youth

CPS Outcome: (i) secondary school completion rate in rural areas rises from 61.5 percent (2010) to 65.5 percent (2018); (ii) relative chance of labor market insertion rate for 400,000 young people doubles

104. **The WBG will use its financial, knowledge and convening resources to support Argentina’s most vulnerable youth build skills for good employment outcomes.** To contribute to the achievement of this objective, the WBG program will target the skill formation

³⁹ The implementation of Plan NACER—a public maternal and child health insurance program supported by the Bank from the plan’s inception in 2006—has been key to achieving these results. The expanded follow-up program –SUMAR – is also supported by the Bank.

⁴⁰ In 2010, for example, the proportion of people with neither social security health insurance nor private health insurance was 55.9 percent in Santiago del Estero, 57.9 percent in Chaco, and 56.9 percent in Formosa. By contrast, the vulnerable population was only 16.9 percent in Santa Cruz, 17.7 percent in the Autonomous City of Buenos Aires, and 21.5 percent in the Province of Tierra del Fuego.

process in the formal education system in rural areas and the vocational and on-the-job training system for unemployed youth nationwide. The Bank will phase out its financial support to direct income transfer programs for the poor unless a dramatic and urgent need arises.

105. Financial and analytical support will boost the quality of education in rural areas. With respect to strengthening the efficiency and equity of the formal education system, a necessary condition for the acquisition of more job-specific skills, a proposed operation aims to further reduce rural-urban disparities, with special emphasis on preschool enrollment, secondary school retention, and enhancing quality and learning outcomes in rural schools at all levels. The Second Rural Education Improvement Project would finance the National Rural Education Plan and would benefit especially poorer provinces in the North, where a higher proportion of students attend rural schools.⁴¹ Analytical support to the National Ministry of Education and to selected provincial governments will ensure a platform for impact evaluation and comprehensive evidence-based policy dialogue. Furthermore, under the programmatic knowledge engagement under this pillar, the CPS would also provide support to lower-income provinces to strengthen management of education and health services.

106. Boosting employability of Argentina's young generation is a program target supported by a number of instruments. The proposed Youth Employment Project would expand the financing of competency-based training courses to disadvantaged adults in an effort to reduce unemployment and improve real wages. The Youth Employment Project will contribute to the Government's goal of reducing youth unemployment, which has been declining less rapidly than total unemployment.⁴² Through knowledge services, the Bank will support authorities' efforts to develop better diagnostic tools and improve the effectiveness of policies implemented at the national and subnational levels to move toward an integrated and sustainable social protection system more broadly. IFC may also expand its adult and technical education portfolio by supporting private colleges that serve low- and middle-income students and will actively support clients that give priority to youth apprenticeship programs. Wider availability of skilled technical and mid-level staff is critical to raising private sector productivity.

REDUCING ENVIRONMENTAL RISKS AND SAFEGUARDING NATURAL RESOURCES

107. Natural disasters and environmental degradation pose a major cost to the economy and the poor. The WBG will focus on key results in the areas of natural disasters, environmental degradation, and deforestation to help Argentina capitalize on its long-term growth prospects. As described earlier, there are many challenges to managing Argentina's abundance of natural and environmental capital. The results build on a large and varied portfolio in this areas. The defining characteristic of this engagement going forward will be a more systemically structured approach

⁴¹ For example, the proportion of students attending schools located in rural areas is 0 percent in the Autonomous City of Buenos Aires and 2.6 percent in the Province of Buenos Aires; it is as high as 19.7 percent in Formosa and 22.4 percent in Catamarca.

⁴² Among youth aged 16-24 years old, the unemployment rate was 16.5 percent in 2012, more than three times the unemployment rate of the population aged 25-64 years old (5.29 percent). More than half of the youth with a salaried job were employed in the informal sector, while the same indicator was below 30 percent for the population aged 25 to 64.

building on analytical work analyzing the costs of natural disasters and environmental degradation.

WBG Results Area 7. Reducing exposure to extreme flooding in Chaco, Corrientes, and Buenos Aires

CPS Outcome: Flood risk protection reaches 2.3 million people in the three provinces (baseline 2014: 200,000 people).

108. **Argentina is particularly prone to natural disasters and extreme weather events.** A 2014 IPCC assessment suggested the problem may be getting worse in the Parana and Paraguay River basins as runoff increases. Recent estimations show that flash floods dominate in terms of damages, with the computed expected annual value of flood cost of about \$3.4 billion or 0.7 percent of GDP in 2012. Recurring flooding in the city of Buenos Aires, which is home to 3 million people and has more than 2 million commuters, can be particularly damaging to the economy. Flooding of the La Plata River that occurred in April 2013 had a death toll that reached 51 persons and there were more than 1,500 evacuees; damage was estimated at \$500 million. In the Buenos Aires area, annual rainfall and runoff have increased significantly in recent decades. Between 1990 and 1998, 24 notable floods occurred, affecting neighborhoods at different income levels.

109. **Expanding flood protection is a core program result.** The World Bank has a longstanding engagement with Argentina to improve resilience, with an emphasis on infrastructure that reduces the hazard for people living in and transiting through flood-prone areas. Ongoing work concentrated on two of the lowest-income provinces (Chaco and Corrientes) in the Parana basin will improve resilience for about 400,000 people, and new engagement promises to improve resilience in the city of Buenos Aires. Going forward, efforts will be made to shift to a systemic results-based approach that improves institutional outcomes related to flood planning, risk management, fiscal risk transfer, and emergency services.

WBG Results Area 8. Reducing household exposure to environmental health hazards in greater Buenos Aires

CPS Outcomes: (i) 75 percent of sewage discharges from AySA Waste Water Treatment Plants, WWTP (Laferrere, El Jaguel, Sudoeste, Lanus, Fiorito) to Rio Matanza-Riachuelo will be treated according to a regional standard on water quality. Baseline is zero; (ii) increase in sewerage coverage from 33 percent to 72 percent in the Province of Buenos Aires' 14 municipalities of the Matanza-Riachuelo Basin

110. **The WBG is a long-standing partner of Argentina in the design and implementation of innovative strategies to address legacy industrial pollution.** The poor are most exposed to and least able to bear the costs of the long-term health challenges created by legacy industrial pollution. For example, the World Bank supports the Government's program for the comprehensive clean-up of the Matanza-Riachuelo basin. In this case, the industrial sector is responsible for about 50 percent of the organic and heavy metals discharges. An estimated 15,000 industries actively release effluent into basin, and a 2008 study found that soil on the banks of the river contained above recommended levels of zinc, lead, copper, nickel, and chromium. About 60 percent of the largely 20,000 poor people who reside near the river basin

have higher levels of diarrheal diseases, respiratory illnesses, and possibly cancer. A second example is the PRAMU project, which reduces potential economic and health damages associated with a closed uranium mining site in Mendoza and more generally strengthens the Government's capacity to assess and mitigate environmental work risks associated with closed uranium mines and processing sites. The IBRD support for this area will rely less on ad-hoc grants and focus more on systemic interventions that comprehensively address the sources of pollution and the associated remediation framework.

WBG Results Area 9. Improving natural forest cover in the Chaco Eco-Region

CPS Outcome: The annual deforestation rate of natural forests in the critical areas of Chaco, Salta, and Santiago de Estero (Category I or red according to the National Forest Law 26331) falls from 0.56 percent (Baseline 2011) to 0.28 percent.

111. **A large share of Argentina's forest cover is in various stages of degradation.** Approximately 11 percent of Argentina's continental territory is covered with natural forest, totaling approximately 31.4 million hectares. Two-thirds of this is situated in the Chaco Eco-Region (21.7 million ha), of which 60 percent is in various stages of degradation. Weak institutions, limited development opportunities, and a fragile ecosystem are exacerbating the problem. Between 2006 and 2011, more than 1.5 million ha of natural forest were destroyed (a deforestation rate of 1.5 percent, including critical and non-critical areas). As a result, the outward migration of forest-dependent communities has accelerated, biodiversity has been lost, soil and water resources have been degraded, and carbon emissions have increased.

112. **For the last decade, the World Bank and other donors have been supporting the legal, institutional, and financial framework for the protection of natural forest.** The Forest Fund has the potential to provide significant public resources to the provinces to promote sustainable use of natural forests and to effect payments for environmental services. Future engagements are focused on assisting the Government in piloting development models that can later be financed through the Fund. This includes working with the owners of smaller forest plots and forest-dependent communities (which are mainly of indigenous and *criollo* origin, of whom 70 percent live in poverty).

C. Portfolio and Implementing the FY15-18 Country Partnership Strategy

113. **Portfolio Management.** Total current IBRD exposure to Argentina is \$5.89 billion, with disbursements totaling \$701.2 million in FY14. The active portfolio consists of 20 IBRD investment projects for a total commitment of \$4.87 billion—\$2.22 billion remains undisbursed (see Table 3). The Bank also manages a portfolio of 18 trust funds (three GEF projects) for a total of \$68 million—\$28.4 million remains undisbursed. Portfolio performance is satisfactory. After weakening to 17.9 percent in FY12, the portfolio's disbursement ratio rebounded to 24.7 percent in FY13; for FY14, the rate was 24.3 percent. Eighty percent of projects are rated in the satisfactory range for both Development Objective and Implementation Progress. Since 2010, IEG has evaluated 10 projects, with 8 rated "satisfactory" and 2 "moderately satisfactory."

Table 3. IBRD Portfolio Performance

| IBRD Variable | FY10 | FY11 | FY12 | FY13 | FY14 |
|---------------------------------|---------|---------|---------|---------|---------|
| # IBRD Projects | 33 | 35 | 34 | 27 | 20 |
| Net Comm Amt | 5,840.6 | 7,217.7 | 6,969.0 | 6,154.1 | 4,873.7 |
| # Prob Projects | 4 | 3 | 3 | 5 | 4 |
| # Projects at Risk | 8 | 6 | 7 | 9 | 6 |
| % Commit at Risk | 29.4 | 11.8 | 20.6 | 46.7 | 40.3 |
| % Prob Projects | 12 | 9 | 9 | 19 | 20 |
| % Proactivity | 100 | 50 | 67 | 67 | 25 |
| Tot Undisb Bal (\$ billions) | 3.5 | 4.8 | 3.8 | 2.9 | 2.2 |
| Disb in FY (\$ billions) | 868.79 | 748.04 | 867.98 | 952.60 | 701.20 |
| Disb Ratio | 23.45% | 21.62% | 17.91% | 24.71% | 24.24% |

114. **IFC Operations.** With a portfolio of \$734 million (FY13), IFC's support to the private sector is focused on helping financial institutions reach SMEs and small and medium-size producers, improving the country's port infrastructure, contributing to global food security by strengthening the agribusiness supply chain, and supporting environmentally sustainable operations in extractive and efficient export-oriented companies, 94 percent of IFC's portfolio projects in Argentina were rated successful (see Table 4).

Table 4. IFC Portfolio Performance

| IFC Variable | FY10 | FY11 | FY12 | FY13 | FY14 |
|---|-------|-------|------|------|------|
| # Projects | 14 | 13 | 9 | 7 | 7 |
| Commitments \$m | 197 | 164 | 208 | 121 | 164 |
| Mobilization \$m | 163 | 20 | 39 | - | - |
| Own account + Mob \$m | 360 | 184 | 247 | 121 | 164 |
| Portfolio (net commitments \$m) | 1,099 | 1,013 | 951 | 734 | 649 |
| Outstanding Portfolio (exposure \$m) | 973 | 886 | 881 | 667 | 585 |
| DOTS Development Outcome (% successful) | 88% | 100% | 85% | 82% | 94% |

IV. MANAGING RISKS

The outcomes targeted by this CPS are subject to various economic and political risks as well as risks related to the program implementation.

115. **Economic Risks.** On July 31, 2014, Argentina’s credit rating on its foreign currency debt was downgraded to ‘selective default’ by several credit rating agencies following the expiry of the thirty-day grace period for the June 30 interest payment on the “exchange bonds” regulated by New York and UK law. The International Swaps & Derivatives Association’s determinations committee ruled on August 1, 2014 that the failure to pay interest would trigger \$1 billion of credit-default swaps insurance on Argentina’s debt. These developments pose additional challenges for Argentina. Argentina had deposited \$539 million to the Bank of New York Mellon (BoNY), the Indenture Trustee— before the payment due date but the payment could not be transferred to the recipient bondholders as the Court ruling binds also the payment system intermediaries. If the situation remains unresolved for too long, Argentina’s economy could suffer, especially if macro policies do not adjust. However, the Argentine Government has repeatedly argued that it has the capacity and willingness to continue paying the exchange bondholders. The Government also argues that it is not in default since it has paid exchange bondholders but that the transfer was impeded by the Court order. If an agreement with the holdout creditors is reached in a relatively short time period, the impact on the economy would be limited. The economic prospect would also be supported by Argentina’s recent steps toward settling pending international disputes, including the first payment to Paris Club creditors in July, 2014, settling five ICSID cases, and reaching an agreement with Repsol over the nationalization of YPF. In addition, the Government has released new consumer price indices and GDP series, the robustness of which will be evaluated by the IMF. These efforts may improve consumer and investor confidence in the Argentine economy and facilitate new foreign investment..

116. **International reserve losses, fiscal deficit, and persistent inflation as well as uncertainty in the global economy pose challenges over the medium term.** Argentina’s fiscal and external accounts are likely to continue posting deficits in the coming years, with the risk of rising inflationary pressures and weakening resilience to shocks. GDP growth is likely to remain sluggish, which could potentially reduce support for overall government policies through its effect on employment. Uncertainty in the global economy could create further downside risks to demand for Argentine products. Brazil, China, and the Euro area are Argentina’s main trading partners, accounting for about 42 percent of total exports in 2013. Argentina is particularly exposed to commodity price swings and droughts. Agricultural and agribusiness exports make up the lion’s share of Argentina’s total merchandise exports (about 60 percent in 2013) and export taxes are important fiscal resources (about 1.7 percent of GDP in 2013). Moreover, uncertainties about the regulatory and business environment could potentially limit access to finance, discourage foreign investors, and adversely affect economic outcomes. The Government is aware of the risks and the recently adopted policies—including the exchange rate depreciation, tightening of monetary policy and reduction of gas and water subsidies—suggest the Government’s willingness to control macroeconomic imbalances.

117. **Political Risks.** Although the Government retains a majority in both chambers of the Congress, political parties may still create opposition to government policies. Also the Presidential elections in October 2015 may lead to changes in government priorities. However, the WBG program is focused in areas where there is wide consensus across the political spectrum. The CPS performance and learning review, which would fall into after-elections period, would give the WBG and the incoming Government an opportunity to revisit priorities and reflect changes to the CPS program as needed.

118. **Portfolio Implementation Risks.** Despite the significant efforts from both national and subnational Governments and the WBG, it is likely that project implementation issues will arise, including project effectiveness delays, challenges in retaining highly-skilled staff in the PIUs, and complex fiduciary and procurement arrangements. The expanded engagement at the provincial level may also require additional capacity building at the local level, where lags persist. The WBG will continue regular portfolio reviews and joint implementation workshops to address bottlenecks and provide solutions. In addition, the WBG will focus on the simplicity of project design, increasingly linking financial flows directly to results.

Annex 1. Results Framework—Argentina Country Partnership Strategy FY15-18

| Results Areas | CPS Outcomes (see also Annex 3 on M&E) | CPS Intermediate Milestones | Key WBG Activities |
|---|---|--|--|
| <i>Sustaining Employment Creation in Firms and Farms</i> | | | |
| <p>#1 Fostering Private Investment and Strengthening its Enabling Environment</p> | <p>Reduction in cost of freight transport in selected corridors of Northern Argentina by 20 percent. BASELINE 2014: average cost in selected corridors: \$/tn.km 0.233 - AR\$/tn.km 1.861. TARGET 2018: average cost in selected corridors: \$/tn.km 0.185 - AR\$/tn.km 1.476.</p> <p>IFC: Increased number of direct jobs supported through IFC clients. Baseline 2014: 56,000. Target 2018: 61,000.</p> | <p>Implementation of risk-based supervision and risk-based capital management.</p> | <p>Financial Services <i>Ongoing:</i></p> <ul style="list-style-type: none"> • Provincial Roads Infrastructure Project & AF (P070628) – FY06 & FY10 • Norte Grande Road Infrastructure (P120198) – FY11 <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> • IFC financing of innovative private sector companies • Potential IFC operations in financial sector to expand credit, particularly to SMEs • IFC direct and indirect financing to support innovation and productivity growth, long-term finance for export-oriented companies <p>Knowledge Services <i>Pipeline:</i></p> <ul style="list-style-type: none"> • AR Policy Notes • Programmatic Integrated Analysis of Growth Drivers and Poverty |
| <p>#2 Supporting agglomeration economies' reach to low-income areas</p> | <p>15 percent reduction in average transit time for bottom 40 percent in 2 metropolitan areas (Buenos Aires, Rosario).</p> <p>Baseline 2014: Buenos Aires: 51.92 minutes per transit trip + Rosario: 36.78 minutes per transit trip // Weighted average: 51 minutes.</p> <p>Target 2018: Baseline - 15 percent</p> | <p>a) Contribute to rehabilitation and upgrading of provincial roads.</p> <p>b) Decline in road accident injuries.</p> | <p>Financial Services <i>Ongoing:</i></p> <ul style="list-style-type: none"> • Urban Transport in Metropolitan Areas, PTUMA (P095485) – FY10 • AR Buenos Aires Infrastructure Development (P088032) – FY05/07 <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> • IFC potential financing of transport infrastructure • IFC potential investments in ports, roads, and river barges <p>Knowledge Services <i>Pipeline:</i></p> <ul style="list-style-type: none"> • AR Policy Notes |

| Results Areas | CPS Outcomes (see also Annex 3 on M&E) | CPS Intermediate Milestones | Key WBG Activities |
|---|---|--|--|
| | | | <ul style="list-style-type: none"> • Programmatic AAA |
| #3 Raising agricultural productivity of small- and medium-size farms in low-income regions | Increase the gross value of agricultural production (\$/ha) of 80,000 small- and medium-size farms by 12 percent on average by 2018 | <p>a) Increased productive area resulting from investments in irrigation, roads, energy, and extension services.</p> <p>b) Small and medium sized farms with improved access to productive infrastructure and service through demand-driven community subprojects.</p> | <p>Financial Services <i>Ongoing:</i></p> <ul style="list-style-type: none"> • AR PROSAP –Provincial Agricultural Development – (P106684) <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> • Socio Economic Inclusion in Rural Areas (P106685) • AR PROSAP –Provincial Agricultural Development – (P132416) • IFC direct financing and indirect support through financial intermediaries to agribusiness firms • IFC direct or indirect financing targeted at rural and frontier areas <p>Knowledge Services <i>Ongoing:</i></p> <ul style="list-style-type: none"> • Programmatic Farm to Markets study: AR, PY, UY (P145360) <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> • AR Policy Notes |
| <i>Asset Availability of Households and People</i> | | | |
| #4 Increasing access to electricity, safe drinking water, and sanitation services for the bottom 40 percent in low-income provinces and areas | (i) 365,000 people receive electricity services (out of 725,000 without in 2010); (ii) access in the Norte Grande provinces to safe drinking water increases from 83 to 92 percent and to sanitation from 41 to 55 percent. | <p>a) Increase in number of consumers benefiting from improved access to water and sanitation.</p> <p>b) Increase in number of schools, health centers, and other public buildings electrified.</p> | <p>Financial Services <i>Ongoing:</i></p> <ul style="list-style-type: none"> • AR Norte Grande Water Infrastructure (P120211) – FY11 • AR Second Norte Grande Water Infrastructure (P125151) – FY11 • Public Sector Strengthening Program, La Rioja SWAP (P121836) – FY11 <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> • Developing Renewable Energy and Energy Efficiency Markets, PERMER (P133288) <p>Knowledge Services</p> |

| Results Areas | CPS Outcomes (see also Annex 3 on M&E) | CPS Intermediate Milestones | Key WBG Activities |
|---|--|---|--|
| | | | <p>Pipeline:</p> <ul style="list-style-type: none"> • AR Policy Notes • Programmatic AAA |
| #5 Achieving Universal Health Coverage with focus on the nine poorest provinces | <p>Proportion of eligible people benefiting from effective healthcare rises.</p> <p>Baseline 2014: 28 percent Target 2018: 50 percent</p> | <p>a) % of provinces that have implemented a minimum set of actions to regulate sodium consumption and tobacco control</p> <p>b) Increased proportion of eligible women between 25 and 64 with at least one cervical cancer screening every two years.</p> <p>c) Subnational governments put in operation planning and monitoring instruments aimed to introduce performance in public expenditures financing key services.</p> <p>d) Planning, financial management, procurement, investment, and tax collection administrative processes required to deliver outputs for the provision of health, education, and/or water & sanitation services are improved and have an impact in the coverage and/or quality of the services.</p> | <p>Financial Services</p> <p>Ongoing:</p> <ul style="list-style-type: none"> • Essential Public Health Functions Program, FESP (P110599) – FY11 • Provincial Public Health Insurance Development Project, SUMAR (P106735) – FY11 <p>Pipeline:</p> <ul style="list-style-type: none"> • Support to the Integral Strategy for the Prevention and Control of Chronic Conditions and Injuries Project (P133193) • Subnational Government Public Sector Service Delivery <p>Knowledge Services</p> <p>Ongoing:</p> <ul style="list-style-type: none"> • Argentina Aging Country Study (P133190)- FY13-15 • Impact Evaluation of Maternal and Child Health Interventions (P095515) -FY15 • Rapid Public Sector Assessment for Chaco (P146832) - FY14 • Programmatic Improving Subnational Government Service Delivery (P147285) <p>Pipeline:</p> <ul style="list-style-type: none"> • AR Health Strategy Sustainability TA (P147424) • AR Policy Notes |
| #6 Improving employability of Argentina's youth | <p>Increase in secondary school completion rate in rural areas. Baseline 2010*: 61.5 percent. Target 2018: 65.5 percent. *From the 2010 Census.</p> <p>Relative chance of labor market</p> | <p>a) Increase in enrollment rate into upper secondary school in rural areas.</p> <p>b) Increase in number of youth that have gone through the training and employment services system.</p> | <p>Financial Services</p> <p>Pipeline:</p> <ul style="list-style-type: none"> • Argentina Second Rural Education Improvement Project, PROMER (P133195) • Youth Employment Support (P133129) <p>Knowledge Services</p> |

| Results Areas | CPS Outcomes (see also Annex 3 on M&E) | CPS Intermediate Milestones | Key WBG Activities |
|--|---|---|--|
| | insertion rate for 400,000 young people doubles. Baseline 2014: 9 percent. Target 2018: 25 percent. | | <p>Ongoing:</p> <ul style="list-style-type: none"> Provincial Education Impact Evaluation (P147562) – FY14 <p>Pipeline:</p> <ul style="list-style-type: none"> AR Policy Notes Programmatic AAA |
| Reducing Environmental Risks and Safeguarding Natural Resources | | | |
| #7 Reducing exposure to extreme flooding in Chaco, Corrientes, and Buenos Aires | Flood risk protection reaches 2.3 million people in the three provinces Baseline 2014: 200,000 people. | Square kilometers of area protected from flooding in the northern province and the city of Buenos Aires. | <p>Financial Services:</p> <p>Ongoing:</p> <ul style="list-style-type: none"> AR Urban Flood Prevention and Drainage (P093491) – FY06 <p>Pipeline:</p> <ul style="list-style-type: none"> AR Vega Flood Prevention and Drainage Project (P145686) <p>Knowledge Services</p> <p>Pipeline:</p> <ul style="list-style-type: none"> Programmatic Urban/Disaster Risk Management Flood AR Policy Notes |
| #8 Reducing household exposure to environmental health hazards in Greater Buenos Aires | 75 percent of sewage discharges from AySA Waste Water Treatment Plants, WWTP (Laferrere, El Jaguel, Sudoeste, Lanus, Fiorito) to Rio Matanza-Riachuelo will be treated according to a regional standard on water quality Baseline is zero. Increase in sewerage coverage from 33 percent to 72 percent in the Province of Buenos Aires' 14 municipalities of the Matanza-Riachuelo Basin. | a) Linear kilometers of sewerage collectors completed. b) Linear kilometers of subaquatic outfall completed. | <p>Financial Services</p> <p>Ongoing:</p> <ul style="list-style-type: none"> Matanza-Riachuelo Basin (MRB) Sustainable Development Adaptable Lending Program (P105680) – FY09 Urban Solid Waste Management Project (P089926) – FY06 Reduction of Ozone Project, Montreal Protocol (P005920) – FY07 <p>Pipeline:</p> <p>Knowledge Services</p> <p>Ongoing:</p> <ul style="list-style-type: none"> Country Environmental Analysis (P147282) <p>Pipeline:</p> <ul style="list-style-type: none"> AR Policy Notes Programmatic AAA |

| Results Areas | CPS Outcomes (see also Annex 3 on M&E) | CPS Intermediate Milestones | Key WBG Activities |
|---|---|--|--|
| #9 Improving natural forest cover in the Chaco Eco Region | Annual deforestation rate of natural forest in critical areas of Chaco, Salta and Santiago de Estero (Category I or red according to the National Forest Law 26331) falls from 0.56 percent (Baseline 2011) to 0.28. This would represent a 50 percent decline in deforestation in critical areas in targeted provinces. | a) Development of forestry and conservation strategies. b) Develop a multi-sectoral policy framework for reduction of emissions of carbon from deforestation and forest degradation. c) Develop an agriculture and climate change information system that facilitates producers' access to climate-related data. | Financial Services <i>Ongoing:</i> <ul style="list-style-type: none"> • AR Sustainable Natural Resources Management (P100806) – FY08 • Biodiversity Conservation in Productive Forestry Landscapes (P094425) – FY09 <i>Pipeline:</i> <ul style="list-style-type: none"> • Forest Carbon Partnership Facility (FCPF) Readiness Grant Knowledge Services <i>Pipeline:</i> <ul style="list-style-type: none"> • AR Policy Notes • Programmatic AAA |

Annex 2. Argentina CPS FY10-14 Completion Report

Date of CPS: May 6, 2009 (Report No. 48476-AR)

Date of CPS Progress Report: February 24, 2011 (Report No. 59222-AR)

Table of Contents

| | | |
|----------------|--|----|
| I. | Introduction | 54 |
| II. | Progress toward Long-Term Development Outcomes in Argentina | 55 |
| III. | Program Performance | 56 |
| | Pillar 1. Sustainable Growth with Equity | 56 |
| | Pillar 2. Social Inclusion | 60 |
| | Pillar 3. Improved Governance | 61 |
| IV. | World Bank Group Performance | 63 |
| | Design and Relevance | 63 |
| | Program Implementation | 63 |
| V. | Recommendations and Lessons Learned | 66 |
| Annexes | | |
| | CPSCR Annex A. Argentina CPSCR Results Matrix | 68 |
| | CPSCR Annex B. CPSCP Planned Lending Program and Actual Deliveries | 90 |
| | CPSCR Annex C. Planned Knowledge Services and Actual Deliveries | 91 |
| | CPSCR Annex D. Delivered Knowledge Services FY12-14 | 92 |
| | CPSCR Annex E. Lending Operations Closed during FY13-14 | 93 |

I. Introduction

1. This Country Partnership Strategy Completion Report (CPSCR) is a self-evaluation by the World Bank Group (WBG) team of its performance in implementing the FY10-12 Country Partnership Strategy (CPS), measured against the CPS results framework⁴³. While no new CPS was discussed after FY12 and no new projects were approved, this CPSCR also captures WBG activities from FY13-14 to present a comprehensive picture of the continued engagement in Argentina. The Argentina FY10-12 CPS⁴⁴ was the second full strategy since Argentina commenced the shift from recovery to sustained growth in the wake of the economic and social crisis of 2001-02. The CPS aimed to support the country in the aftermath of the 2008 global financial crisis, a period of worldwide uncertainty and, for Argentina, limited access to financial markets following the 2001 debt default. The CPS provided strategic support in three key areas: (a) sustainable growth with equity, (b) social inclusion, and (c) improved governance. These three pillars remained relevant throughout FY10-14, although the CPS Progress Report⁴⁵ included some adjustments to the results framework and program of activities in light of implementation experience and shifting circumstances. With respect to financial services during FY10-12 CPS, the Bank committed \$3.3 billion⁴⁶ in 14 investment operations. The International Finance Corporation (IFC) committed \$730.7 million to clients in Argentina—\$586 million from IFC’s own account and an additional \$144.7 million mobilized from partners—to benefit 23 client companies and banks, more than 30,000 farmers, and 38,000 small and medium-size enterprises (SMEs).

2. **CPS Pillar Results.** One third of the outcomes envisioned in the CPS were achieved, most notably for the Sustainable Growth with Equity and Social Inclusion pillars, which account for the larger share of World Bank Group (WBG) engagement in Argentina. About two thirds of the outcomes were partially achieved. Some important outcomes achieved during FY12-14 were the result of sustained, long-term engagement in specific sectors, such as infrastructure, social protection, and health, where WBG engagements are well-integrated and leverage broad-based Government programs.

3. **WBG Flexibility.** The WBG provided flexible support to the Government, responding to its evolving needs. Fourteen lending operations were delivered; six of these were not originally envisioned in the CPS. The Bank provided consistent implementation support to the existing portfolio, which included 38 active operations as of June 2012. In response to emerging needs of the large and complex portfolio, the Bank increased on-the-ground presence and capacity-building activities, especially in fiduciary areas. In addition to the substantial knowledge-sharing agenda embedded in project preparation and supervision, substantial knowledge services were provided in areas, such as logistics, productivity, and human development. By June 2014, the

⁴³ The team assessed the WBG program performance against the objectives as they were laid out in the CPS and CPS Progress Report results frameworks.

⁴⁴ *Country Partnership Strategy for the Argentine Republic for the Period 2010-2012*, Report No. 48476-AR, May, 2009.

⁴⁵ *Country Partnership Strategy Progress Report for the Argentine Republic for the Period 2010-2012*, Report No. 59222-AR, February 24, 2011.

⁴⁶ Unless otherwise specified, the currency used throughout this document is the US dollar.

active portfolio consisted of 20 IBRD investment projects (\$2.2 billion undisbursed), 3 GEF operations, and 18 trust-funded activities. *Overall WBG program and WBG performance during the CPS period are rated as fair.*

II. Progress toward Long-Term Development Outcomes in Argentina

4. Argentina continued to reduce poverty and expand shared prosperity. Poverty measured at \$4-a-day declined from 17.2 percent in 2008 to 10.8 percent in 2012, while poverty measured at \$2.50-a-day fell from 8.2 percent to 4.7 percent during the same period.⁴⁷ Similarly, Argentina continued to improve the population's assets base and human development outcomes. Access to basic services improved and so did educational and health outcomes, although at different paces in each sector. Important gaps, however, remain and outcomes differ considerably across provinces. In addition, the sustainability of the Government's inclusive policies came under pressure, especially during FY12-14, as economic growth slowed down and the fiscal space shrank because of rapidly increasing public spending, particularly on social policies and transport and energy subsidies.

5. **Infrastructure Improvements.** The condition of the national and provincial roads system has been improved through WBG-supported programs, reducing costs and boosting transport reliability and capacity. In addition, urban transport systems have been strengthened, and road safety has been enhanced. Rural electricity capacity is also being expanded, and agricultural production has increased. A number of projects under implementation contribute to addressing the problem of resource degradation. The Matanza-Riachuelo urban river basin project (the largest project in the portfolio) experienced significant implementation delays and relevant contracts were only signed in early 2014. Construction works are expected to start later in 2014.

6. **Social Inclusion Gains.** As a result of programs to which the Bank contributed, more than 3.6 million children now benefit from an allowance for vulnerable children, and more than 339,000 workers have received skill-improvement and competency-based training. Health gains made under several Government initiatives and Bank projects have been consolidated, while continued support will be provided to deepen and ensure the sustainability of reforms. There has also been progress toward the goal of reducing disparity in educational attainment between rural and urban areas, with rural areas showing increased school promotion rates (i.e., more children advancing to next grade).

7. **Institutional Strengthening.** Bank engagements have contributed to the strengthening of a number of key Government systems at the national level, notably the Social Security Administration (ANSES). The Bank has also supported implementation of a coordinated data system (SINTyS), which is shared by all social protection and safety net agencies in Argentina. A number of national agencies have implemented the Citizens' Charter⁴⁸, and surveys show that

⁴⁷ Poverty, inequality, and shared prosperity indicators are calculated using harmonized household surveys from SEDLAC: Socio-Economic Database for Latin America and the Caribbean (CEDLAS and World Bank).

⁴⁸ The Citizens' Charter Program (Programa Carta Compromiso con el Ciudadano), which has existed for more than ten years, is a program through which public agencies with direct obligations to provide citizen services

this has led to an increase in user satisfaction of more than 70 percent. At the subnational level, Bank engagements have supported improvements in service delivery, and systems have been implemented that will enable better management of personnel information.

III. Program Performance

8. This Completion Report focuses on the intended results and milestones as presented and updated in the CPS Progress Report of February 2011. One third of the outcomes envisioned in the CPS were achieved, and about two thirds of the outcomes were partially achieved under all three pillars; however, a distinction should be noted between CPS outcomes that had a broad systemic impact and those where the scope of impact was more limited (e.g., to a project, sector, or province). For instance, some social and human development programs (lending and analytical and advisory activities) have been successful with nationwide impact (e.g., Plan NACER) while others were implemented at the provincial level and therefore have had a more localized impact (e.g., support to improve public sector management in Cordoba and Chaco Provinces). The growing macroeconomic imbalances and increasing policy uncertainties also created some challenges for program implementation especially during FY12-14. *Overall program performance is rated as fair.*

Pillar 1. Sustainable Growth with Equity

9. To promote sustainable growth with equity, WBG support during the CPS period focused on activities to (a) upgrade Argentina's infrastructure to improve livelihoods, address potential bottlenecks to competitiveness, and underpin medium-term growth and poverty alleviation; (b) improve competitiveness, quality, and exports in agriculture and livestock production; and (c) address a growing problem of resource degradation. Emphasis was placed on leveraging broader country programs and building capacity beyond the immediate project needs at the national as well as subnational levels. IFC's engagement with Argentina fell primarily under this pillar, focusing on financing resilient companies in strong sectors that can create jobs, meet the needs of the poor, and support the country's long-term growth. Given the structure of Argentina's markets, IFC concentrated its investments in financial institutions and extractive industries, which together received 86 percent of its \$586 million in total IFC commitments since FY10. Several analytical pieces were critical in supporting this investment: the Provincial Economic Memorandum for Buenos Aires analyzed the economic prospects, issues, and challenges for sustainable growth of the province. The Opportunity Assessment of Chaco generated a baseline based on the Human Opportunity Index of social conditions and has been followed by Rapid Assessments and Actions Plans (RAAPs) in other provinces. A series of policy notes were instrumental in the policy dialogue with the new Government following the 2011 elections.

10. **Roads Improvement.** During the CPS period, a major focus of infrastructure work has been improving the national and some provincial highways. The CPS target of having more than 90 percent of non-concessioned paved national roads in good or fair condition has been

communicate information about their functioning (e.g. objectives, how to access services, citizens' rights and responsibilities, etc.) and commit to goals in improving such services (e.g. response time).

achieved, with 98 percent in good or fair condition. These results were achieved through outcome-based contracts for rehabilitation and maintenance (CREMA—*Contrato de Recuperación y Mantenimiento*). The CREMA system is also in place in six provinces, and the successful model is now being used in Brazil and Peru.

11. **Road Safety. Argentina has become a global leader in the area of road safety.** The Road Safety Project has successfully achieved the CPS targets and contributed to the strengthening of Argentina's institutional framework and management capacity for reducing road-related deaths and injuries. Road fatalities fell 43.2 percent—from a high of 3.7 per 10,000 registered motor vehicles in 2008 to 2.1 in 2013. Between 2011 and 2013, the average use of seat belts increased by 14 percent and helmets by 37 percent, while the number of positive tests for driving under the influence of alcohol declined by 40 percentage points. Since the project's approval in 2010, it has also contributed to the establishment of a national driver's license registry in 20 of 24 provinces and the creation of information monitoring systems, such as the National Road Safety Observatory, that foster results-based management of road safety issues and provides active South-South Knowledge Exchanges with other countries.

12. **Port Infrastructure.** IFC has played an important role in upgrading the country's port infrastructure by working with private-sector partners. Buenos Aires, Argentina's principal port, suffers from growing congestion. Port operators are investing to increase efficiency and capacity at terminals in and around the city as well as at provincial ports. IFC invested \$11.1 million in two private terminals in Buenos Aires, complementing earlier port investments.

13. **Urban Transport.** The CPS included significant Bank-financed investments aimed at sustainably improving the quality of urban transportation systems in Argentina's metropolitan areas. Investments under the Urban Transport in Metropolitan Areas (PTUMA) and Buenos Aires Urban Transport (PTUBA) operations are yielding important results. Enhanced decision-making tools are in place in several provinces and metropolitan areas, including surveys, transport models, and strategic plans to ensure that the eventual investments are part of a larger strategic framework. The PTUBA Project, which closed during the CPS period, has produced information that will enable Buenos Aires to better manage transportation planning. Moreover, the technical element of the project management unit was transformed into a formal planning and management agency, which is now the Government's primary support for transportation issues in the country. In addition, the Global Environment Facility (GEF) Sustainable Transport and Air Quality operation has helped ensure priority status for projects with a lower carbon-footprint and lesser impact on climate change.

14. **Flood Risk Management and Urban Drainage.** The Bank and Argentina have long been working together on flood risk management, with concrete results. During the CPS period, two projects were implemented. One focused on the City of Buenos Aires (Maldonado Basin) and closed, directly benefiting 325,000 people. The second project is focused on the provinces affected by floods from the Parana River. This project will close in 2014 and benefit 395,000 people, including 207 resettled families.

15. **Greater Rural Electricity Access.** The Renewable Energy in Rural Markets Project (PERMER), which received additional financing in 2008 and closed in 2012, improved access to electricity services in rural and remote areas through renewable sources, including solar and

wind power. As a result of project interventions, more than 25,000 poor rural households and almost 1,900 schools now have access to electricity. The GEF Energy Efficiency Project also became effective early in this CPS and has contributed to increased use of compact fluorescent lamps (CFLs); 24.5 million CFLs were purchased with counterpart funds, liberating project funds for other uses.

16. **Improved Water and Sanitation.** The Province of Buenos Aires and the Bank have had a close partnership in this area throughout the CPS period. Through the Provincial Infrastructure Adaptable Lending Program (APL-1 and APL-2), as well as additional financing for the first phase of the program, water and sewage coverage for poor residents has been greatly increased in selected parts of Buenos Aires Province. Similarly, the Basic Municipal Services Project has invested in water and sewerage infrastructure benefiting municipalities in the provinces of Santiago del Estero, Tucumán, Neuquén, and Santa Fe. Work is expected to be completed by March 2015. In addition, the initial major work under the First Norte Grande Water Infrastructure Project has begun—a drinking-water treatment plant and aqueducts to provide potable water to 48,000 people in Chaco Province. The Second Norte Grande Water Project is well advanced, with bidding processes underway for a waste-water treatment plant in Chaco, expected to benefit 430,000 people with improved sanitation services.

17. **Enhanced Environmental Outcomes.** The CPS has supported Government efforts to address resource degradation and pollution management, and it has concurrently helped build institutional capacity to promote environmentally sustainable development. The Solid Waste Management Project, approved in FY06, has addressed the issue of resource degradation that arises from poor management and disposal of solid waste. Thirteen provincial and municipal waste management plans have been completed, exceeding the CPS target. Sanitary landfills and solid waste recovery plants have been built in the cities of Rosario and Mar del Plata, and Rosario was equipped with trash containers. The construction of the additional landfill in Mendoza is expected to be completed during the next CPS.

18. **Natural Resource Protection.** The Sustainable National Resources Management Project and a GEF operation supporting the conservation of biodiversity⁴⁹ have contributed to the establishment of monitoring units for forest and deforestation assessments. The projects have also contributed to building critical infrastructure for protecting national parks. Another GEF operation⁵⁰ has developed and promoted biodiversity conservation. Finally, an additional 1,140 tons of Ozone Depleting Substances (ODS) were eliminated under the Montreal Protocol Operation, including a project amendment to phase out CFCs in production of metered-dose inhalers, a new industrial sector addressed by the project.

19. **River Basin Clean-Up.** The Matanza-Riachuelo River Basin Clean-Up Project faced significant delays arising from its complexity and high profile. After overcoming those challenges, the first contracts were signed in FY14. When completed, the project will directly benefit 2.1 million people with expanded sanitation services and 5.7 million people through protection of water intake facilities. Although it is too early to measure results, it is noteworthy

⁴⁹ GEF Biodiversity Conservation in the Productive Forestry Landscapes Project.

⁵⁰ GEF Grasslands and Savannas in the Southern Cone of South America: Initiatives for their Conservation in Argentina.

that the River Basin Authority (ACUMAR) is fully operational and construction is expected to begin soon.

20. **Increased Agricultural Productivity and Poverty Alleviation.** The WBG continued to provide support to Argentina's agricultural sector through a two-track approach targeting (a) medium-sized agricultural producers that have ready access to markets; and (b) subsistence farmers for whom agriculture is often not a full-time activity. Under the first track, support was primarily delivered through a series of two provincial agricultural development projects: PROSAP I and II. These operations provided infrastructure investments in 18 provinces and resulted in a substantial increase in land under cultivation as well as improved yields. Complementing these operations, the IFC financed citrus producer San Miguel, based in the frontier province of Tucuman, with \$5 million in direct financing and an additional \$19.7 million from investment partners. The company employs more than 1,000 workers, half of them women.

21. **Further Support to Small and Subsistence Farmers.** Additional financing was provided to the Small Farmer Development Project (PROINDER), which closed during the CPS period. Support was provided to 73,953 beneficiaries and 10,736 agrifood subprojects. Although the initial project was primarily aimed at improving the quality of life for subsistence farmers, the additional financing broadened the scope to improve market access for small-scale farmers. This included building alliances with distributors and ensuring that produce met quality standards.

22. **IFC Support to Small and Medium-Size Enterprises and Small Farms.** IFC committed \$392 million to Argentine banks in FY10-12. These investments had two objectives. First, by supplying liquidity (usually to smaller banks) through its short-term finance facilities, IFC helps banks support small and medium-size enterprises (SMEs) that face difficulties borrowing at reasonable rates from larger banks. IFC channeled \$317 million to eight, mostly second-tier, banks through its Global Trade Finance program. Second, by providing term financing for banks, IFC is able to indirectly support large numbers of SMEs, small farms, and low-income groups. For instance, through its relationship with Banco Galicia, IFC was able to reach more than 2,500 SMEs in CY11. In FY10-12, IFC provided \$75 million in term financing to three financial institutions through several innovative investments. IFC committed \$20 million to Banco Galicia, a leading local bank, to finance sustainable farming practices; this is expected to benefit more than 1,000 farms, most of them in remote provinces. IFC committed an additional \$25 million to support Buenos Aires-based DARP SFP, a distressed asset firm. SFP aims to originate and restructure \$500 million in non-performing loans in Argentina and other Latin American countries between 2010 and 2015. This enables participating lenders to strengthen their balance sheets and increase their lending capacity. Borrowers benefit by reducing their debt burdens, aligning service payments with their ability to pay, and reducing the possibility of losing pledged collateral—often their homes.

23. **IFC and Extractive Enterprises.** IFC provided \$236.7 million to five oil, gas, and mining projects. They are located in remote provinces, create jobs, and generate substantial revenues for local governments. PAE, a local oil company that benefited from one investment, made \$2.2 billion in government payments in 2011 alone. In addition to providing critical long-term financing for these projects, IFC's performance standards mitigated environmental impacts,

while its A/B loan program mobilized an additional \$125 million from investment partners for the extractive industry.

24. **Enhancing Exports.** The WBG supported export diversification and value added in production. The Argentina Unleashing Productive Innovation Project seeks to expand Argentina's capacity to generate productive innovation in knowledge-based areas. Many of the project's activities relate to translating innovative knowledge into applications with high social and economic impact. The project has contributed to the creation of "deal flow facilitators" to support the incubation cycle of new technology enterprises, while committing significant resources to fostering public-private collaboration to help steer the research agenda toward projects with greater potential to transform the productive sector. The project has supported development of programs to provide graduate degrees in technology management, a key skill needed to promote commercialization of research ideas. In addition, IFC continues its support for emerging technology companies that are able to draw on—and nurture—the country's strong human capital base. IFC invested \$10 million in TIBA, Latin America's leading provider of services to the broadcasting industry, and \$5 million in Grupo ASSA, a small regional information technology services provider. These build on previous investments aimed at bolstering the country's emerging software and technology sector.

25. **IFC and the Manufacturing Sector.** Some elements of Argentina's manufacturing sector have shown remarkable resilience in the face of internal and external challenges. IFC's investments helped safeguard or expand employment, including at companies operating in remote areas of the country. IFC committed \$50 million in loans to three industrial companies, which together employ almost 2,000 workers. These clients have demonstrated strong management and financial performance. IFC commitments to Turkey's Kordsa (\$15 million) and FV Argentina (\$10 million) helped these companies diversify their businesses through increased South-South integration. Kordsa improved integration of its tire operations in Brazil and Argentina. FV Argentina is establishing itself as the Southern Cone's leading metal fixture supplier. IFC's \$25 million financing for Aluar, an aluminum producer, enabled the company to increase production, raise annual exports from \$600 million to \$710 million, and reduce greenhouse gas emissions. Lower emissions enable it to issue certified emission reduction credits under the UNFCCC's Clean Development Mechanism.

Pillar 2. Social Inclusion

26. To promote social inclusion, the FY10-12 CPS focused on: (a) improving the country's social safety nets and fostering employment; (b) improving health outcomes; and (c) improving education outcomes.

27. **Safety Nets and Employment.** Supported by a dialogue with Government counterparts, the transition from crisis response to a more permanent social protection system continued during the CPS period. Building on knowledge gained under the previous CPS, the Basic Protection Project became effective at the beginning of the FY10-12 CPS and received additional financing in September 2011; the Universal Child Allowance it supports is already covering more than 3.7 million poor children, or more than 80 percent of the eligible population.

Collaboration between ANSES and the Ministry of Health was crucial to achieving these results because the *Plan Nacer*⁵¹ beneficiary database served as a basis for the Universal Child Allowance. Through the Life-Long Learning Project, the Bank continued to support the Government's objective of integrating marginalized groups into the productive marketplace, with more than 339,000 participants receiving training. Engagement with the productive sectors has been maintained throughout the CPS period, resulting in the establishment of a competency-based qualifications and certification system. This will contribute to faster economic growth as well as higher productivity. Workers continue to build their skills, and the quality of training institutions is improving. However, challenges remain: the adult education system has been slow to respond to the needs of adult learners and suffers from a lack of focus on results and poor information management.

28. **Improved Health Outcomes.** The Bank has continued to work closely with Government counterparts toward the goal of reducing infant and maternal mortality. Strong outcomes continued to be delivered by the *Plan Nacer* Project, which received an Independent Evaluation Group (IEG) award for exemplary design and innovation in October 2011. Almost 2 million women and children who were previously uninsured have gained access to a defined package of health services, exceeding the CPS target of 1.7 million beneficiaries and reaching more than 92 percent of the eligible population. In the northern provinces, the share of expectant mothers receiving pre-natal consultations by week 20 rose from 3 percent at the start of the project to 67 percent in 2012. Moreover, an impact evaluation analysis supported by the Bank⁵² provides rigorous evidence of *Plan Nacer's* impact on birth outcomes and neonatal health and the cost-effectiveness of the intervention. Through the GPF Strengthening Governance in Argentina's Health Sector activity, the Bank provided technical assistance in the design of the Federal Health Observatory, an institution that supports the development of an integrated health information system to monitor health policies by collecting independent data and providing information for better decision-making. A report on this effort was submitted to the Ministry of Health, and the Government plans to use the findings in establishing the Observatory. Further activities of the Observatory implementation will be financed by Bank health sector loans.

29. **Improved Education Outcomes.** A focused engagement had begun in the education sector under the previous CPS, with the goal of improving educational outcomes in rural areas. Although Argentina has relatively high rates of school attendance, significant disparities persist in educational access and outcomes between urban and rural areas. Progress in reducing this gap continues to be made under the Rural Education Improvement Project. To date, more than 95 percent of rural schools have been beneficiaries of at least one project component, and progress has been made on all indicators. The number of 5-year-old children in rural areas not enrolled in school has fallen from a baseline of 15,861 to 6,265 during the CPS period, surpassing the target

⁵¹ Launched in 2004 in the poorest nine provinces of northern Argentina, *Plan Nacer* seeks to improve the maternal and child health of uninsured pregnant women and children by introducing highly innovative results-based financing mechanisms at the national, provincial, and health provider levels. Later expanded to the remaining 15 provinces of the country, *Plan Nacer* has provided health coverage to more than 4.7 million pregnant women and children and delivered some 37 million health services. The program has reached 92.4 percent of the eligible population.

⁵² Gertler, P; Giovagnoli, P; and Martinez, S. (2014). Rewarding Performance to Enable A Healthy Start: The Impact of *Plan Nacer* on Birth Outcomes of Babies Born into Poverty.

of 7,921. Over the same period, the promotion rates in rural areas rose from 76 to 89 percent from first to third grades and from 72 to 84 percent from seventh to eighth grades.

Pillar 3. Improved Governance

30. The original CPS focused on the Government's goals of expanding performance-based management and improving the quality of public expenditures, enhancing service delivery outcomes and trust in institutions, and strengthening public sector capacity to foster investment and growth. However, the Government chose not to seek Bank financing in support of performance-based budgeting; instead, it asked that the Bank focus on improving efficiency and service delivery of public institutions at both the national and subnational levels. This pillar was reformulated in the CPS Progress Report to address the Government's changing priorities.

31. **More Efficient Public Institutions.** The Bank has continued to support the Government's goals of improving the efficiency of public institutions at the national level through a series of ongoing projects. The Institutional Strengthening of the National Social Security Administration Project has contributed to an increase in the number of people who report satisfaction with ANSES services—from 45 percent in 2005 to 86 percent in 2012. The Social and Fiscal National Identification System APL-2 has, through a program of technical assistance and investments, helped raise the share of the population that is correctly identified and registered—from a baseline of 31 percent in 2008 to more than 92 percent in June 2012. The APL also allowed the Government to substantially increase the number of agencies using common processes to identify entities and assets to 91 by the end of the CPS, exceeding the target of 18. The Government is committed to continually improving information infrastructure to strengthen decision-making. The Bank is supporting the effort through such programs as SINTyS and the State Modernization Project, which contribute to institution building as well as service delivery. A centralized personnel registry (*Sistema de Información del Servicio Nacional de Adiestramiento en Trabajo*, or SINFO) has been established and covers 70 percent of civilian public employees; further progress is expected to be made toward the target of 90 percent during the next CPS. The project has also supported an electronic directory of Government procedures, which now includes 900 of them and annually attracts more than 2 million site visits. Finally, in agencies participating in the Citizens' Charter Program in which surveys of citizen satisfaction were carried out, citizen satisfaction improved from the baseline at the start of the project to 70 percent of agencies according to results from May 2013.

32. **Enhanced Subnational Focus.** The WBG responded quickly to the Government's request to shift some of the focus on improving the efficiency of public services from the national to the subnational level. Through the Subnational Governments Public Sector Modernization Project, the provinces of Formosa and Chubut have reduced the time required to publish evaluation reports from 15 to 10 days. In addition, the integrated personnel information and pay system has been implemented in the province of Chubut, with 40 percent of staff in the system. During the CPS period, Sector-Wide Approach (SWAp) projects have also been approved in San Juan and La Rioja provinces. Subnational service delivery was strengthened through the San Juan SWAp, leading to improved health and education outcomes, including an increase in child deliveries with more than four ante-natal care consultations from 21.34 percent in 2008 to 59.5 percent in 2013 and an increase in primary school promotion rates from 77

percent in 2008 to 93 percent in 2011. In turn, Bank support has helped La Rioja significantly increase local tax revenue, from 159 million pesos in 2011 to 281 million in 2012.

IV. World Bank Group Performance

Design and Relevance

33. The CPS was relevant and aligned with Government priorities. Its design and implementation contributed to the achievement of CPS outcomes with a focus on results and an adaptation to changing circumstances and priorities. While the results framework was slightly adjusted with the CPS Progress Report, it appeared overly detailed, and had too many outcomes for the envisaged CPS period of three years. The three pillars of the FY10-12 CPS were carried over from its predecessor and continued to be priorities for the Government—with some changes in the underlying activities that were delivered and, at the request of the Government, a greater focus on subnational projects. At the request of the Government, the WBG worked closely with several provinces to design and implement new operations aimed at delivering results in the three areas. IFC continued to focus on fostering the country's long-term growth by focusing on strong sectors, supporting SMEs and low-income groups through Argentine banks, and encouraging the development of high value-added technology enterprises. It should be noted that Argentina is a middle income country and space for the WBG to engage in broad macroeconomic dialogue was limited. *Thus, the World Bank Group performance is rated as fair.*

Program Implementation

34. During FY10-12 the WBG responded to client demand in a flexible manner, while not having such ability during FY13-14 as no new projects could be presented to the Board. Six of the delivered operations in FY10-12 were not envisioned in the CPS, but they fit with emerging Government priorities and the broader CPS pillars and were added during the progress report stage. Given the three-year implementation of the CPS it was difficult to build a more programmatic mechanism for knowledge services. A shift toward such an approach was seen in FY13-FY14, which will be carried over in the new strategy. Positive aspects of WBG performance included (a) flexibility in responding to refined Government priorities under all three pillars; (b) strong project implementation performance, including in leveraging results across broader Government programs in key sectors; and (c) delivery of knowledge services, particularly analytical and advisory activities (AAA) integrated in the implementation support of the investment portfolio. The Bank also supported South-South knowledge exchanges, helping to bring Argentina's innovations and successes to regional and global audiences.

35. **Knowledge Services (AAA).** The CPS laid out an expected AAA program for FY10-11, leaving the rest of the program under design and able to respond to emerging Government priorities. The majority of the expected program was delivered and well-aligned with the areas of engagement in the lending pipeline. Substantial knowledge services were delivered, focused on infrastructure, environment, social protection, health, and education, with an increasing demand from the subnational level for reimbursable advisory services (RAS) in the areas of public sector management and strategies for the productive sectors. Three of these activities have been delivered in Corrientes, Cordoba, and Chaco provinces. A substantial amount of knowledge work was performed as part of implementation support for lending projects, most notably in

infrastructure and health sector operations. While the AAA program was overall of good quality, delivered in a timely manner and broadly responding to demand, with hindsight it seems to have been scattered across a wide spectrum of sectors and lacking a more programmatic and strategic focus. The 18 AAA products that were completed under the CPS did not always benefit from a well-designed dissemination plan, and thus missed the opportunity to generate constructive dialogue with stakeholders and impact policy-making. This tendency changed, and especially during FY13-FY14 in the social and human development sectors, the AAA focused more on multi-year programmatic knowledge services that helped build a platform for evidence-based policy dialogue with different stakeholders, including the national and provincial governments, academia, think-tanks, and other civil society organizations. The Impact Evaluation of Plan NACER, for example, proved to be an effective instrument for policy dialogue throughout the implementation of the program. Its unique features in terms of scale, use of administrative data, and rigorous methodology have been discussed at a national forum on results-based financing for health that drew participants from more than 30 countries. Another example of forward-looking analysis was the work on demographics and aging that attracted attention from beyond Argentina.

36. Constructive Relations with Government Counterparts. The Government and the Bank worked closely together on resolving implementation challenges, including through joint initiatives such as procurement capacity building and a safeguards gap analysis to link Argentina's Environmental and Social Regulatory Framework to successful Bank-financed projects. A joint implementation workshop and regular Country Portfolio Performance Reviews (CPPRs) served as platforms for candid discussions of implementation concerns and identification of cross-cutting issues for joint action. Overall, the Argentine portfolio has been performing well, and there has been an increasing focus on measurable results, which will continue in the future (see Table 1). Some of the cross-cutting implementation issues identified as a result of joint reviews during the CPS period included:

a. **Project Implementation Unit (PIU) Staff Recruitment and Retention.** As agreed during the previous CPS period, public officials working on the implementation of Bank-financed operations are remunerated on the same pay scale as other public servants; this enables the PIUs to be fully integrated into implementing agencies. Delays in updating the pay scale have made it difficult for PIUs to attract and retain high-caliber specialists, particularly in the areas of procurement, engineering, and IT. This will likely to remain a challenge in the future.

b. **Effectiveness Delays.** Projects requiring the signing of subsidiary loan agreements experienced significant effectiveness delays, leading to project effectiveness extensions. Although these operations overcame obstacles and achieved positive results, the costs of delays were substantial.

c. **Procurement Challenges.** Despite many improvements and significant efforts on both sides, many projects in the portfolio faced procurement challenges. Cross-cutting issues in this area included (a) difficulties in attracting foreign participation at the short-list stage in consultant processes and in works contracts, and (b) obstacles to local SMEs obtaining bank guarantees. The Bank has already taken actions related to increasing thresholds for National Competitive Bidding (NCB) in works processes and for entirely national comprised short-

lists for the selection of consultants. In addition, an NCB standard bidding document for works should be developed and adopted by all implementing entities, allowing the Bank to analyze and further update the current thresholds.

Table 1. Portfolio Performance FY10-14

| Fiscal year | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------------------|---------|---------|---------|---------|---------|
| Number of IBRD Projects | 33 | 35 | 34 | 27 | 20 |
| Net Commitment Amount | 5,840.6 | 7,217.7 | 6,969.0 | 6,154.1 | 4,873.7 |
| Number of Problem Projects | 4 | 3 | 3 | 5 | 4 |
| Number of Projects at Risk | 8 | 6 | 7 | 9 | 6 |
| Commitments at Risk (%) | 29.4 | 11.8 | 20.6 | 46.7 | 40.3 |
| Problem Projects (%) | 12 | 9 | 9 | 19 | 20 |
| Proactivity (%) | 100 | 50 | 67 | 67 | 25 |
| Total Undisbursed Balance | 3,460.1 | 4,845.0 | 3,854.5 | 2,893.2 | 2,223.6 |
| Disbursements by FY | 868.8 | 748.05 | 867.98 | 952.6 | 701.21 |

37. **Fiduciary Matters.** Overall, fiduciary concerns were moderate during the CPS period. Argentina has a mature public financial management (PFM) system, with an adequate legal basis and well-trained staff with the appropriate technical skills. The main challenges during the CPS period included gaps in the control environment, inconsistent enforcement of rules, and difficulties in implementing external audit recommendations. In the procurement area, the Bank is committed to working with the Government to strengthen understanding of Bank requirements and to explore options for greater flexibility in recognizing local market realities and needs. Subnational operations bring additional fiduciary challenges, with great capacity variation across provinces. The WBG paid special attention to these challenges in the design of subnational projects. During the CPS period, four PFM analytic products were completed in four provinces. Lastly, capacity-building activities for PIU staff and the auditing staff of Argentina's supreme audit institution were delivered at least once a year.

38. **Governance.** The Government addressed governance risks in a constructive manner. During the CPS period, the WBG team worked closely with the client to address governance challenges and risks in the health sector, particularly focusing on fiduciary weaknesses. A joint Governance Accountability Action Plan (GAAP) was developed, which cut across several operations in the sector. At the time of the CPSCR preparation, the majority of the agreed actions had been implemented, with the remaining expected to be completed within the next CPS.

V. Recommendations and Lessons Learned

39. **The CPSCR identifies five key lessons that are relevant for the design of the new strategy:** (a) focusing on results while having flexibility to adapt to changing circumstances and Government priorities was crucial for the achievement of project development objectives; (b) integrating governance as a cross-cutting theme into the overall engagement was the most efficient strategy for achieving results; (c) ensuring the CPS results framework is tied to the activities under implementation and is consistent with activities proposed is essential; (d) strengthening dialogue with Government counterparts by focusing on areas where there is a mutual commitment catalyzed innovation and strong results; and (e) maintaining a regular dialogue with Government counterparts and sharing implementation experiences helped improve portfolio performance.

40. **As noted, it is important to ensure that the CPS results framework is consistent with the proposed activities and the time period of implementation.** Realistic and measureable results need to be tied to the activities already under implementation or expected to be delivered early in the CPS period. In a CPS of three years it is unrealistic to think that activities delivered after the first year or two will yield tangible results in the CPS period. This is especially true in Argentina, where long effectiveness delays are frequent.

41. **As noted, it is important to focus on governance as a cross-cutting theme instead of as an independent pillar.** Under the FY10-12 CPS and its predecessor, improving governance was treated as a pillar. Intended results were only partly achieved because specific activities sometimes did not materialize. Some governance improvements were achieved by treating governance as a cross-cutting theme incorporated into project design, most notably in the *Plan Nacer* and CREMA roads projects.

42. **Regular dialogue with Government counterparts yielded positive results and lessons to improve portfolio performance.** The main lessons in this respect include the need to (a) increase the presence of results-based financing to replicate successful experiences in health and social protection; (b) avoid unnecessary project complexity and reduce coordination demands; (c) seek simplicity in project design to avoid lengthy administrative processes; (d) recognize that additional financing requires the same processes as any new loan for the Government; (e) scale-up and formalize the use of mid-term reviews to address weaknesses in design and monitoring and evaluation (M&E); (f) simplify and reduce the number of indicators to better demonstrate results; and (g) provide sufficient transition time when changing Task Team Leaders (TTLs) and counterpart managers.

43. **Results-based financing has a successful record of delivering services to beneficiaries, building human capital and fostering employability.** Setting targets and linking disbursement to results helps strengthen governance and accountability and contributes to developing a public sector culture that rewards performance. Results-oriented financing efforts have been successful for national programs (as in the case of employment support schemes) and provincial programs (as in the case of the health sector).

44. **Programmatic multi-year knowledge and advisory services are particularly effective instruments for evidence-based policy dialogue.** Effective policy dialogue can be achieved by

combining global analytical experience with first-class local research institutions and think-tanks and leveraging platforms for policy dialogue (e.g., on the subject of how population aging will impact the sustainability of Argentina's welfare system). The Impact Evaluation of Plan NACER was a powerful instrument for policy dialogue not only in terms of final results but also in design and implementation. To be effective, impact evaluations require significant human and financial resources and stable partnerships between international specialists and local institutions.

45. **Input-based public sector support has had limited impact.** Large projects with national scale have traditionally supported development of information technology- (IT-) based solutions to improve governance of the public sector. However, they have sometimes tended to suffer from limited focus and have not mobilized additional resources to introduce sustainable changes. Direct support to provincial governments focused on building capacity for public service delivery has shown a strong record of results through operations based on Disbursement-Linked Indicators (DLIs) and through technical assistance for Rapid Assessment Action Plans (RAAPs).

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|--|--|---|---|---|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| PILLAR 1 – SUSTAINABLE GROWTH WITH EQUITY | | | | |
| Objective: Infrastructure Development | | | | |
| Transport network improvements achieving a steady state as indicated by at least 90% of national and provincial paved non-concessioned roads in good condition with no deferred maintenance factors. | 16,700 km of national network managed through CREMA system. | ACHIEVED | National Highway Asset Management APL I P088153 (FY04) and APL II P095569 (FY07) | Projects that are implemented in cooperation with the local government and are closer to the beneficiary have better chance to yield results (Cordoba Roads project). Seek simplicity in design to avoid lengthy administrative processes (e.g., Provincial Road Infrastructure; Urban Flood APL-2; Municipal Services Project; Buenos Aires Infrastructure Sustainable Development APL-2). Any future engagement in infrastructure should continue to support institutional capacity to better manage maintenance and budget to carry out rehabilitation work. |
| | | 98% of roads in good or fair condition. | Provincial Road Infrastructure II P070628 (FY05) | |
| | | 16,568 km of the national network managed through the CREMA system. | Cordoba Road Infrastructure P099585 (FY07) | |
| | 2,104 km of the provincial network managed through CREMA system. | 1,260 km of the provincial network managed through the CREMA system. | Buenos Aires Sustainable Infrastructure Development APL1 & AF P088032 (FY05 & FY11) Buenos Aires Sustainable Infrastructure Development APL2 P088032 (FY07) Norte Grande Roads Project P120198 (FY11) | |
| Increase capacity in key segments of the network | 136 km of dual carriageways constructed. | ACHIEVED. | Santa Fe Road Infrastructure Project P099051 (FY07) | A comprehensive assessment of current and future needs (beyond the project's life) could be useful for the longer-term sustainability of infrastructure and can provide a better picture of institutional needs and financing options (taxes, fees, private capital) required for maintaining infrastructure in good condition. |
| | | 135 km of dual carriageways constructed. | Logistics II: A Deep Study of Selected Logistics Issues in Argentina Report P112070 (FY10) | |
| Help build institutional capacity of the National Road Safety Agency in the first phase of a longer-term national objective of reducing the severity and | Establishment of a National Driver License Registry. | ACHIEVED. | Road Safety Project P116989 (FY10) | |
| | National Traffic | National driver license registry established and operational in 20 provinces. | | |
| | | National traffic records | | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|--|--|---|--|--|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| number of road accidents in Argentina. | Establish Records and Infractions Registry System. | system created and active, with data reporting from 10 provinces. | | Road safely should be treated as integral part of road infrastructure projects. Outcome-based contracting has been an important feature in achieving results and can be recommended for future projects. |
| | National Road Safety Observatory in Operation. | National Road Safety Observatory has been created and is operational. | | |
| Contribute to increased investments in public transport together with a rationalization of the current subsidy scheme. | Transport infrastructure investments in medium-size metropolitan areas (Tucuman, Mendoza, Posadas) lead to significant service improvements. | PARTIALLY ACHIEVED. Enhanced decision-making tools are in place in several provinces and metro areas, including surveys, transport models, and strategic plans to ensure that investments are part of the larger strategic framework. | Metropolitan Areas Urban Transport Project (PTUMA) P095485 (FY10) IFC: Noble Argentina (FY09) | Environmental issues should be taken into consideration and addressed as part of the infrastructure projects or through additional GEF supporting operations. Foreign exchange fluctuations and price increases should be taken into consideration because contract bids impact the project cost and may require unanticipated price adjustments. |
| | | IFC: Client supported 4.5 million tons of freight in port operations. | | |
| Strengthening of institutional planning capacities in the Buenos Aires Metropolitan Region and selected medium-size cities. | Establishment and initial operation of a Public Transport Agency in the Buenos Aires Metropolitan Region. | PARTIALLY ACHIEVED. Seed unit has been created with staff trained. Origin-destination surveys have been completed, and the groundwork has been completed. The agency has yet to be officially established. | Metropolitan Areas Urban Transport Project P095485 (FY10) Buenos Aires Urban Transport Project (PTUBA) P039584 and AF P104984 (FY97 and FY07) GEF Transport and Air Quality P114008 (FY09) | |
| | 4 medium-sized metropolitan areas have updated their origin-destination household survey. | 3 of 4 areas have updated the surveys and the 4 th is in progress. | | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|--|--|---|--|--|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| Increase rural access to electricity supply and promote energy efficiency while contributing to redress of climate change issues. | Electrifying 25,600 households by 2012. | ACHIEVED. 25,071 rural households provided with electricity. | PERMER (Renewable Energy – Rural Markets) P006043 and AF P110498 (FY99 and FY09) | |
| | Electrifying 2,000 rural schools by 2012. | 1,894 rural schools provided with electricity. | AAA (JIT) Energy Prices in Argentina P131129 (FY13) | |
| Integrated clean-up of the Matanza-Riachuelo River Basin, consisting of sanitation, industrial pollution abatement, rehabilitation of low-income neighborhoods, and flood risk reduction. | Establishment and operation of a multi-jurisdictional River Basin Authority to oversee the integrated clean-up of the Matanza-Riachuelo River Basin. | PARTIALLY ACHIEVED. ACUMAR is fully operational and in charge of the CMR program. | Matanza-Riachuelo Basin Sustainable Development APL P105680 (FY09) | Complex and high-visibility projects always pose additional challenges. At the same time, these are high-reward projects. The Bank should continue to provide substantial implementation support to such projects with sufficient resources (e.g., Matanza-Riachuelo River Basin; Mining Environmental Restoration Project). |
| | Initiate construction of trunk collection, transmission, treatment, and disposal infrastructure for Matanza-Riachuelo River Basin. | Construction has not yet started as of June 2014. | Matanza-Riachuelo Basin Sustainable Development APL P105680 (FY09) | |
| Expand water and sewage coverage for poor residents in selected areas of BA Province. | Initiate pilot plans for the rehabilitation of water and sewage coverage for low-income neighborhoods in BA Province. | ACHIEVED. Pilot plans have been implemented in 2 neighborhoods. | Buenos Aires Province Infrastructure APL1 P088032, APL2, and AF P114081 (FY05, FY07, FY11) | |
| | Expand water and sewage coverage for 128,000 poor residents | Improved provision of WSS services through financing the construction of 9,045 | Buenos Aires Province Infrastructure APL1 P088032, APL2, and AF P114081 (FY05, | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|---|---|---|--|---|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| | in areas of BA. Province with high sanitary or environmental vulnerability. | water supply service lines and 82,508 sewerage service lines in poor areas. These new lines provided sewerage connections to 298,368 people and water connections to 34,698 people. | FY07, FY11) | |
| Reducing flooding vulnerability in selected urban and rural areas. | Reduce flood risk for populations in flood-affected regions. | <p>PARTIALLY ACHIEVED.</p> <p>A strengthening plan has been designed and is under implementation for water utilities in Chaco and Tucuman, and is in process for Formosa.</p> <p>Construction of works for a water-treatment plant and aqueduct in Pampa del Indio in Chaco has started. The sub-project expects to provide potable water to 48,000 people. Bids for a second sub-project in Wichi, Chaco, are under evaluation.</p> | <p>Norte Grande Water Infrastructure P120211 (FY11)</p> <p>Second Norte Grande Water Infrastructure P125151 (FY11)</p> | <p>For complex infrastructural projects, detailed feasibility studies are critical, and they take long time. The Urban Flood Prevention and Drainage project benefited from studies completed under a preceding operation. The appointment of a panel of experts contributed enormously to the technical quality of works.</p> <p>Providing cost contingencies adapted to the specific economic environment should be considered to avoid financing gaps that may come during implementation.</p> |
| | Reduce flood risk in the City of BA to once every 10-year events for a population of about 100,000 people living in the most critically flooded areas in the Maldonado Basin. | 3,680 ha are protected as a result of drainage works, reducing flood vulnerability for 287,000 people; the number will increase to 400,000 once all works are finished (expected in December 2014). | Urban Flood Prevention and Drainage APL 1 P088220 (FY05) | Restructuring should be sought proactively during implementation, early enough to revise indicators and make realistic adjustments. |
| | Reduce flood risk for a | 3,680 ha are protected as a | Urban Flood Prevention and | Pre-emptive action should be considered to address potential delays in implementation (the |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|--|--|---|---|---|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| | population in Chaco, Corrientes, and Santa Fe provinces of about 150,000 persons. | result of drainage works, reducing flood vulnerability for 287,000 people; the number will increase to 400,000 once all works are finished (expected in December 2014). | Drainage APL2 P093491 (FY06) AAA Disaster Risk Management (P130659) (FY11) | delayed signing of a Guarantee Agreement by the National Government led to 18-month effectiveness delay of the Urban Flood Prevention and Drainage project. |
| Objective: Toward More Sustainable Rural Development and Environmental Management | | | | |
| Contribute to increasing beneficiaries' household incomes through improvements in farm productivity, expanded output, and diversification to crops with higher added value. | Provincial Agricultural Development Strategies designed and under implementation in at least 12 provinces. | ACHIEVED. Strategic investment plans have been designed and implemented in 18 provinces. | PROSAP I P006010 (FY07) and II Projects P106684 (FY09) | Logistical challenges and cost for providing effective supervision of national projects in a large country like Argentina can be insufficient under a standard country coefficient budget allocation. Mid-term reviews should be used to address weaknesses in design and ensure that M&E arrangements are adequate. Market insertion should be seen as a process that reduces informality and builds capacity by equipping farmers with farm/productive infrastructure and organizational support. |
| | 55,000 ha of increased land area under cultivation in project irrigation areas, achieved through six subprojects (66% increase from baseline). | 55,156 additional ha of land are under cultivation, a 66% increase from the baseline of 84,121 ha. | PROSAP I P006010 (FY07) and II Projects P106684 (FY09) | |
| | 210,000 tons of additional aggregate production achieved through four subprojects (a 109% increase from baseline). | 210,646 tons of additional production have been achieved, a 109% increase from the baseline of 193,790. | PROSAP I P006010 (FY07) and II Projects P106684 (FY09) | |
| | Increased agricultural productivity in project areas: 80% (grapes) to 198% (vegetables) yield (kg/ha), achieved by irrigation | Grapes yields have increased by 80% and vegetable yields by 188%. | PROSAP I P006010 (FY07) and II Projects P106684 (FY09) | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|---|--|--|--|--|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| | subprojects in Mendoza. | | | |
| Support a strategy for poor rural communities that may lead to improved infrastructure, increased production of agricultural products for family consumption, and increased value added and diversification of production. | Increased agrifood exports value and its share in national exports. | ACHIEVED. Export volumes for six products from PROSAP areas increased by 25% (apples) to 1,173% (strawberry). In total a 47% increase in fruit export from Mendoza irrigation areas. | PROSAP I P006010 (FY07) and II Projects P106684 (FY09) | |
| | Satisfactory outcomes for 72,000 beneficiaries and satisfactory sub-projects completions for a target of 12,000 agrifood sub-projects. | 73,953 farmers have benefitted from the operations, and 10,736 sub-projects have been completed. | PROINDER Small Farmer Development P102446 and AF P102318 (FY98 and FY08) IFC: Aceitera General (FY09), Vicentin (FY07), Arcor (FY09), San Miguel (FY12), Banco Galicia (FY10-12), Noble (FY09), and Kordsa (FY11) | |
| | | IFC: clients supported over 30,000 farmers. | | |
| Increase investments in integrated urban solid waste management. | 11 provincial and municipal solid waste management plans completed by 2012. | ACHIEVED. 13 plans completed. | Solid Waste Management Project P089926 (FY06) | |
| | At least 3 sanitary landfills built. | 2 sanitary landfills built (in Mar del Plata and Chubut) and another under construction in Mendoza. In addition, complimentary works have been completed in 4 landfills. | Solid Waste Management Project P089926 (FY06) | |
| | At least 40 dumpsites closed by 2012. | 71 micro-dumpsites have been closed (51 in Cordoba and 20 in Rosario). | Solid Waste Management Project P089926 (FY06) | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|--|---|---|---|--|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| | At least 3 solid waste recovery and transfer plants. | 4 transfer stations built and operational (in Rosario, Mar del Plata, and Chubut). | Solid Waste Management Project P089926 (FY06) | |
| Improving the policy and planning frameworks for management of forest resources. | Policy and incentive framework for sustainable forestry management in place, including funds available to small-scale producers for conservation, tree planting, and Sustainable Forestry Management. | PARTIALLY ACHIEVED. Development of a system to control illegal logging in the Chaco is underway, and 4 regional monitoring units for forest and deforestation assessments are being installed. A plan for reform of the Dirección de Bosques has been completed and is under review by SAyDS. Work with Plantation Forests is gaining momentum but still behind schedule. | Sustainable Natural Resources Management Project P100806 (FY08) GEF Biodiversity Conservation in Productive Forestry Landscapes P094425 (FY07) GEF Biodiversity Conservation P114294 (FY10) | |
| Upgrading park management infrastructure and sustainable development opportunities in and around parks. | Increased financial and institutional capacity of the National Parks Authority in ensuring the protection of parks in a context of growing tourism activities. | PARTIALLY ACHIEVED. Major management infrastructure for Las Quijadas National Park is 95% complete. A contract for infrastructure works has been signed for Talampaya Park, and procurement has advanced for infrastructure in Bosques Petrificados and Los Alisos parks. Sustainable development projects are underway around Talampaya | Sustainable Natural Resources Management Project P100806 (FY08) GEF Biodiversity Conservation in Productive Forestry Landscapes P094425 (FY07) Biodiversity Conservation (FY10) P114294 | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|--|--|---|---|---|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| | | Park. | | |
| Environmental plans for containment of uranium mining tailings developed. | Mining sector environmental risk management policies of CNEA and the Secretaries of Mining and Environment strengthened. Containment system for uranium mining tailings completed and monitoring in place at Malargüe site; environmental management plans (remediation, monitoring and consultation) prepared for 7 other CNEA sites (closed uranium mines and/or processing plants). | PARTIALLY ACHIEVED. 80% of planned site remediation works completed in accordance with best international practices. Only one (Malargüe) CNEA site has environmental management plans applied in accordance with international best practices. | Mining Environmental Restoration Project P110462 (FY09) | Complex projects pose additional challenges. The Bank should continue to provide substantial implementation support to such projects with sufficient resources (e.g., Matanza-Riachuelo River Basin; Mining Environmental Restoration Project). |
| Increase access to international carbon markets. | Argentine Carbon Facility in SAYDS strengthened in capacity to advise and process CDM Project. CDM projects contribution to CO ₂ reductions of about 300,000 tons annually. CDM projects contribution to CO ₂ reductions of about 300,000 tons per | NOT ACHIEVED. Despite consistent delays, the Salta operation is now operational and burning methane to reduce Greenhouse Gas Emissions. Certification will take place within a year. The Olavarría operation has been terminated because of unsatisfactory performance. | Salta Landfill Gas Capture Project P101253 (FY08) Olavarría Methane Capture Project P088934 (FY05) | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|--|---|---|--|--|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| | annum. | | | |
| | Eliminate an additional 109 tons of Ozone Depleting Substances (ODS). Baseline of 2,778 already eliminated, with target of 2,887 tons total. | An additional 1,140 tons have been eliminated to date under the sub-project. | Montreal Protocol Ozone Depleting Substances Project P005920 (FY97) Montreal Protocol Hydro-chlorofluorocarbons (HCFC) Phase-Out P129397 (FY13) | |
| PILLAR 2 - SOCIAL INCLUSION | | | | |
| Objective: Supporting Progress Toward Permanent Safety Nets and Fostering Employment | | | | |
| Support to Government efforts in developing and implementing a Universal Social Protection Strategy for most vulnerable groups. | Establishment of a universal allowance for vulnerable children (UAVC) less than 18-years-old, conditioned on compliance with education and health requirements. | ACHIEVED. UAVC has been established, with at least 3.6 million beneficiaries. | Basic Protection Project P115183 and AF P120622 (FY07 and FY11) Toward a Federal Social Protection System in Argentina P124756 (FY12) | |
| | Coverage under the UAVC benefits at least 90% of eligible population. | Coverage under the UAVC benefits is greater than 80% of eligible population. Full target expected to be achieved by project closing date. | Basic Protection Project P115183 and AF P120622 (FY07 and FY11) Social Programs toward the Bicentennial AAA (FY09) | |
| Integrating marginalized groups into the productive marketplace. | Award of 100,000 primary and secondary education certificates of adult education. | PARTIALLY ACHIEVED. 52,413 certificates have been awarded. | Heads of Household Transition Project P055483 (FY06) | Initiatives to promote employment are likely to be more effective if combined with up-front counseling to ensure that training is suitable for potential participants. |
| | | IFC: Client supported 22,162 students enrolled in tertiary education. | Gender Equity in the Private Sector NLTA (P116376) Employment Inequality AAA | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|---|--|--|--|---|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| | | | (FY10) IFC: USAL (FY01) | It is important for emergency programs to have an explicit exit strategy once the emergency is over. These could be activities under a longer term social protection strategy; for example, public employment services (Heads of Household Transition Project P055483). |
| | Participation of 250,000 workers in competency-based training courses. | 339,379 workers have benefited from competency-based courses. | Heads of Household Transition Project P055483 (FY06) Employment Inequality AAA P103075 (FY10) | |
| | Certification of 70,000 workers meeting competency-based occupational standards. | 86,946 workers certified. | Heads of Household Transition Project P055483 (FY06) Employment Inequality AAA P103075(FY10) | |
| Objective: Improving Selected Health and Education Outcomes | | | | |
| Provision of provincial health insurance coverage for maternal child health beneficiaries (mothers up to 45 days after delivery and children up to 6 years). | Beneficiaries of provincial health insurance coverage for maternal child health by December 2011 are 1.7 million, corresponding to about 80% of the eligible population. | ACHIEVED. 1.97 million beneficiaries were covered by December 2012, about 97% of the eligible population. | Provincial Maternal-Child Health APL 1 P071025 and 2 P095515 (FY04 and FY07) | Projects that include incentives to encourage the system to improve coverage, quality, and results and hold parties accountable are very important for the sustainability of the long-term objectives in the sector. |
| Provision of selective insurance coverage for vulnerable groups (children up to 19 years, women up to 65 years). | | ACHIEVED. Insurance coverage increased from 7% to 66% of eligible vulnerable population. IFC: Client supported more | Provincial Health Insurance Project P106735 (FY11) | Introducing effective M&E systems can provide valuable lessons and help make adjustments and improvements during the life-time of the project. |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|--|--|--|---|--|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| | | than 600,000 patients. | | Creating potential for economies of scale and implementing the project across provinces can serve as incubators and foster innovative solutions. |
| Improve effectiveness of Federal Public Health system in delivering results under seven priority health programs, including breast and cervix cancer, diabetes, vaccine preventable diseases, HIV/AIDS, and tuberculosis. | Autochthonous measles cases are maintained at zero. | PARTIALLY ACHIEVED. 2 cases reported, both imported and not autochthonous. | Essential Public Health Functions I P090993 and II P110599 Projects (FY07 and FY11) | |
| | Congenital rubella cases decline to zero at the end of the project. | No cases reported. | Essential Public Health Functions I P090993 and II P110599 Projects (FY07 and FY11) | Proper combination of lending instruments is critical to consolidating complex reform processes. |
| | Prevalence of smoking has declined by 6% from 33% to 31%. | Prevalence of smoking has declined to 30.1%. | Essential Public Health Functions I P090993 and II P110599 Projects (FY07 and FY11) | A sound results-oriented system is critical to successful project implementation and behavioral change. |
| | Argentina has certified in 90% of its provinces with Chagas disease (17 out of 19 provinces), the interruption of vectoral transmission. | 5 provinces certified. | Essential Public Health Functions I P090993 and II P110599 Projects (FY07 and FY11) | Complex projects that seek to change behavior should adopt a gradual approach to avoid a prolonged start-up period. Sequencing of interventions, especially in complex projects, maximizes the chances for successful outcomes. Important activities should be designed early on and not left for the implementation stage because they can take a lot longer than originally anticipated. |
| | 85% of provinces are accredited for public health functions and programs developed with a minimum standards and norms for all 10 prioritized programs. | An instrument to accredit provinces for essential public health functions (EPHF) for the 10 prioritized programs was finalized in 2011 and applied once in 22 provinces throughout 2011. Results were certified by the external technical audit. | Essential Public Health Functions I P090993 and II P110599 Projects (FY07 and FY11) | Project evaluation methodologies need to be defined during preparation (rather than during |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|---|---|--|---|---|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| | | | | <p>implementation) to ensure the collection of baselines.</p> <p>Output-based financing that links implementation to fund transfers can have clear effects in changing behaviors even when implemented for a short period with relatively small financing.</p> <p>Inclusion of ex ante emergency contingency components in the design is an effective approach to address unforeseen situations.</p> <p>A project that required buy-in during an electoral period needs a solid marketing strategy.</p> |
| Strengthen leadership of MoH and health sector governance. | Establishment of a National Health Policy Observatory aimed at improving the quality and access to information related to the performance and results attained by the health system in Argentina. | PARTIALLY ACHIEVED. Bank has provided technical assistance and submitted a report to the Ministry of Health, which has been discussed. Establishment is pending final Government decision. | GPF Strengthening Governance in Argentina's Health Sector P115991 (FY09) | |
| | Governance and Accountability Action Plan (GAAP) agreed and under implementation by the | GAAP agreed and under implementation. Reviewed by the Bank and Government once a year. | GPF Strengthening Governance in Argentina's Health Sector P115991 (FY09) Hospital Performance Assessment | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|---|---|--|--|---|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| | Ministry of Health. | | AAA P100188 (FY11) | |
| Improve completion rates for students in lower secondary rural education (grades 7-9). | Increased school enrollment for children age 5. | ACHIEVED. From a baseline of 15,861 children not enrolled in 2004, the number has declined to 6,265, surpassing the target of 7,921. | Rural Education Improvement Project P070963 (FY06) | Decentralized implementation of a national project is a complex task and requires sufficient technical assistance to provinces as well as monitoring instruments for quick diagnostics and rapid adjustments. National projects also require more budget supervision. Bilateral agreements between the federal government and provincial authorities have been instrumental in building ownership and accountability as well as the flexibility of each province to undertake specific diagnostic work on gaps and indicators (e.g., Rural Education Improvement Project). |
| | Improve promotion rate in rural areas from EGB1 (grades 1-3) to EGB2 (grades 4-6) from 76% to 85% by April 2011. | Promotion rate EGB1 to EGB 2 in rural areas of 89.8% in 2010. | Rural Education Improvement Project P070963 (FY06) | |
| | Increase students completing the 7 th grade and moving to the 8 th grade of schooling in rural areas from 73% to 85% by April 2011. | As of November 2011, the access rate reached 84%. | Rural Education Improvement Project P070963 (FY06) | |
| Existence of critical mass of policy and school-based innovations. | At least one school-based innovation fully assessed and mainstreamed by 2015. | NOT ACHIEVED. Policy dialogue began in FY11-12. | Lending and Policy Dialogue (FY12-13) | |
| Increase understanding of linkages between tertiary education and labor markets. | Dissemination event to discuss with key stakeholders the main findings of a study on the linkages between tertiary education and labor markets. | ACHIEVED. Dissemination event was held with key stakeholders in FY12. | Higher Education Report / Education Sector Review P117587 (FY11) | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|---|---|--|---|---|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| PILLAR 3 - IMPROVED GOVERNANCE | | | | |
| Objective: Strengthening Public Institutions | | | | |
| National level: More transparent government decision-making processes, increased access to government-related information, and improved service delivery by strengthening the efficiency, effectiveness, and transparency of ANSES, SYNTyS, Chief of Cabinet Office. | Consolidate and expand organizational reform of ANSES aimed at improving customer satisfaction with service delivery, including increased decentralization, timely determination of benefits, and reduced claims against ANSES benefit determination. | PARTIALLY ACHIEVED. Customer satisfaction grew from 45% to 86% between 2005 and 2012. Reduction of average time in the provision of new benefits from 140 to 74 days. Level of quantitative error in pension reports is down to 5.68%. | Institutional Strengthening of the National Security Administration Project (ANSES II) P092836 (FY06) | Complex projects require intensive procurement but strong coordination between the Bank and implementing agencies ensure timely completion of activities (e.g., Institutional Strengthening of the National Social Security Administration Project P092836). Avoid designs that include numerous small contracts that require different bidding documents and intensive procurement (Institutional Strengthening of the National Social Security Administration Project (ANSES II) (P092836), State Modernization II Project (P101170), and Subnational Governments Public Sector Modernization Project (P070448)). The rapid evolution of ICT requires that highly trained staff are retained to provide support and ensure the leverage of new technologies to keep up with the advancement and application of ICT. |
| | The percentage of physical persons that can be identified univocally by SINTyS has increased to 92%. | Target has been achieved at 92% as of June 2012. | SINTyS APL2 Project P101171 (FY09) | |
| | The number of Government agencies and programs using consistent common processes to identify entities and assets has increased. | The number of Government agencies has increased from 16 in 2008 to 91 in June 2013. | SINTyS APL2 Project P101171 (FY09) Follow up to ROSC and FSAP P127488 (FY12) | |
| | SINFO covers 90% of civilian national executive branch employees. Personnel data that appears in both the SINFO and LUPI systems are consistent. | SINFO covers 70% of civilian national executive branch employees, up from 25%. LUPI is still in development. | State Modernization II Project P101170 (FY07) | |
| | Electronic directory of | | State Modernization II Project | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|--|--|--|---|--|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| | Government procedures includes 20% of procedures that have been simplified and can be electronically processed. Progress is made toward offering transactional services. | Electronic directory of Government procedures includes more than 900 procedures and has more than 2 million annual site visits. Two transactional services have been implemented with two more in process. | P101170 (FY07) | Too many indicators complicate monitoring and are not always an effective way to demonstrate results. Keeping indicators to manageable level is critical for efficient monitoring project progress |
| | User surveys showing improved service delivery in the agencies that have implemented the Citizens' Charter. | User surveys show more than 70% increase in service delivery satisfaction in the agencies implementing the Citizens' Charter. | State Modernization II Project P101170 (FY07) TA Improving Productivity and Investment Climate Prospects in Argentina P123308 (FY12) | Regular physical presence of Bank staff to help address implementation bottlenecks facilitates dialogue and monitoring of progress in a more involved fashion. |
| Subnational level: Provide customized support and capacity building to subnational governments on public expenditure management, tax administration, and public service delivery. | In at least one province, the time for key services and administrative processes has been reduced from 15 to 10 days. | PARTIALLY ACHIEVED. In the provinces of Formosa and Chubut, the evaluation report is published in 10 days. | Subnational Governments Public Sector Modernization Project P070448(FY06) | Changes in TTLs and counterpart managers, while inevitable, need to provide sufficient time for transition and hand-over to ensure shared understanding of project objectives and implementation. |
| | In at least one province, the percentage of public employees included in the integrated personnel information and pay systems has increased from 0 to 30%. | In the province of Chubut the system was implemented, bringing 40% of staff into the electronic payroll and personnel system. | Subnational Governments Public Sector Modernization Project P070448(FY06) | Projects that involve multiple institutions should find pragmatic coordination mechanisms taking into consideration the respective capacities of the agencies. These should be made clear from the very beginning. |
| | Province of La Rioja has increased: (i) local tax revenue; (ii) share | Local tax revenue increased from 159 to 222 million | La Rioja SWAp P121836 (FY11) | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|--|---|--|---|--|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| | of budgeted primary expenditures executed; (iii) share of budgeted projects that are drawn from the provincial development plan; (iv) proportion of competitive bidding; (v) efficiency in the management of irrigation water supply systems. | pesos from 2011 to 2012 and efficiency in water irrigation systems started to improve with the creation of an additional Water User Association. | | |
| | Province of La Rioja Diagnostic Work in Tax Administration, PFM, Public Expenditure Management, and Procurement delivered. | While diagnostic work was completed in La Rioja, a stand-alone piece was not delivered. | La Rioja Governance Assessment & Public Financial Management Assessment ESW (dropped) | |
| | Province of La Rioja Draft Public Procurement Law prepared. | Law has not been prepared. | La Rioja Procurement Reform TA (Non-Lending TA) (dropped) | |
| | Provinces of Buenos Aires, Cordoba, San Juan, and Santa Fe: diagnostic work in PFM prepared. | Diagnostic work in PFM prepared for provinces of Buenos Aires, Cordoba, San Juan, and Santa Fe. | Subnational Public Financial Management Assessment (PFMA): Buenos Aires, Cordoba, San Juan, Santa Fe (ESW) Reports No. 68965-A; 68964-AR; 68966-AR and 68963-AR (FY12) Province of Corrientes – Strategic Plan (FFS) (dropped) TA Provincial Economic Memorandum Buenos Aires | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|--|---|--|---|--|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| | | | Report P101172 (FY11) NLTA Provincial Performance Informed Budgeting P115388 (FY10) Mendoza Provincial Public Management Rapid Assessment P130719 (FY13) | |
| PORTFOLIO PERFORMANCE | | | | |
| Objective: Building Up the Government's Project Management Capacity | | | | |
| Improved approval procedures of projects at the national level. Improved design, preparation, and approval procedures of projects at the subnational level. | Time of approval of loans by the Government is reduced to a maximum period of 4 months, aligning it with the approval of the loan by the Bank. | NOT ACHIEVED. Average time between Bank approval and effectiveness of loans has been reduced from 12 months (FY07-09) to 10 months (FY10-12). At subnational level the time even increased from 12 to 19 months (FY10-12). Thorough analysis of bottlenecks to provincial projects carried out and lessons shared with the Government. | IDF Improving Investment Portfolio Management: Building up Institutions, Systems and Human Capital P114957 (FY13) supported an assessment of the current legislative and regulatory framework, administrative procedures, and organizational culture. The objective was to identify areas that contribute to chronic delays in loans' approval at the federal level as well as to build and test an innovative project preparation methodology for programs financed by IFIs. | Based on the results of this technical study, the Government could review the alternatives proposed to analyze which ones are feasible and apply them. Political decisions have strong impacts on progress of activities that goes beyond technical improvements. |
| | Time for approval of loans at the subnational level is reduced to a maximum of 6 months, aligning it with approval by the Bank and at the national level. | | | |
| Improved procurement capacity of agencies implementing investment | 80% PPRs rated S. | PARTIALLY ACHIEVED. 28% of projects under | Conducted PPR and IPR activities covering 100% of what was initially planned and performed a | The Government (through DNPOIC) should play a more active role in monitoring |
| | 80% PPRs confirming qualified procurement | | | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|---|---|--|--|---|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| projects and improved monitoring capacity of central coordinating agencies (Ministry of Economy and Public Finance). | staff have been appointed. | execution reflect an S rating in procurement, and 52% reflect an MS rating between FY10-12. | close follow-up of the accomplishment of previous recommendations. As of 2011, the Bank is already sharing PPR reports with DNPOIC on a regular basis. Developed and implemented procurement training workshops through FY11-12 on specific topics oriented to PIU staff. Performed a deep analysis and diagnosis on the way that the Health's International Financing Unit (<i>UFIS</i> in Spanish) handles procurement-related activities and developed a comprehensive Action Plan to improve its performance, which is under implementation. Introduced GAAC plans in three high-risk health projects, which were successfully implemented under close Bank supervision. | procurement capacity of agencies during the implementation of investment projects, but it should be done in an early stage to identify potential issues to be solved. |
| | 60% of procurement processes contracted as planned. | Procurement-oriented Action Plan under implementation in the Ministry of Health to improve the overall capacity of the unit dealing with procurement-related activities. | | |
| | 50% of projects provide reliable information on contracts and financial transactions, and this information is available in a consolidated system to be used by implementing agencies, the Government, and the IFIs for monitoring purposes. | 100% of projects provide updated information on procurement, which is available in a consolidated system (SEPA) used by all the implementing agencies, the Government, and the Bank. | | |
| | | | Merging the UEPEX (Government financial management system) and SEPA systems has been carried out in a pilot for 9 investment projects. The aim of this framework was to enhance integrated fiduciary (FM & PR) portfolio supervision as an instrument to improve efficiency in budget spending, strengthen internal budget controls, and increase transparency in the use of public funds. | Consolidating UEPEX and SEPA systems requires full involvement from the authorities (DNPOIC). |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|--|--|---|---|--|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| | | | | |
| Improved fiduciary risk-monitoring systems. | Adjustment of existing risk-assessment tools to ensure strategic focus on project fiduciary risks and results. | PARTIALLY ACHIEVED. Price Monitoring Mechanism in place in works contracts. Applied by PIUs in their bidding evaluation forms gradually since 2007. | Subnational PFM systems were assessed through a PEFA study covering 2006-08 in four selected states that were implementing direct lending operations and through various recent ad-hoc FM assessments, which pointed out a number of strengths but also areas for further improvement. | |
| | Framework Agreement for Phasing out PIUs. | Governance and Accountability Action Plan designed for health projects. Action Plans for reduction in the use of individual consultants in certain operations (e.g., State Modernization Project). Agreed to specific FM arrangements to enhance projects control framework; for instance, concurrent audits (Health Sector and Social Protection); strengthened supervision by the national level over the provinces (infrastructure) and engagement of subnational SAIs as part of project control framework (Education/Province of Buenos Aires Sustainable Infrastructure Project). | Performed analysis and diagnosis on the way that the Health's International Financing Unit (<i>UFIS</i> in Spanish), Innovation Project, PTUMA, and PROSAP handle procurement-related activities, and developed a comprehensive Action Plan to improve its performance, which is under implementation. Introduced GAAC plans in three high-risk Health Projects, which were successfully implemented under close Bank supervision. Agreed to Fiduciary Action Plan with PTUMA project. | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|--|--|---|---|--|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| Improved safeguards capacity of agencies implementing investment projects. | High-level government officials, project coordinators, and safeguard specialists in implementing agencies trained. | PARTIALLY ACHIEVED. Training program for implementing agencies and central coordination agencies supported by the Bank delivered. | Series of training events launched in March 2011. | |
| | | Gap Analysis between environmental and social country systems and safeguards and sustainability policies of the Bank completed. | | |
| Improved dialogue between central agencies and the Bank on safeguards and strengthening of coordination role by central agencies. | Gap Analysis between country systems and Bank policies carried out. | PARTIALLY ACHIEVED. Gap Analysis between environmental and social country systems and safeguards and sustainability policies of the Bank completed. | Safeguards Gap Analysis for Argentina TA P125516 (FY13) | Utilize the results of the Argentine environmental and social regulatory review, specifically the synthesis of relevant legislation and Gap Analysis results. For example, the synthesis of the selected Argentine environmental and social legislation is a rich knowledge product that can be used as a database for legislation, for improving the knowledge of Bank staff and others, and for background for new Bank-financed lending projects and development of standard or model project documents. The comparison of Argentine legislation and Bank safeguard policies can help in planning and programming |
| | Model documents for environmental and social safeguard compliance adopted. | The Gap Analysis is being used in selective operations in the Argentina portfolio. | Safeguards Gap Analysis for Argentina TA P125516 (FY13) | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|--|--|---|---|---|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| | | | | between the Government and the Bank (for example, in identifying projects, sectors, or provinces that offer opportunities or issues) and establishing Bank-financeable projects in a more cost-effective and time-efficient manner, while providing the opportunity to focus on specific issues (including gaps), define priorities for Government and Bank supervision based upon projects, and identify specific topics for project stakeholder training (or more broadly, sector- or ministry-level training). |
| Reduce portfolio riskiness. | Reduce APPs to 5% in number and 14% in amount. | PARTIALLY ACHIEVED. APPs: 15% by number and 7% by amount in FY12. PPPs: 10% by number and 14% by amount in FY12. Risk flags: 13% of projects have procurement flags and 20% of projects have slow disbursement flags. | Implementation Workshop. Continuous capacity-building activities in Bank fiduciary and safeguard rules. Capacity-building to new high-ranking Government officials. | |
| Maintain adequate levels of project execution (i.e., 30% ratio of disbursements over signed contracts for infrastructure portfolio) | Achieve disbursement targets of around \$800 million and 25% disbursement ratio average during CPS period. | PARTIALLY ACHIEVED. Average disbursements reached \$828 million and disbursement ratio reached 21% during CPS period. | Periodic CPPRs. Implementation Workshop. Continuous capacity-building activities in Bank fiduciary and safeguard rules. Capacity-building to new high- | |

| CPSCR Annex A. Argentina CPSCR Results Matrix | | | | |
|--|---|---|--|--|
| CPS Outcome | CPS Outcome Indicators (baselines and targets) | Status and Evaluation Summary | WBG Activities that Contributed to the Outcome | Lessons and Suggestions for the New CPS |
| and zero net transfers. | | | ranking Government officials. | |
| | Do not exceed \$50 million negative net transfers in CPS FYs. | Negative net transfers equaled about \$6 million in FY10-12 | Periodic CPPRs. Implementation Workshop. Continuous capacity-building activities in Bank fiduciary and safeguard rules. Capacity-building to new high-ranking Government officials. | |

CPSCR Annex B. CPSCR Planned Lending Program and Actual Deliveries

| CPS Plans (2010-2012) | | CPS Completion Report | |
|--|------------------------|--|----------------|
| Project | \$m | Status | \$m |
| Basic Protection Project - P115183 | 450 | Approved | 450 |
| Buenos Aires Province Sustainable Infrastructure AF - P088032 | 50 | Approved | 50 |
| Foundations for Performance-Informed Budgeting Process | 10-20 | Dropped | |
| Cordoba Road Infrastructure - P099585 | 30-60 | Dropped | |
| Sustainable Industrial Development - P110612 | 40-60 | Pipeline | 40 |
| Urban Transport in Metropolitan Areas- P095485 | 150 | Approved | 150 |
| Provincial Road Infrastructure AF - P070628 | 200 | Approved | 175 |
| Rural Poverty – P106685 | 30-50 | Pipeline | 52 |
| San Juan Social Inclusion & Local Development - P113896 | 20-50 | Approved | 50 |
| Provincial Government Modernization AF - P070448 | 15 | Dropped | |
| Essential Public Health Functions FESP AF - P110599 | 90 | Approved FESP II | 461 |
| Health Sector Governance Strengthening - P006030 | 4.5 | Dropped | |
| Second-Generation Road Safety Project - P116989 | 20 | Approved | 30 |
| Basic Protection Project Phase II - P115183 | 550 | Approved AF | 480 |
| Rosario Metropolitan Area Infrastructure P101421 | 460 | Dropped | |
| National Urban Drainage Project | 100 | Dropped | |
| National Highway Asset Maintenance III | 200 | Dropped | |
| Health Sector Support | 200 | Dropped | |
| Provincial Public Health Insurance Development Project P106735 | 300 | Approved | 400 |
| Communities Integrating Social Services | 170 | Dropped | |
| | | <i>Additional Actual Projects</i> | |
| | | Norte Grande Transport - P120198 | 400 |
| | | Norte Grande Water - P120211 | 200 |
| | | La Rioja Public Sector SWAp - P121836 | 30 |
| | | Prevention and Management of Influenza - P117377 | 229 |
| | | 3rd National Communications UNFCCC GEF - P116974 | 2.4 |
| | | Norte Grande Water II - P125151 | 200 |
| Total FY10-FY12 | 3,089.5–3,199.5 | | 3,399.4 |

CPSCR Annex C. Planned Knowledge Services and Actual Deliveries

| CPS Planned (FY10 and FY11) | CPS Completion Report |
|---|-----------------------|
| Knowledge Products | Status |
| Provincial Economic Memorandum Buenos Aires Report (P101172) | Delivered |
| Logistics II: A Deep Study of Selected Logistics Issues in Argentina Report (P112070) | Delivered |
| Provincial Performance Informed Budgeting NLTA (P115388) | Delivered |
| Gender Equity in the Private Sector NLTA (P116376) | Delivered |
| Higher Education Report / Education Sector Review (P117587) | Delivered |
| Country Financial Accountability Assessment (CFAA) Provincial-Level Report (P106919) | Delivered |
| Cordoba Introduction of Performance Informed Budget NLTA (P121170) | Dropped |
| Access to Long-Term Credit Financial Sector Workshop (P119114) | Dropped |
| Country Environmental Assessment Report | Pipeline |
| Additional Actual Products | |
| Opportunity Assessment in Chaco (P119025) | Delivered |
| Follow-up to ROSC (P127488) | Delivered |
| Assessment of Hospital Management Constraints (P100188) | Delivered |
| Employment Inequality (P103075) | Delivered |
| Policy Notes (P127339) | Delivered |
| Disaster Risk Management (P130659) | Delivered |
| Safeguards TA (P125516) | Delivered |
| Mendoza Provincial Public Management Rapid Assessment (P130719) | Delivered |
| Toward a Federal Social Protection System in Argentina (P124756) | Delivered |
| Improving Productivity and Investment Climate Prospects in Argentina (P123308) | Delivered |
| Energy Prices in Argentina (P131129) | Delivered |
| Province of Chaco FBS (P116676) | Delivered |

CPSCR Annex D. Delivered Knowledge Services FY12-14

| P Number | Delivery Year | Name | Product Line | Network |
|----------|---------------|--|--------------|---------|
| P103075 | 2012 | AR Employment Inequality | EW | HDN |
| P127339 | 2012 | AR (MST) Policy Notes | EW | PREM |
| P123308 | 2012 | AR NLTA Productivity & Entrepreneurship | TA | FPD |
| P116676 | 2012 | AR (FBS) Province of Chaco | TA | PREM |
| P127488 | 2012 | AR Follow-up to ROSC & FSAP | TA | FPD |
| P124756 | 2012 | AR Federal SP System | TA | HDN |
| P131458 | 2012 | Health | TA | HDN |
| P100188 | 2013 | AR Hospital Management Evaluation | EW | HDN |
| P131129 | 2013 | AR - (JIT) Energy Prices in Argentina | EW | SDN |
| P133284 | 2013 | Demo ACS Champions | EW | |
| P126250 | 2013 | Policy and Regulatory Capacity Building -Index Based Insurance | TA | FPD |
| P125743 | 2013 | AR Fiscal Federalism | TA | PREM |
| P125516 | 2013 | AR Safeguards TA | TA | OPCS |
| P130719 | 2013 | AR Mendoza Prov. Pub. Management Rapid Assess | TA | PREM |
| P130674 | 2013 | AR Disaster Risk Management TA | TA | SDN |
| P143855 | 2014 | FSAP Argentina | EW | FPD |
| P082922 | 2014 | AR-Poverty Assessment | EW | HDN |
| P133218 | 2014 | Argentina Education NLTA | TA | HDN |
| P132331 | 2014 | Innovation for Equity in the Chaco | TA | PREM |
| P146832 | 2014 | AR RAAP Cordoba Improving Public Invest | TA | PREM |
| P147376 | 2014 | AR FSAP follow-up | TA | FPD |

CPSCR Annex E. Lending Operations Closed during FY13-14

| Project ID | Project | Loan | Original Amount (\$ MM) | Approval Date | Closing Date |
|--------------|---|-----------|-------------------------|---------------|--------------|
| P006043 | AR Renew Energy R markets | 76170 | 50 | 11-Nov-08 | 31-Dec-12 |
| P070448 | Subnational Government Public Sector Modernization Program | 73520 | 40 | 15-Dec-05 | 31-Mar-13 |
| P070963 | Argentina Rural Education Improvement Project - PROMER | 73530 | 150 | 15-Dec-05 | 31-Dec-13 |
| P088032 | AR CRL1 APL1 Buenos Aires Infrastructure | 72680 | 200 | 7-Dec-04 | 31-Dec-13 |
| P088220 | AR APL1 Urban Flood Prevention and Drainage | 72890 | 130 | 5-Apr-05 | 31-Aug-12 |
| P090993 | AR- Essential Public Health Functions | 74120-001 | 220 | 21-Nov-06 | 31-Dec-12 |
| P092836 | Institutional Strengthening - ANSES II TA | 73180 | 25 | 5-Jul-05 | 30-Sep-12 |
| P095514 | AR Lifelong Learning Project | 74740 | 200 | 28-Jun-07 | 31-Dec-13 |
| P095515 | AR Provincial Maternal-Child Health Investment APL 2 | 74090 | 300 | 2-Nov-06 | 31-Dec-12 |
| P095569 | AR APL2 National Highway Asset Mgmt. | 74730 | 400 | 28-Jun-07 | 30-Sep-13 |
| P099585 | AR Cordoba Road Infrastructure | 73980 | 75 | 11-Jul-06 | 31-Oct-13 |
| P101171 | AR Soc & Fisc Ntl ID Sys II | 75720 | 20 | 10-Jul-08 | 31-Dec-13 |
| P105288 | Buenos Aires Infrastructure Sustainable Investment Development Project Phase II | 74720 | 270 | 28-Jun-07 | 31-Dec-13 |
| P110612 | Sustainable Industrial Development | 74480 | 0.9 | 13-Aug-09 | 31-Dec-12 |
| P113896 | AR San Juan SWAP | 78530 | 50 | 16-Mar-10 | 31-Mar-14 |
| P117377 | Prevention and Management of Influenza Type Illness and Strengthening of Argentina's Epidemiological System Project | 78430 | 229 | 23-Feb-10 | 31-Dec-13 |
| TOTAL | | | 2,359.9 | | |

Annex 3. Monitoring and Evaluation (M&E) of the CPS FY14-18 Results Framework

Results area #1:

Reduction in cost of freight transport in selected corridors of Northern Argentina by 20 percent

Baseline 2014: average cost in selected corridors: \$/tn.km 0.233 - AR\$/tn.km 1.861; target 2018: average cost in selected corridors: \$/tn.km 0.185 - AR\$/tn.km 1.476

Cost of freight transport is defined per DNV methodology to calculate the overall cost of transported ton per km, in heavy vehicles, at a given circulation speed. 2014 baseline data source: *Unidad de Redeterminación de precios de Vialidad Nacional*. In 2018 the information will be provided by the same source.

IFC: 61,000 direct jobs supported through IFC clients

Direct jobs is a portfolio indicator that IFC tracks; it measures the number of direct jobs that its portfolio clients support. These are not new jobs (although increases will reflect net hiring). This indicator is part of the IFC standard operating procedure; it negotiates relevant indicators with clients, and at the end of each calendar year they send IFC their company information. All data is vetted by Ernst & Young. Baseline: 56,000.

Results area #2:

15 percent reduction in average transit time for bottom 40 percent in 2 metropolitan areas (Buenos Aires, Rosario)

Baseline 2014: Buenos Aires: 51.92 minutes per transit trip + Rosario: 36.78 minutes per transit trip // Weighted average: 51 minutes. Target 2018: Baseline - 15 percent.

Average transit time for the bottom 40 percent of the population in the metropolitan areas of Buenos Aires and Rosario is defined as the average travel times for public transport plus the average travel time for multimodal trips. Baseline data sources are O/D Surveys in Metropolitan Areas of Argentina financed through PTUMA operation, processed and published by the Ministry of Interior and Transport. 2018 information will also be provided by PTUMA.

Results area #3:

Increase the gross value of agricultural production (\$/ha) of 80,000 small- and medium-size farms by 12 percent on average by 2018

Baseline values: Given the demand-driven nature of the projects, it is not possible to define a baseline value for the future interventions of PROSAP3 and Rural Inclusion projects. For this reason, the GVAP baseline is calculated on the actual without-project data for PROSAP1 (closed) and PROSAP2 (ongoing). The expected GVAP increase (12 percent) of future beneficiaries is based on the average difference between the actual with-project results from

PROSAP1 and estimated with-project results for PROSAP2. The evaluation of GVAP will exceed constant prices (i.e., same price for with and without project). Sources: PROSAP1, PROSAP2, FAO/PROSAP: Potential of irrigation in Argentina ongoing (2014).

Producers: The total population of relevant farms is 250,000. Sources: Sheinkerman de Obschatko, family farms in Argentina, IICA/PROINDER, 2009.

The advantages of using the GVAP rather than productivity is that it allows: comparing across crops and production systems, converting different yields (pears and oranges) to a uniform monetary value; analyzing changes of crop (a crop replaced by another one); and the comparison in with/without-project yields would be meaningless.

Reference from FAO STAT: Gross Value of Production is compiled by multiplying gross production in physical terms by output prices at farm gate. Thus, value of production measures production in monetary terms at the farm-gate level. Since intermediate uses within the agricultural sector (seed and feed) have not been subtracted from production data, this value of production aggregate refers to the notion of “gross production.”

Value of gross production is provided in both current and constant terms and is expressed in US dollars and Standard Local Currency (SLC). The current value of production measures value in the prices relating to the period being measured. Thus, it represents the market value of food and agricultural products at the time they were produced. Knowing this figure is helpful in understanding exactly what was happening within a given economy at that point in time. Often, this information can help explain economic trends that emerged in later periods and why they occurred. Value of production in constant terms is derived using the average prices of a selected year or years, known as the base period. Constant price series can be used to show how the quantity or volume of products has changed, and are often referred to as volume measures. The ratio of the current and constant price series gives a measure of price movements.

Results area #4:

365,000 people receive electricity services (out of 725,000 without in 2010); access in the Norte Grande provinces to safe drinking water increases from 83 to 92 percent and to sanitation from 41 to 55 percent

People receiving electricity is defined as off-grid population, in households, that can access electricity via individual renewable systems or mini grids, not connected to the Interconnected National System. Baseline data for 2010 comes from the National Census. Information for 2018 will be provided by the PIU at the National Energy Secretariat.

Safe drinking water access is defined as: access to drinking water means that the source is less than 1 kilometer away from its place of use and that it is possible to reliably obtain at least 20 liters per member of a household per day; safe drinking water is water with microbial, chemical, and physical characteristics that meet WHO guidelines or national standards on drinking water quality. Access to safe drinking water is the proportion of people using improved drinking water sources: household connection; public standpipe; borehole; protected dug well; protected spring; or rainwater. In Argentina piped water should be available at least 18 hours a day.

Definition of access to improved sanitation services: basic sanitation is the lowest-cost technology ensuring hygienic excreta and sullage disposal and a clean and healthy living environment both at home and in the neighborhood of users. Access to basic sanitation includes safety and privacy in the use of these services. Coverage is the proportion of people using improved sanitation facilities: public sewer connection; septic system connection; pour-flush latrine; simple pit latrine; or ventilated improved pit latrine.

Baseline data for water and sanitation comes from 2010 National Census. In 2018 water utilities from the involved provinces will provide updated access data.

Results area #5:

Proportion of eligible people benefiting from effective healthcare rises from 28 percent (2014) to 50 percent (2018)

The indicator is defined as “Eligible people enrolled in Programa Sumar that received a health service in a given period of time according to each defined age group”/ “Eligible people: uninsured children under 10, youth 10-19, and women 20-64 years of age.” The numerator is measured by administrative data of Programa Sumar. The period of time considered to receive health services varies by age group, as defined in the Operational Manual of the project. The denominator is based on an estimation of eligible population (Massa, 2013) that draws on census data as well as administrative data on uninsured population.

Results area #6:

Secondary school completion rate in rural areas rises from 61.5 percent (2010) to 65.5 percent (2018); relative chance of labor market insertion rate for 400,000 young people doubles

Secondary school completion rate in rural areas is defined as “Number of students graduating from the last year of upper secondary school (12th grade) “/ “Number of children in secondary school graduation age.” The source for the numerator is administrative data from DiNIECE (Dirección Nacional de Información y Evaluación de la Calidad Educativa). Population data are obtained by applying the proportion of rural population per the 2010 census to the INDEC population projections for the years 2011-2018.

Relative chance of labor market insertion rate is calculated by comparing insertion rates in the formal sector for (i) youth benefitting from ALMPs and (ii) comparison group with similar characteristics drawn from the EPH (Encuesta Permanente de Hogares). Youth are considered to have participated in the program if they have at least attended the Initial Orientation Course (POI), and their insertion rate 12 months after exiting from the program is followed through ANSES’ registry (SIPA). The comparison group has socioeconomic characteristics similar to those of beneficiaries (age 18-24, less than complete secondary school education, not in school, unemployed or under-employed, informal workers in the base year).

Results area #7:

Flood risk protection reaches 2.3 million people in the three provinces of Chaco, Corrientes and Buenos Aires (2014 baseline: 200,000 people)

Flood risk protection is defined as the reduction of flood impacts from structural measures controlling the flood of water and nonstructural measures intended to keep people safe from flooding through planning and management. The estimation of the beneficiaries was derived using two approaches. First to calculate the resident beneficiaries, flood maps were used to compare with and without works scenarios (the area affected by floods is considered to have more than 20 cm of water height above street, and using the design storm (e.g., in the case of the Autonomous City of Buenos Aires this is 10 years). Thus, resident beneficiaries = (area affected by floods without works - Area affected by floods with works) * population density.

The second group of direct beneficiaries includes 1.7 million people that commute daily through the target basins; this number derives from two studies: According to the ENMODO *Encuesta de Movilidad Domiciliaria*, 2010 (financed by the World Bank under the PTUBA project study), 1.1 million people commute daily between the Autonomous City of Buenos Aires (CABA) and the greater metropolitan area of Buenos Aires, and two million people commute within CABA limits. According to the INTRUPUBA *Investigación de Transporte Urbano Público de Buenos Aires*, 2009 (financed by the World Bank), 47 percent of the trips within the CABA start, end, and/or traverse the Maldonado, Vega, and Cildáñez watersheds, and 69 percent of the trips starting or ending in the provinces traverse the same watersheds.

2014 baseline information comes from flood hazards maps and 2010 national census data. Information for 2018 will reflect the updated flood hazard maps of the involved provinces and the implemented works. If available, survey data from flood events will be taken into consideration.

Results area #8:

75 percent of sewage discharges from AySA Waste Water Treatment Plants, WWTP (Laferrere, El Jaguel, Sudoeste, Lanus, Fiorito) to Rio Matanza-Riachuelo will be treated according to a regional standard on water quality (ACUMAR Res. 03/2009, BOD<15mg/l - 90 percent of the time). Baseline is zero, as no plant to date satisfies the ACUMAR Resolution.

Increase in sewerage coverage from 33 percent to 72 percent in the Province of Buenos Aires' 14 municipalities of the Matanza-Riachuelo Basin

In 2018, the quantity and the quality of the AySA sewage discharges will be determined by the monitoring of the discharges of the new and/or upgraded plants. This information will be produced by AySA and supervised by Acumar. Sewerage coverage is defined as the amount of households using improved sanitation facilities.

The 33 percent baseline data is from the 2010 national census. In 2018, the information regarding sewerage coverage for the 14 GBA municipalities will be provided by AySA and ABSA, water utilities of the greater metropolitan area of Buenos Aires.

Results area #9:

Annual deforestation rate of natural forest in critical areas of Chaco, Salta, and Santiago de Estero (Category I or red according to the National Forest Law 26331) falls from 0.56 percent (baseline 2011) to 0.28 during the implementation of the CPS. This would represent a 50 percent decline in deforestation in critical areas in targeted provinces. Deforestation rate in critical areas is defined as: Category I forest area lost / total Category I Forest area in the targeted provinces.

The baseline and target values for deforestation of natural forests in critical areas were calculated focusing on the three provinces with the largest area of natural forest cover (Santiago del Estero, Salta, and Chaco). Approximately 85 percent of the total country deforestation in natural forest takes place in these provinces. These three provinces also accounted for more than 90 percent of total national critical area forest losses in 2011. The baseline rate was calculated as the sum of deforestation in critical areas for conservation across the three provinces and divided by the total deforested area in these three provinces (RED, YELLOW, and GREEN as indicated in the National Forest Law). Data on deforestation in 2011 come from the 2014 Auditor General's report on implementation of the National Forest Law.

Information for 2018 will be obtained from the Forest Evaluation System Management Unit, inside the Forests Directorate of the National Secretariat of Environment and Sustainable Development.

Annex 4. Main Economic Indicators, 2004-2013

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-------|------|------|------|------|------|------|------|------|------|
| <i>(annual % change, unless otherwise stated)</i> | | | | | | | | | | |
| Income and prices | | | | | | | | | | |
| Real GDP | 9.0 | 9.2 | 8.4 | 8.0 | 3.1 | 0.1 | 9.1 | 8.6 | 0.9 | 2.9 |
| GDP deflator | 9.2 | 10.6 | 15.3 | 17.6 | 21.2 | 9.9 | 17.5 | 17.2 | 18.1 | 18.3 |
| Nominal exchange rate (AR\$/US\$, eop) | 2.97 | 3.03 | 3.06 | 3.15 | 3.45 | 3.80 | 3.98 | 4.30 | 4.92 | 6.52 |
| Monetary sector | | | | | | | | | | |
| Monetary base | 13.1 | 4.3 | 46.3 | 23.6 | 10.6 | 11.8 | 31.1 | 39.0 | 37.9 | 22.7 |
| Credit to private sector | 25.9 | 36.8 | 36.5 | 42.8 | 21.0 | 11.6 | 36.5 | 48.4 | 41.6 | 34.3 |
| Private sector deposits | 12.7 | 20.6 | 22.2 | 25.2 | 7.7 | 20.5 | 29.6 | 26.8 | 30.4 | 27.9 |
| External sector | | | | | | | | | | |
| Exports (fob) | 15.5 | 16.8 | 15.3 | 20.3 | 25.1 | 20.5 | 22.5 | 23.3 | -4.5 | 1.8 |
| Imports (cif) | 62.1 | 27.8 | 19.1 | 30.9 | 28.5 | 32.5 | 46.4 | 30.9 | -8.5 | 8.3 |
| <i>(% of GDP, unless otherwise stated)</i> | | | | | | | | | | |
| Gross fixed capital formation | | | | | | | | | | |
| Construction | 9.8 | 10.9 | 11.9 | 12.1 | 11.7 | 11.1 | 10.6 | 10.6 | 10.2 | 9.9 |
| Machinery and equipment | 6.5 | 6.9 | 7.3 | 7.7 | 7.7 | 6.0 | 6.9 | 7.6 | 6.4 | 6.7 |
| National Public Sector | | | | | | | | | | |
| Revenues | 15.3 | 15.2 | 15.3 | 16.0 | 17.1 | 18.4 | 19.4 | 18.9 | 20.1 | 21.5 |
| Expenditures | 13.2 | 13.7 | 13.9 | 15.1 | 15.9 | 18.9 | 19.2 | 20.2 | 22.1 | 23.4 |
| Wages | 1.8 | 1.8 | 1.8 | 1.8 | 1.9 | 2.4 | 2.7 | 2.7 | 2.9 | 3.0 |
| Interest payments | 1.1 | 1.6 | 1.4 | 1.6 | 1.4 | 1.7 | 1.2 | 1.5 | 1.9 | 1.3 |
| Social Security | 4.3 | 3.8 | 4.0 | 4.9 | 5.0 | 5.9 | 5.9 | 6.4 | 7.5 | 8.1 |
| Primary balance | 3.2 | 3.0 | 2.9 | 2.5 | 2.5 | 1.2 | 1.4 | 0.2 | -0.2 | -0.7 |
| Overall balance | 2.2 | 1.5 | 1.4 | 0.9 | 1.1 | -0.5 | 0.2 | -1.3 | -2.0 | -1.9 |
| Gross public debt | | | | | | | | | | |
| local currency denominated | 105.0 | 58.4 | 52.0 | 43.9 | 35.9 | 38.9 | 35.6 | 32.1 | 32.8 | 32.8 |
| foreign currency denominated | 25.6 | 28.1 | 24.9 | 20.7 | 17.1 | 17.9 | 14.7 | 12.8 | 13.5 | 12.6 |
| foreign currency denominated | 79.4 | 30.3 | 27.1 | 23.2 | 18.9 | 21.0 | 20.9 | 19.3 | 19.3 | 20.3 |

Source: Ministerio de Economía y Finanzas Públicas and INDEC.

Annex 4. Main Economic Indicators, 2004-2013 (cont.)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-------|-------|-------|---------|---------|---------|---------|---------|---------|---------|
| <i>(% of GDP, unless otherwise stated)</i> | | | | | | | | | | |
| Balance of Payments | | | | | | | | | | |
| Current Account | 1.8 | 2.4 | 2.9 | 2.2 | 1.7 | 2.9 | -0.2 | -0.4 | 0.0 | -0.8 |
| Merchandise | 7.2 | 5.9 | 5.3 | 4.1 | 3.8 | 4.9 | 3.1 | 2.3 | 2.5 | 1.8 |
| Exports | 22.6 | 22.0 | 21.7 | 21.5 | 21.4 | 18.1 | 18.5 | 18.8 | 17.0 | 13.4 |
| Imports | 18.9 | 18.1 | 17.6 | 16.9 | 17.1 | 14.6 | 14.7 | 15.0 | 13.4 | 11.6 |
| Services | -0.7 | -0.4 | -0.2 | -0.2 | -0.3 | -0.3 | -0.3 | -0.4 | -0.6 | -0.7 |
| Income | -5.1 | -3.3 | -2.3 | -1.8 | -1.9 | -2.4 | -2.9 | -2.2 | -1.9 | -1.7 |
| Net interests | -3.8 | -1.5 | -0.4 | -0.2 | -0.3 | -0.6 | -0.6 | -0.6 | -0.5 | -0.5 |
| Net profits and dividends | -1.3 | -1.8 | -1.9 | -1.6 | -1.5 | -1.8 | -2.3 | -1.6 | -1.4 | -1.2 |
| Capital and Financial Account | | | | | | | | | | |
| Account | 0.9 | 1.6 | -2.0 | 1.7 | -1.9 | -2.4 | 1.5 | 0.1 | -0.1 | -0.6 |
| Non-financial public sector | 2.7 | 1.5 | 1.3 | 0.7 | -0.1 | -0.2 | 0.5 | -0.4 | -0.6 | 0.0 |
| Non-financial private sector | -0.3 | 1.9 | 0.6 | 0.5 | -2.3 | -2.0 | 1.5 | -0.8 | 0.8 | -0.5 |
| International Reserves | | | | | | | | | | |
| (\$ billions) | 19.6 | 28.1 | 32.0 | 46.2 | 46.4 | 48.0 | 52.14 | 46.4 | 43,290 | 30,599 |
| in months of imports | 8.4 | 9.6 | 9.4 | 10.4 | 8.2 | 11.7 | 9.1 | 6.3 | 6.2 | 4.1 |
| over total external short-term debt | 0.7 | 0.8 | 1.1 | 2.4 | 2.3 | 2.4 | 3.8 | 2.8 | 3.1 | .. |
| Memorandum Items | | | | | | | | | | |
| Nominal GDP | | | | | | | | | | |
| (AR\$ billions) | 535.8 | 647.3 | 808.6 | 1,027.3 | 1,283.9 | 1,411.5 | 1,810.3 | 2,303.2 | 2,744.8 | 3,341.8 |
| GDP (\$ billions) | 183.3 | 222.9 | 264.7 | 331.9 | 408.3 | 380.5 | 464.6 | 560.4 | 605.0 | 610.3 |

Source: BCRA and INDEC.

Annex 5. Balance of Payments, 2008-2013

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|--------|--------|--------|--------|--------|--------|
| <i>(\$ millions, unless otherwise stated)</i> | | | | | | |
| Current Account | 6,756 | 10,995 | -777 | -2,271 | 48 | -4,635 |
| Merchandise | 15,423 | 18,526 | 14,266 | 12,925 | 15,372 | 11,119 |
| Exports (fob) | 70,019 | 55,672 | 68,134 | 84,051 | 80,927 | 81,660 |
| Imports (fob) | 54,596 | 37,146 | 53,868 | 71,126 | 65,556 | 70,541 |
| Services (net) | -1,284 | -1,285 | -1,160 | -2,247 | -3,366 | -4,346 |
| Transport | -2,139 | -1,117 | -1,656 | -2,325 | -2,377 | -2,621 |
| Travel | 85 | -534 | 40 | -188 | -1,018 | -1,323 |
| Other | 770 | 366 | 456 | 266 | 29 | -402 |
| Income | -7,552 | -8,955 | 13,479 | 12,402 | 11,503 | 10,630 |
| Investment income | -7,494 | -8,887 | 13,416 | 12,348 | 11,433 | 10,569 |
| Net interests | -1,400 | -2,260 | -2,687 | -3,164 | -3,188 | -2,990 |
| Net profits and dividends | -6,094 | -6,627 | 10,730 | -9,184 | -8,245 | -7,578 |
| Other income | -58 | -68 | -62 | -54 | -69 | -61 |
| Current Transfers | 170 | 2,710 | -405 | -547 | -455 | -673 |
| Capital and Financial Account | -7,809 | -9,313 | 6,893 | 357 | -625 | -3,840 |
| Capital account | 181 | 74 | 89 | 62 | 48 | 32 |
| Financial account | -7,990 | -9,387 | 6,804 | 295 | -673 | -3,871 |
| Banking sector | 1,733 | -969 | -2,679 | 6,900 | -1,649 | -1,155 |
| Central Bank | 1,823 | -1,404 | -2,910 | 5,000 | -2,000 | -2,000 |
| Other financial entities | -90 | 434 | 231 | 1,900 | 351 | 845 |
| Non-Financial Public Sector | -517 | -732 | 2,462 | -2,250 | -3,647 | 223 |
| Non-Financial Private Sector | -9,206 | -7,685 | 7,021 | -4,356 | 4,624 | -2,939 |
| BCRA International Reserves (BoP variation) | 210 | 1,581 | 4,178 | -5,769 | -3,086 | 11,824 |
| Memorandum Items | | | | | | |
| Current account (% GDP) | 1.7 | 2.9 | -0.2 | -0.4 | 0.0 | -0.7 |
| BCRA international reserves (\$ millions) | 46,386 | 47,967 | 52,145 | 46,376 | 43,290 | 30,599 |
| In months of imports of GNFS | 8.2 | 11.7 | 9.1 | 6.3 | 6.2 | 4.1 |
| External public debt (% GDP) | 19.0 | 18.0 | 17.0 | 14.2 | 13.7 | .. |
| Debt service (% of exports) | 11.6 | 15.7 | 16.3 | 19.0 | 15.8 | 13.1 |
| Export volume (% change) | 1.2 | -10.8 | 13.8 | 3.4 | -6.2 | 4.9 |
| Import volume (% change) | 9.3 | -11.7 | 4.7 | 7.2 | -1.7 | 3.9 |
| Terms of trade (% change) | 12.1 | 0.9 | 2.8 | 11.3 | 4.3 | -6.1 |

Source: BCRA and INDEC.

Annex 6. Fiscal Accounts

| Table 6.A - Argentina: Fiscal Accounts (National Public Sector), in percent of GDP | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Total Revenues | 17.1 | 18.4 | 19.4 | 18.9 | 20.1 | 21.4 |
| Tax revenues | 11.6 | 10.6 | 11.4 | 11.5 | 12.0 | 12.1 |
| Social security contributions | 4.3 | 5.5 | 5.6 | 5.8 | 6.4 | 6.9 |
| Nontax revenues | 1.2 | 2.3 | 2.4 | 1.6 | 1.7 | 2.5 |
| Capital revenues | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current Expenditures | 14.1 | 16.4 | 16.7 | 17.9 | 19.8 | 20.6 |
| Wages and salaries | 1.9 | 2.4 | 1.9 | 2.7 | 2.9 | 3.0 |
| Goods and services | 1.4 | 1.7 | 1.2 | 1.5 | 1.9 | 1.3 |
| Interest payments | 4.8 | 5.3 | 5.6 | 5.8 | 5.7 | 5.9 |
| Transfers | 6.0 | 7.0 | 8.0 | 7.9 | 9.4 | 10.4 |
| Capital Expenditure and Net Lending | 1.8 | 2.6 | 2.5 | 2.3 | 2.3 | 2.7 |
| Overall Balance | 1.1 | -0.5 | 0.2 | -1.3 | -2.0 | -1.9 |
| Financing | -1.1 | 0.5 | -0.2 | 1.3 | 2.0 | 1.9 |
| Debt denominated in local currency (increase +) | 0.7 | 1.2 | 0.4 | 1.0 | 2.5 | 2.2 |
| Disbursements | 4.7 | 6.1 | 4.8 | 5.1 | 7.2 | 7.6 |
| Amortizations | 4.0 | 4.9 | 4.5 | 4.1 | 4.7 | 5.4 |
| Debt denominated in foreign currency (increase +) | -0.1 | 0.3 | 0.1 | 0.0 | 0.1 | 1.3 |
| Disbursements | 1.0 | 1.7 | 1.9 | 1.9 | 1.2 | 2.5 |
| Amortizations | 1.1 | 1.4 | 1.7 | 2.0 | 1.0 | 1.2 |
| Net credit from the banking system | -1.5 | -0.7 | 1.0 | 1.1 | 0.0 | -1.0 |
| Other | -0.2 | -0.3 | -1.6 | -0.7 | -0.7 | -0.5 |
| Memorandum Items | | | | | | |
| Current primary expenditure | 12.7 | 14.7 | 15.5 | 16.3 | 18.0 | 19.4 |
| Primary balance | 2.5 | 1.2 | 1.4 | 0.2 | -0.2 | -0.7 |
| National public sector gross debt | 39.2 | 39.6 | 36.1 | 33.4 | 35.4 | 34.8 |
| National public sector net debt | 35.0 | 35.8 | 33.4 | 31.3 | 33.7 | 33.1 |

Source: MECON.

Annex 6. Fiscal Accounts (cont.)

| Table 6.B - Argentina: Fiscal Accounts (Provincial Public Sector), in percent of GDP | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| Total Revenues | 12.5 | 13.3 | 14.1 | 14.0 | 14.7 |
| Tax revenues | 8.9 | 9.1 | 9.4 | 9.9 | 10.6 |
| Social Security contribution | 1.3 | 1.4 | 1.3 | 1.5 | 1.6 |
| Nontax revenues | 1.7 | 1.9 | 2.3 | 1.8 | 1.7 |
| Capital revenues | 0.6 | 0.9 | 1.0 | 0.8 | 0.8 |
| Current Expenditures | 10.9 | 12.1 | 11.7 | 12.7 | 13.5 |
| Wages and salaries | 5.8 | 6.4 | 6.1 | 6.7 | 7.2 |
| Interest payments | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Transfers | 2.5 | 2.6 | 2.7 | 2.9 | 2.9 |
| Other | 2.5 | 2.8 | 2.7 | 2.9 | 3.1 |
| Capital Expenditure and Net Lending | 1.9 | 1.9 | 2.0 | 2.1 | 1.7 |
| Overall Balance | -0.3 | -0.7 | 0.4 | -0.7 | -0.5 |
| Memorandum Items | | | | | |
| Current primary expenditure | 10.7 | 11.9 | 11.5 | 12.5 | 13.3 |
| Primary balance | -0.1 | -0.5 | 0.6 | -0.5 | -0.3 |
| Provincial Public Sector Debt | 7.4 | 7.4 | 6.2 | 5.6 | 5.4 |
| o/w National Government Debt (in % of Total Provincial Debt) | 2.6 | 1.8 | 58.8 | 55.2 | 50.8 |

Source: Dirección Nacional de Coordinación Fiscal con las Provincias.

| Table 6.C - Argentina: Total Tax Collection, in percent of GDP | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| National Levied Taxes | 21.2 | 21.8 | 22.9 | 23.7 | 25.0 |
| Income Tax | 4.3 | 4.0 | 4.3 | 4.8 | 5.1 |
| Property Tax | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 |
| On domestic goods and services | 7.6 | 7.7 | 8.0 | 8.1 | 8.5 |
| VAT | 6.2 | 6.2 | 6.4 | 6.7 | 6.9 |
| On international trade | 3.3 | 2.7 | 3.0 | 2.8 | 2.8 |
| Import taxes | 0.7 | 0.5 | 0.6 | 0.6 | 0.6 |
| Export taxes (net) | 2.6 | 2.1 | 2.3 | 2.1 | 2.2 |
| Other | 0.1 | 0.2 | 0.1 | 0.2 | 0.2 |
| Social Security contributions | 4.1 | 5.5 | 5.7 | 6.0 | 6.5 |
| Provincial Taxes | 3.5 | 3.8 | 3.8 | 4.0 | 4.4 |
| Turnover rate | 2.6 | 2.8 | 2.8 | 3.1 | 3.3 |
| NET TAX COLLECTION | 24.7 | 25.6 | 26.7 | 27.7 | 29.5 |

Source: MECON.

Annex 7. Evolution of Social Spending in Argentina

Public expenditures in Argentina, measured as a percentage of GDP, varied considerably in recent years. According to official statistics,¹ while in the 1980s and 1990s expenditures amounted to slightly more than 30 percent, the 2001 crisis led to a decline that reached a low point of 24 percent in 2004. The official statistics series on social spending published by the Ministry of Finance run to 2009. Expenditures began to grow since 2004, sustained by an unprecedented increase in fiscal revenues, and by 2009 they represented 35 percent of GDP.²

Within total public expenditures, social expenditures have been stable, representing approximately 65 percent of total spending since the early 1990s; thus, spending in the three main social sectors has also shown a rapid increase during the last decade. Note that the main increase was not a function of the introduction of specific social assistance programs, but rather of an expansion of coverage of the social systems already in place.

Public spending on education, which amounted to just over 2.5 percent of GDP in the 1980s and 3.5 percent in the 1990s, by 2009 was closer to the Education Financing Law target, at 5.4 percent.³ In the case of Health, total public expenditures also grew consistently since the 1980s, and amounted to 5 percent of GDP by 2009. Finally, the Social Protection system (which includes Social Security, Social Assistance, and Employment programs) experienced an increase between the 1980s and 1990s (from 6.7 percent to 9.9 percent of GDP) and again during the last decade, reaching 10.4 percent of GDP in 2009. Part of this change can be explained by the adoption of a much stronger social assistance strategy. However, spending on pensions explains most of the increase, particularly the expansion in coverage registered since 2006 with the “*Moratoria*” program.

After 2009, it is possible to construct an estimation of total national spending on social policies by using different figures published by other government institutions. Table 1 presents the results of this exercise. For the years 2008 and 2009, these data adjust well to the aforementioned series, although they seem to overestimate social insurance figures by 0.6 percent and 0.8 percent of GDP, respectively.

According to these estimates, between 2009 and 2012 expenditures on pensions increased the most, by more than 1.5 percentage points as a proportion of GDP (from 8.9 percent to 10.6 percent). Although pensions expenditures have to be managed carefully, scope for rapid increase is limited since coverage is almost universal and benefit indexation follows a rule that prevents discretionary increases. Moreover, the demographic outlook for Argentina is very favorable and projects low and stable dependency ratios for the next few decades.

¹ “Bonari” series on public spending published until 2009 by MECON, *Dirección de Análisis de Gasto Público y Programas Sociales* (DAGPyPS).

² This estimation considers the 2014 revision of GDP figures (2004-2014) published by the official national authority (INDEC).

³ This Law, passed in 2005, established that the consolidated public spending in Education (including Federal and Provincial governments) should reach 6 percent of GDP by 2010.

Table 7.1. Social Spending by Sector, in AR\$ millions and as % of GDP

| AR\$ millions | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-------------|-------------|-------------|-------------|-------------|
| Education, culture & innovation | 64,211 | 79,447 | 97,461 | 137,249 | 167,539 |
| Health | 42,680 | 56,086 | 70,324 | 95,778 | 124,253 |
| Water | 3,849 | 4,922 | 6,481 | 10,088 | 11,710 |
| Social housing | 9,486 | 12,406 | 13,822 | 16,158 | 16,654 |
| Social assistance | 11,579 | 14,869 | 19,637 | 22,966 | 26,748 |
| Social insurance (i.e., old-age and survival pensions) | 93,133 | 121,979 | 160,842 | 215,485 | 290,058 |
| Employment | 3,347 | 3,750 | 3,239 | 4,455 | 4,836 |
| Other urban services | 2,299 | 2,044 | 2,311 | 3,096 | 4,052 |

| % of GDP | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-------------|-------------|-------------|-------------|-------------|
| Education, culture & innovation | 5.0 | 5.6 | 5.4 | 6.0 | 6.1 |
| Health | 3.3 | 4.0 | 3.9 | 4.2 | 4.5 |
| Water | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |
| Social housing | 0.7 | 0.9 | 0.8 | 0.7 | 0.6 |
| Social assistance | 0.9 | 1.1 | 1.1 | 1.0 | 1.0 |
| Social insurance (i.e., old-age and survival pensions) | 7.3 | 8.6 | 8.9 | 9.4 | 10.6 |
| Employment | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 |
| Other urban services | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| Total | 18.0 | 20.9 | 20.7 | 21.9 | 23.5 |

Source: Data on federal (central government) spending from Ministerio de Economía y Finanzas Públicas (MECON) (*Cuenta de Inversión – Ejecución Presupuestaria*). Data on provincial spending from MECON (*Dirección Nacional de Coordinación Fiscal con las Provincias*). Health data on *Obras Sociales* and PAMI from AFIP.

Table 7.2 presents data on total spending on Education, Health, and Social Security for OECD countries plus Argentina (2009 and 2012) and Brazil as a regional comparator. Figure 2 (A through C) presents spending for each type of expenditure as a proportion of GDP per capita (in constant 2005 US\$), for each of the countries in the sample. The last chart (D) shows the total of social spending. All graphs also present the OLS regression line. Argentina has slightly higher (in the case of education and pensions) or equal (in the case of healthcare) spending than the average country in the sample after income levels are controlled.

Table 7.2 Public Expenditures on Education, Social Security, and Health as Proportion of GDP

| Country | Public Expenditure on Education as % of GDP | Public Expenditure on Health as % of GDP | Public Expenditure on Old-age and Survival Pensions as % of GDP | Total Public Social Expenditure as % of GDP | GDP per capita (constant 2005 \$) |
|--------------------|---|--|---|---|-----------------------------------|
| France | 5.9 | 9.0 | 14.1 | 29.0 | 33,902 |
| Italy | 4.7 | 7.4 | 15.6 | 27.7 | 29,756 |
| Denmark | 8.7 | 9.5 | 8.2 | 26.4 | 46,293 |
| Sweden | 7.3 | 7.7 | 10.7 | 25.7 | 42,826 |
| Portugal | 5.8 | 7.1 | 12.3 | 25.2 | 18,648 |
| Germany | 5.1 | 8.8 | 11.2 | 25.1 | 36,127 |
| Belgium | 6.6 | 7.9 | 10.1 | 24.6 | 36,664 |
| Finland | 6.8 | 6.7 | 11.1 | 24.6 | 38,065 |
| Japan | 3.8 | 7.4 | 11.8 | 23.0 | 36,473 |
| Norway | 7.3 | 8.0 | 7.4 | 22.7 | 64,590 |
| Netherlands | 5.9 | 10.3 | 6.0 | 22.2 | 41,110 |
| Spain | 5.0 | 7.1 | 9.8 | 21.9 | 25,318 |
| Poland | 5.1 | 5.0 | 11.5 | 21.6 | 10,036 |
| USA | 5.7 | 8.5 | 6.9 | 21.1 | 43,952 |
| Hungary | 5.1 | 5.0 | 10.4 | 20.6 | 10,926 |
| New Zealand | 7.2 | 8.4 | 4.7 | 20.3 | 27,484 |
| United Kingdom | 5.4 | 8.0 | 6.8 | 20.2 | 37,600 |
| Czech Republic | 4.4 | 6.3 | 8.5 | 19.1 | 14,176 |
| Ireland | 5.8 | 6.4 | 5.6 | 17.8 | 44,583 |
| Canada | 5.0 | 8.1 | 4.5 | 17.6 | 36,467 |
| Slovakia | 4.1 | 5.8 | 7.3 | 17.2 | 14,263 |
| Brazil | 5.6 | 4.2 | 6.6 | 16.4 | 5,618 |
| Turkey | 2.6 | 5.0 | 6.9 | 14.5 | 7,834 |
| Argentina (2009)* | 5.4 | 5.0 | 7.7 | 18.1 | 7,321 |
| Argentina (2012)** | 6.1 | 4.5 | 10.6 | 21.2 | 7,844 |
| Chile | 4.2 | 3.8 | 3.6 | 11.6 | 8,610 |
| Korea, Rep. | 5.0 | 4.1 | 2.4 | 11.5 | 22,236 |
| Mexico | 5.3 | 3.1 | 1.7 | 10.1 | 8,085 |

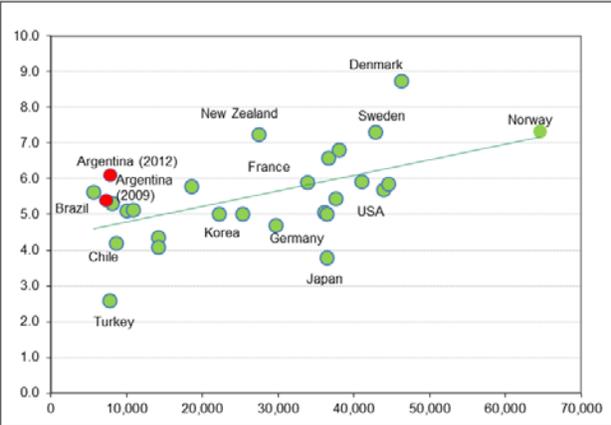
Source: Data on Education: UNESCO Statistics. Data on Health: WHO. Data on Social Security: OECD (2011). World Bank for GDP per capita (constant 2005 \$).

*Figures from 2009 are from the MECON official series (“Bonari”) on social spending.

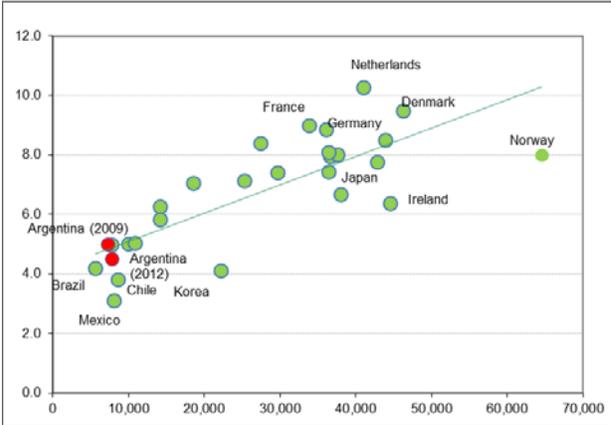
**Figures from 2012 are constructed based on: (i) data on federal (central government) spending from MECON (*Cuenta de Inversión – Ejecución Presupuestaria*); (ii) data on provincial spending from MECON (*Dirección Nacional de Coordinación Fiscal con las Provincias*); (iii) health data on *Obras Sociales* and PAMI from AFIP.

Figure 7.1 Expenditures on Education (A), Health (B), Social Security (C), and Total Social Spending (D) as % of GDP per capita

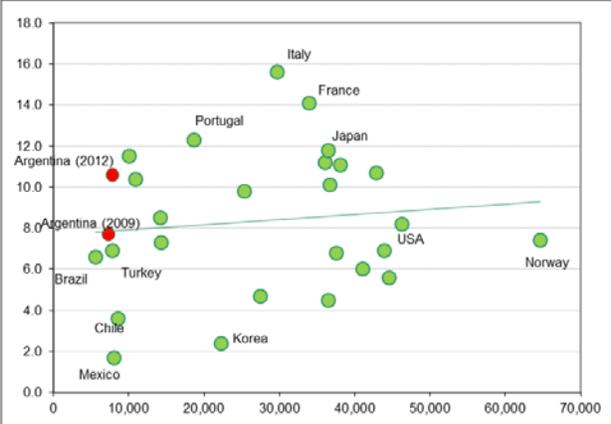
A. Education



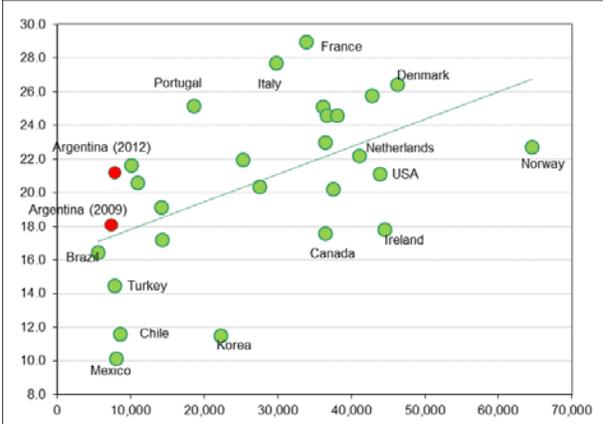
B. Health



C. Social Security



D. Total



Source: Data on Education: UNESCO Statistics. Data on Health: WHO. Data on Social Security: OECD (2011). World Bank for GDP per capita (constant 2005 \$).

Annex 8. Growth, Employment and FDI: Argentina and Comparator Countries

| Average real GDP growth (constant prices) | 1980-2000 | 2003- 2013 |
|---|-----------|------------|
| Comparators selected on the basis of the year 2013 or latest available | | |
| Argentina's average growth rate | 1.6 | 6.2 |
| Argentina's ranking in the world (among all WDI countries) | 120 | 60 |
| Argentina's ranking in Latin America | 25 | 5 |
| Selection of 5 middle-income countries with similar per capita GDP | | |
| Brazil | 2.4 | 3.5 |
| Mexico | 3.0 | 2.5 |
| Colombia | 3.2 | 4.7 |
| India | 5.6 | 7.5 |
| China | 9.8 | 10.2 |
| Selection of 5 high-income countries | | |
| United States | 3.2 | 1.8 |
| Canada | 2.8 | 1.9 |
| Germany | 2.1 | 1.2 |
| Japan | 2.9 | 0.9 |
| United Kingdom | 2.8 | 1.8 |

Source: INDEC and WDI.

| Average growth in the number of employed population | 1992-2000 | 2003-2012 |
|---|-----------|-----------|
| Comparators selected on the basis of the year 2013 or latest available | | |
| Argentina's average employment growth | 0.44 | 3.00 |
| Argentina's ranking in the world (among all WDI countries) | 142 | 56 |
| Argentina's ranking in Latin America | 26 | 5 |
| Selection of 5 middle-income countries with similar per capita GDP | | |
| Brazil | 2.73 | 2.02 |
| Mexico | 2.82 | 2.12 |
| Colombia | 4.14 | 2.54 |
| India | 2.00 | 1.35 |
| China | 1.38 | 0.64 |
| Selection of 5 high-income countries | | |
| United States | 1.84 | 0.41 |
| Canada | 1.46 | 1.34 |
| Germany | -0.15 | 0.66 |
| Japan | 0.11 | -0.17 |
| United Kingdom | 0.50 | 0.56 |

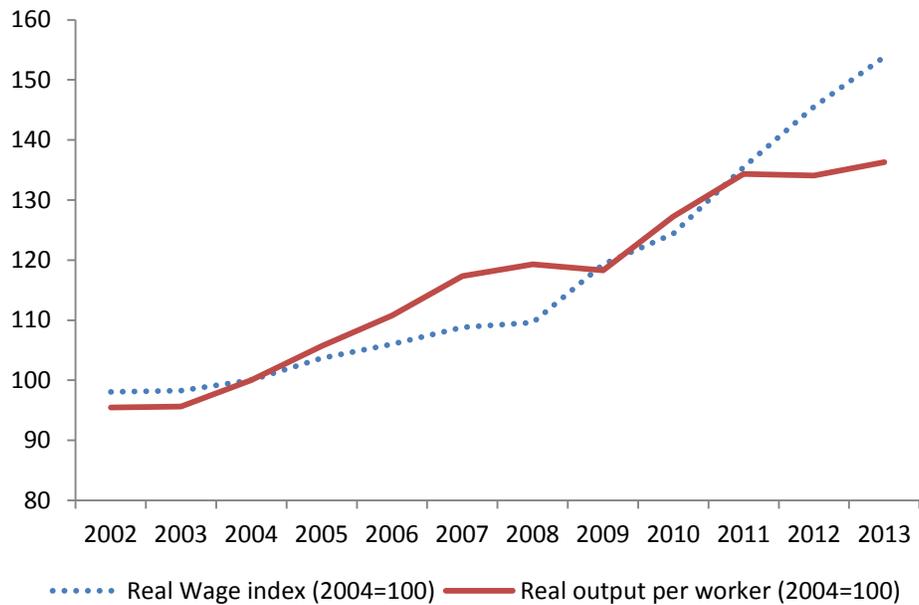
Source: WDI and WB staff calculations.

Annex 8. Growth Employment and FDI: Argentina and Comparator Countries (cont.)

| FDI inflows as percentage of GDP (annual average) | 1990-2000 | 2002-2013 |
|---|------------------|------------------|
| comparators selected on the basis of the year 2013 or latest available | | |
| Argentina's average net FDI/GDP | 2.31 | 1.84 |
| Argentina's ranking in the world (among all WDI countries) | 72 | 132 |
| Argentina's ranking in Latin America | 15 | 25 |
| Selection of 5 middle-income countries with similar per capita GDP | | |
| Brazil | 1.82 | 2.61 |
| Mexico | 1.96 | 2.48 |
| Colombia | 1.87 | 3.84 |
| India | 0.41 | 1.71 |
| China | 3.72 | 4.16 |
| Selection of 5 high-income countries | | |
| United States | 1.47 | 1.59 |
| Canada | 2.35 | 2.85 |
| Germany | 1.03 | 1.32 |
| Japan | 0.08 | 0.18 |
| United Kingdom | 4.40 | 4.79 |

Source: INDEC, IFS, and WEO.

Annex 9. Labor Productivity and Wages



| | Real GDP (AR\$ 1000) | Occupied population | Wage index (2004=100) | GDP deflator (2004=100) | Real wage index (2004=100) | Real output per worker (2004=100) | y / wL |
|------|-------------------------|------------------------|-----------------------------|-------------------------------|----------------------------------|---|--------|
| 2002 | 451,540,884 | 11,946,715 | 80 | 83 | 98 | 95 | 0.9736 |
| 2003 | 491,362,563 | 12,969,414 | 90 | 92 | 98 | 96 | 0.9733 |
| 2004 | 535,828,336 | 13,525,985 | 100 | 100 | 100 | 100 | 1.0000 |
| 2005 | 585,116,447 | 13,973,697 | 115 | 111 | 104 | 106 | 1.0198 |
| 2006 | 634,055,144 | 14,444,756 | 135 | 128 | 106 | 111 | 1.0451 |
| 2007 | 684,797,886 | 14,734,977 | 163 | 150 | 109 | 117 | 1.0781 |
| 2008 | 706,041,092 | 14,944,717 | 200 | 182 | 110 | 119 | 1.0884 |
| 2009 | 706,397,733 | 15,077,398 | 239 | 200 | 119 | 118 | 0.9915 |
| 2010 | 770,935,940 | 15,296,860 | 292 | 235 | 124 | 127 | 1.0231 |
| 2011 | 836,888,837 | 15,725,023 | 373 | 275 | 135 | 134 | 0.9918 |
| 2012 | 844,807,455 | 15,908,772 | 473 | 325 | 146 | 134 | 0.9212 |
| 2013 | 869,630,320 | 16,110,353 | 592 | 384 | 154 | 136 | 0.8859 |

Source: INDEC and WBG estimations.

Annex 10. Social Indicators

Argentina Social Indicators

| | Latest single year | | | Same region/income group | |
|--|--------------------|---------|---------|--------------------------|---------------------|
| | 1980-85 | 1990-95 | 2006-12 | Latin America & Carib. | Upper-middle-income |
| POPULATION | | | | | |
| Total population, mid-year (<i>millions</i>) | 30.3 | 34.8 | 41.1 | 581.4 | 2,390.8 |
| Growth rate (<i>% annual average for period</i>) | 1.5 | 1.3 | 0.9 | 1.2 | 0.8 |
| Urban population (<i>% of population</i>) | 85.0 | 88.7 | 92.6 | 79.0 | 60.7 |
| Total fertility rate (<i>births per woman</i>) | 3.1 | 2.8 | 2.2 | 2.2 | 1.9 |
| POVERTY | | | | | |
| <i>(% of population)</i> | | | | | |
| National headcount index | .. | .. | .. | | |
| Urban headcount index | .. | .. | 5.4 | | |
| Rural headcount index | .. | .. | .. | | |
| INCOME | | | | | |
| GNI per capita (<i>US\$</i>) | 2,650 | 8,360 | 10,570 | 8,999 | 6,942 |
| Consumer price index (<i>2005=100</i>) | 0 | 102 | 338 | .. | .. |
| INCOME/CONSUMPTION DISTRIBUTION | | | | | |
| Gini index | .. | 48.9 | 44.5 | | |
| Lowest quintile (<i>% of income or consumption</i>) | .. | 3.9 | 4.4 | | |
| Highest quintile (<i>% of income or consumption</i>) | .. | 53.7 | 49.4 | | |
| SOCIAL INDICATORS | | | | | |
| Public expenditure | | | | | |
| Health (<i>% of GDP</i>) | .. | 5.0 | 5.9 | 3.8 | 3.3 |
| Education (<i>% of GDP</i>) | 1.4 | 1.1 | 6.3 | 4.9 | 4.9 |
| Net primary school enrollment rate | | | | | |
| <i>(% of age group)</i> | | | | | |
| Total | .. | 96 | .. | 94 | 95 |
| Male | .. | 96 | .. | 94 | 96 |
| Female | .. | 96 | .. | 94 | 95 |
| Access to an improved water source | | | | | |
| <i>(% of population)</i> | | | | | |
| Total | .. | 95 | 99 | 94 | 93 |
| Urban | .. | 98 | 99 | 97 | 98 |
| Rural | .. | 75 | 95 | 82 | 85 |
| Immunization rate | | | | | |
| <i>(% of children ages 12-23 months)</i> | | | | | |
| Measles | 54 | 99 | 94 | 93 | 96 |
| DPT | 66 | 85 | 91 | 92 | 95 |
| Child malnutrition (<i>% under 5 years</i>) | .. | 2 | .. | 3 | 3 |
| Life expectancy at birth | | | | | |
| <i>(years)</i> | | | | | |
| Total | 71 | 73 | 76 | 74 | 74 |
| Male | 67 | 69 | 72 | 71 | 72 |
| Female | 74 | 76 | 80 | 77 | 76 |
| Mortality | | | | | |
| Infant (<i>per 1,000 live births</i>) | 29 | 21 | 13 | 16 | 16 |
| Under 5 (<i>per 1,000 live births</i>) | 33 | 23 | 14 | 19 | 20 |
| Adult (15-59) | | | | | |
| Male (<i>per 1,000 population</i>) | 215 | 190 | 158 | 189 | 144 |
| Female (<i>per 1,000 population</i>) | 112 | 98 | 79 | 103 | 95 |
| Maternal (<i>per 100,000 live births</i>) | .. | 60 | 76 | 82 | 64 |
| Births attended by skilled health staff (%) | .. | 96 | 97 | .. | 96 |

CAS Annex B5. This table was produced from the CMU LDB system.

07/03/14

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

Annex 11. Status of Gender Issues in Argentina

Argentina has made great strides toward gender equality over the past three decades.¹ Although it is among the leaders in Latin America in some gender indicators, such as political participation at the national level, and basic education in terms of literacy and primary school enrollment, the country compares less favorably to its upper-middle-income countries cohort in key areas, including teenage pregnancy and maternal mortality rates. This annex examines the status of gender issues in Argentina from the framework of the *World Development Report (WDR) 2012: Gender Equality and Development*. That report identified three key dimensions of gender equality outcomes: (a) endowments (education and health); (b) economic opportunities, and (c) agency² that are closely related and mutually reinforcing. Gender equality across all three of these dimensions is important for reducing poverty, promoting equity, and enhancing overall growth and productivity of current as well as future generations.

Gender equality in endowments

1. **Education.** Consistent with most Latin American and Caribbean (LAC) countries, the gender gap in education increases as the level of education rises. Where there is virtual gender parity in terms of primary school enrollment rates (female-to-male ratio: 0.98, 2011)³ boys face challenges in post-primary education retention. The ratio of female-to-male enrollment in secondary and education shows a gap favoring girls (1.11 and 1.56 respectively, 2011).

2. **Sexual and reproductive health.** There has been some backsliding in maternal health indicators over the last decade, but most recent data show again a positive trend. Contraceptive use in Argentina is above the LAC average (78.3 percent versus 75 percent, 2005). While the percentage of births attended by skilled health staff has dropped from 99.4 percent in 2007 to 94.9 percent in 2010, it improved again in 2011 (97.4 percent). This puts Argentina now slightly above the average for upper-middle-income (UMC) countries (96.6 percent, 2010) and significantly above LAC average (89 percent). Similarly, the maternal mortality ratio (per 100,000 live births) suffered a significant increase in the 2000s but has now dropped again to a level significantly below the LAC average (69 versus 85, 2013). The nature and severity of problems facing Argentine women vary substantially in different geographic, demographic, and socioeconomic groups, especially with respect to maternal mortality. For example, in Jujuy, there are 165 deaths per 100,000 live births because of maternal-related causes, while the count for the city of Buenos Aires is only 18.⁴

¹ This note is based on a longer Note 'Gender Issues in Argentina' (2012) which was prepared (and updated) during the process of CPS preparation. The Annex also uses various recent reports from other organizations.

² Women's agency influences their ability to build human capital and pursue economic opportunities, and thus also matters for the welfare of their children.

³ All data used in this note are taken from the World Bank's World Development Indicators unless cited otherwise

⁴ PAHO 2008: *Advierten que reducir la mortalidad materna es uno de los desafíos centrales en salud reproductiva*. Online article, access at: http://new.paho.org/arg/index.php?option=com_content&task=view&id=107&Itemid=259.

3. **Male health outcomes.** Compared to women, men face less positive health outcomes, especially for life expectancy, non-communicable diseases, accidents, and injuries (including suicide and violence).⁵

Gender equality in economic opportunities

4. **Labor force participation.** Female labor force participation 2003-2013 declined slightly, from 64.6 percent to 63.9 percent.⁶ Women are more likely to be engaged in informal⁷ work compared to men (40.2 versus 34.5 percent, 2013). The gender gap in unemployment is particularly large for youth (24.0 percent for girls compared to 18.0 percent for boys, 2013).

5. **Gender wage gap.** The gender wage gap has been closing over the past decade (females made only 78 percent of the average male's earnings in 2010, up from 2000, when females made 72 percent of male earnings). At the same time, women comprise the majority of the Argentine adult population having no income of their own (22.8 percent of women versus 9.7 percent of men).⁸

Gender equality in agency

6. **Political participation.** Women in Argentina hold 37.4 percent (2012) of the seats in Parliament, far above the LAC and UMC averages (24.5 percent, 2012 and 21.9 percent, 2012, respectively). However, female representation is much lower at the local level, as only 10.2 percent of mayors are female (CEPAL 2012).

7. **Gender-based violence.** In Argentina, 20 percent of couples experience violence within the home (2008). Disturbingly, 42 percent of female murder victims were killed by their intimate partners and 37 percent of women that have been beaten by their partners endure this situation for 20 years or more.⁹

8. **Teenage pregnancy.** The adolescent fertility rate for females ages 15-19 has declined slowly but steadily: while in 2000 it stood at 64.3 births per 1,000 women, it declined to 54.3 in 2012, far below the LAC average (68.01) but still far above the UMC average (31.2). Substantial disparities can be observed across socioeconomic groups and provinces: While on average 16 percent of all live births occur to females under the age of 20, Chaco has the highest rate of all provinces for 15-19-year-old mothers, at 22.8 percent of all live births, and the northeast region has the highest rate overall (22 percent) (OPS 2011).

⁵ Fernando Lavadenz, Julie Ruel-Bergeron, and Alejandra Leytón. *Health Promotion: Talking About Gender Equality, What Can We Do For Men in Argentina? (En Breve, forthcoming).*

⁶ Data in this paragraph derive from the SEDLAC database.

⁷ Definition of informal used here: Informal=salaried workers in small firms, non-professional self-employed, and zero-income workers.

⁸ CEPAL Gender Observatory 2012, data for urban areas only.

⁹ All data in this paragraph derive from Fundación para Estudio e Investigación de la Mujer (FEIM). 2008. "Violencia contra las mujeres y VIH en el MERCOSUR La Situación en Argentina."

A gender-sensitive Bank portfolio

9. ***Data collection.*** The WBG will make an effort to measure the gender-disaggregated impact of new operations by supporting gender-disaggregated data collection at the subnational, local, and project levels, whenever feasible. While many existing projects do not have gender-disaggregated indicators as part of their outcome-level indicators, most of them do track valuable information by gender. The Bank will ensure this information is systematically collected, analyzed, and shared with stakeholders.

10. ***Health sector.*** The Bank has been a long-standing partner of the Government in addressing gender-related issues in the health sector. Incorporating lessons from the 2012 WDR, efforts have been intensified to contribute to gender equality across all sectors of Bank engagement in Argentina. The health portfolio is supporting the Government in addressing two of the main gender-related health issues: maternal mortality and teenage pregnancy.

11. ***Addressing gender disparities in youth employment.*** The Youth Employment policy developed by the Ministry of Labor and supported by the Bank has developed a design and implementation strategy to address gender inequalities. For example, child care services and part time training services are provided to facilitate the participation of young mothers in training programs. Also, training materials with a specific gender focus have been developed and are regularly used in basic orientation courses, as well as for training of municipal employment offices' staff. As part of the Youth Employment Support Project, further options on how to deepen these initiatives will be explored.

12. ***Voice.*** In addition, infrastructure and rural development projects are promoting gender-sensitive social participation mechanisms intended to strengthen the voice of women and girls in the household and their ability to participate in decisions that impact them, their families, and their communities.

Annex 12: Consultations with Stakeholders

1. Engaging with Argentina's civil society, key opinion leaders, prominent political figures and government counterparts was part of the consultation process which, together with the results of the FY12 client survey, contributed to shaping the country partnership strategy.
2. The key areas of consultations included three main topics: (a) how to effectively reach the poor, through a program that is focusing new operations in the poorest provinces of the north east and north west of Argentina; (b) macro-economic perspectives that will impact the implementation of the CPS; and (c) how to advance a stronger gender agenda that promotes more women benefiting from the gains of inclusive growth.
3. Stakeholder consultations underscored poverty and equality of opportunities as top development priorities, along with flexibility and results-based approaches in program design. The Argentina 2012 client survey results showed poverty and equality of opportunity are the top development priorities. The prevalent responses attach higher value to the WBG's financial services. In terms of knowledge, the Bank is recognized for its contributions to the following sectors: health, education, agriculture, climate change, economic growth, and poverty reduction.
4. The discussions highlighted the importance of development priorities for Argentina which include: improving macroeconomic stability to underpin continued high economic growth, poverty reduction and shared prosperity; expanding and enhancing the quality of infrastructure, transport, and logistics services to remove bottlenecks; increasing productivity to boost competitiveness; strengthen public sector management and service delivery at both federal and provincial levels; increasing the quality of education; reducing disparities among provinces; improving the fiscal sustainability of social programs and their quality, coverage, and efficiency; and reducing environmental degradation and better managing climate change and disaster risk
5. Consultations on economic policies reflected that the country's outlook was clouded by macroeconomic imbalances, increased policy uncertainty, weak global environment and the ongoing court case with the holdout creditors. Lack of access to international capital markets and reliance on Central Bank reserves for debt payment were highlighted as key challenges because the room for maneuvering has been narrowing. Initial consultations had also drawn attention to international settlement disputes and the issues related to the quality of national statistics. The WBG contributions to improving macroeconomic outcomes were considered to be the relevant knowledge and experience that the WBG can share with the country, the plurality in WBG's dialogue in building consensus on key macroeconomic challenges and the positive signaling effect in facilitating access to international markets.
6. Feedback received on challenges to reaching the poorest provinces of the north, included suggestions to: (i) continue with the scheme of results-based financing to replicate successful experiences; (ii) support capacity building for public officials at the provincial level, specially the poorest ones; and (iii) focus on the simplicity of project design.
7. In terms of lessons on project implementation several things were highlighted: (i) the need to simplify and reduce the number of indicators to better measure results; (ii) the role of the Bank in providing added value in fiduciary issues but also the need for more flexibility in project execution as priorities change; (iii) decentralize Task Team Leaders (TTLs) to the country in an attempt to improve execution and decision making; and (iv) an overall appreciation of the work done with the Bank based on success in achieving results (e.g. flood prevention), in being

innovative and substantive in terms of technical contributions. A special focus needs to be placed on how to reduce the complexity of WBG projects to be more effective. Client survey respondents together with those who participated in the consultations expressed the opinion that the Bank should collaborate more with local governments.

8. Addressing gender inequalities was seen by representatives of civil society as a key factor to make further progress in reducing poverty and inequality, with a special focus on worker productivity and reduction in the gender wage gap. While gender inequality in Argentina is lower than in other countries in the region, significant challenges remain in terms of women empowerment, health and economic opportunities, most notably in rural areas. Female labor force participation 2003-2013 declined slightly, from 64.6 percent to 63.9 percent.¹⁰ The gender gap in unemployment is particularly large for youth (24.0 percent for girls compared to 18.0 percent for boys, 2013). The gender wage gap has been closing over the past decade (females made only 78 percent of the average male's earnings in 2010, up from 2000, when females made 72 percent of male earnings). Argentina has adequate legislative and institutional structures to prevent gender based discrimination, but continues to face challenges in implementation.

¹⁰ Data in this paragraph derive from the SEDLAC database.

Annex 13. Argentina at a Glance

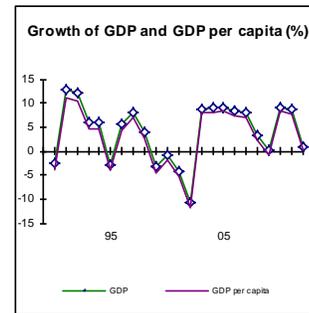
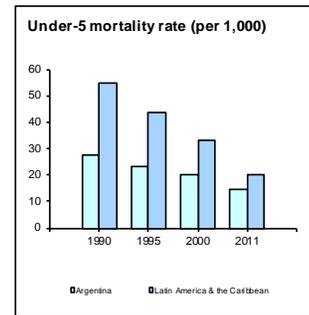
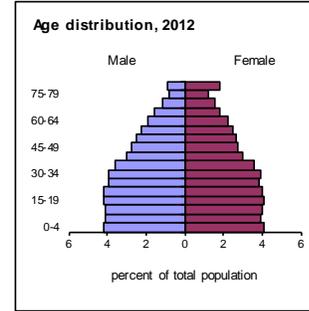
Argentina at a glance

7/3/14

| Key Development Indicators | Argentina | Latin America & Carib. | Upper middle income |
|--|-----------|------------------------|---------------------|
| (2012) | | | |
| Population, mid-year (millions) | 41.1 | 581 | 2,391 |
| Surface area (thousand sq. km) | 2,780 | 19,461 | 43,472 |
| Population growth (%) | 0.9 | 1.2 | 0.8 |
| Urban population (% of total population) | 93 | 79 | 61 |
| GNI (Atlas method, US\$ billions) | 434.1 | 5,232 | 16,598 |
| GNI per capita (Atlas method, US\$) | 10,570 | 8,999 | 6,942 |
| GNI per capita (PPP, international \$) | 11,740 | 12,008 | 10,639 |
| GDP growth (%) | 0.9 | 3.0 | 5.2 |
| GDP per capita growth (%) | 0.1 | 1.8 | 4.4 |
| (most recent estimate, 2005–2012) | | | |
| Poverty headcount ratio at \$1.25 a day (PPP, %) | <2 | 6 | 8.4 |
| Poverty headcount ratio at \$2.00 a day (PPP, %) | <2 | 10 | 19.5 |
| Life expectancy at birth (years) | 76 | 74 | 74 |
| Infant mortality (per 1,000 live births) | 13 | 16 | 16 |
| Child malnutrition (% of children under 5) | 2 | 3 | 3 |
| Adult literacy, male (% of ages 15 and older) | 98 | 92 | 96 |
| Adult literacy, female (% of ages 15 and older) | 98 | 91 | 91 |
| Gross primary enrollment, male (% of age group) | 118 | 115 | 111 |
| Gross primary enrollment, female (% of age group) | 117 | 111 | 110 |
| Access to an improved water source (% of population) | 99 | 94 | 93 |
| Access to improved sanitation facilities (% of population) | 97 | 81 | 74 |

| Net Aid Flows | 1980 | 1990 | 2000 | 2012 ^a |
|--------------------------------|------|------|------|-------------------|
| <i>(US\$ millions)</i> | | | | |
| Net ODA and official aid | 19 | 169 | 52 | 121 |
| <i>Top 3 donors (in 2010):</i> | | | | |
| Japan | 8 | 16 | 37 | 74 |
| Spain | 0 | 12 | -6 | 23 |
| Germany | 18 | 41 | 7 | 22 |
| Aid (% of GNI) | 0.0 | 0.1 | 0.0 | 0.0 |
| Aid per capita (US\$) | 1 | 5 | 1 | 3 |

| Long-Term Economic Trends | 1980 | 1990 | 2000 | 2012 |
|--|--------|---------|---------|---------|
| Consumer prices (annual % change) | 100.8 | 2314.0 | -0.7 | 17.6 |
| GDP implicit deflator (annual % change) | 90.8 | 2,076.8 | 1.0 | 18.1 |
| Exchange rate (annual average, local per US\$) | 0.0 | 0.5 | 1.0 | 4.6 |
| Terms of trade index (2000 = 100) | .. | 85 | 100 | 123 |
| Population, mid-year (millions) | 28.1 | 32.6 | 36.9 | 41.1 |
| GDP (US\$ millions) | 76,962 | 141,352 | 344,273 | 603,153 |
| <i>(% of GDP)</i> | | | | |
| Agriculture | 6.4 | 8.1 | 4.3 | 6.9 |
| Industry | 41.2 | 36.0 | 23.7 | 29.6 |
| Manufacturing | 29.5 | 26.8 | 15.1 | 16.7 |
| Services | 52.4 | 55.9 | 72.0 | 63.5 |
| Household final consumption expenditure | 63.0 | 77.1 | 75.8 | 66.1 |
| General gov't final consumption expenditure | 11.0 | 3.1 | 11.4 | 14.9 |
| Gross capital formation | 25.3 | 14.0 | 13.4 | 17.2 |
| Exports of goods and services | 5.1 | 10.4 | 9.1 | 15.8 |
| Imports of goods and services | 6.5 | 4.6 | 9.6 | 14.1 |
| Gross savings | .. | 16.2 | 11.9 | 19.0 |



1980–90 1990–2000 2000–12
(average annual growth %)

| | | | |
|---|------|------|------|
| Population, mid-year (millions) | 1.5 | 1.2 | 0.9 |
| GDP (US\$ millions) | -0.7 | 4.3 | 5.2 |
| <i>(% of GDP)</i> | | | |
| Agriculture | 0.7 | 3.5 | 1.6 |
| Industry | -1.3 | 3.8 | 5.5 |
| Manufacturing | -0.8 | 2.7 | 6.2 |
| Services | 0.0 | 4.5 | 5.3 |
| Household final consumption expenditure | .. | 2.7 | 5.7 |
| General gov't final consumption expenditure | .. | 2.2 | 4.9 |
| Gross capital formation | -5.2 | 7.4 | 8.5 |
| Exports of goods and services | 3.8 | 8.7 | 4.8 |
| Imports of goods and services | -5.8 | 15.6 | 9.5 |
| Gross savings | .. | 16.2 | 11.9 |

Note: Figures in italics are for years other than those specified. .. indicates data are not available.
a. Aid data are for 2010.

Development Economics, Development Data Group (DECDG).

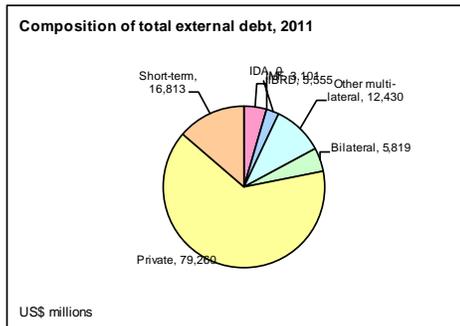
Annex 13. Argentina at a Glance (cont.)

Argentina

| Balance of Payments and Trade | 2000 | 2012 |
|---|--------|--------|
| <i>(US\$ millions)</i> | | |
| Total merchandise exports (fob) | 26,341 | 77,057 |
| Total merchandise imports (cif) | 25,281 | 62,715 |
| Net trade in goods and services | -1,832 | 12,258 |
| Current account balance as a % of GDP | -8,955 | -1,462 |
| | -2.6 | -0.2 |
| Personal transfers and compensation of employees (receipts) | 86 | 686 |
| Reserves, including gold | 25,147 | 53,604 |

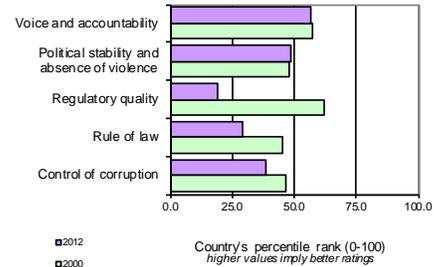
| Central Government Finance | | |
|------------------------------------|------|------|
| <i>(% of GDP)</i> | | |
| Current revenue (including grants) | 16.0 | 20.6 |
| Tax revenue | 11.6 | 19.1 |
| Current expenditure | 17.3 | 20.2 |
| Overall surplus/deficit | -2.0 | -2.1 |
| Highest marginal tax rate (%) | | |
| Individual | 35 | 35 |
| Corporate | 35 | 35 |

| External Debt and Resource Flows | | |
|---|---------|---------|
| <i>(US\$ millions)</i> | | |
| Total debt outstanding and disbursed | 147,029 | 121,013 |
| Total debt service | 24,751 | 12,969 |
| Debt relief (HIPC, MDR) | - | - |
| Total debt (% of GDP) | 42.7 | 20.1 |
| Total debt service (% of exports) | 64.0 | 13.9 |
| Foreign direct investment (net inflows) | 10,418 | .. |
| Portfolio equity (net inflows) | -3,227 | .. |



| Private Sector Development | 2000 | 2012 |
|--|------|------|
| Time required to start a business (days) | - | 26 |
| Cost to start a business (% of GNI per capita) | - | 12.3 |
| Time required to register property (days) | - | 55 |
| Ranked as a major constraint to business (% of managers surveyed who agreed) | 2000 | 2012 |
| Economic and regulatory policy uncertainty | .. | 16.5 |
| Access to/cost of financing | .. | 15.7 |
| Stock market capitalization (% of GDP) | 48.2 | 5.7 |
| Bank capital to asset ratio (%) | 11.9 | 12.1 |

Governance indicators, 2000 and 2012



Source: Worldwide Governance Indicators (www.govindicators.org)

| Technology and Infrastructure | 2000 | 2011 |
|--|------|------|
| Paved roads (% of total) | 29.4 | .. |
| Fixed line and mobile phone subscribers (per 100 people) | 39 | 159 |
| High technology exports (% of manufactured exports) | 9.4 | 8.0 |

Environment

| | | |
|---|-------|-------|
| Agricultural land (% of land area) | 47 | 54 |
| Forest area (% of land area) | 11.6 | 10.7 |
| Terrestrial protected areas (% of land area) | 5.5 | 5.5 |
| Freshwater resources per capita (cu. meters) | 7,335 | 6,777 |
| Freshwater withdrawal (billion cubic meters) | .. | .. |
| CO2 emissions per capita (mt) | 3.8 | 4.5 |
| GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent) | 6.2 | 6.2 |
| Energy use per capita (kg of oil equivalent) | 1,652 | 1,967 |

| World Bank Group portfolio | 2000 | 2011 |
|--|-------|-------|
| <i>(US\$ millions)</i> | | |
| IBRD | | |
| Total debt outstanding and disbursed | 8,789 | 5,555 |
| Disbursements | 1,019 | 841 |
| Principal repayments | 538 | 630 |
| Interest payments | 701 | 138 |
| IDA | | |
| Total debt outstanding and disbursed | - | - |
| Disbursements | - | - |
| Total debt service | - | - |
| IFC (fiscal year) | | |
| Total disbursed and outstanding portfolio of which IFC own account | 2,305 | 1,478 |
| Disbursements for IFC own account | 1,196 | 891 |
| Portfolio sales, prepayments and repayments for IFC own account | 252 | 81 |
| | 74 | 202 |
| MIGA | | |
| Gross exposure | 491 | 24 |
| New guarantees | 127 | 0 |

Note: Figures in italics are for years other than those specified.
.. indicates data are not available. - indicates observation is not applicable.

7/3/14

Development Economics, Development Data Group (DECDG).

Annex 13. Argentina at a Glance (cont.)

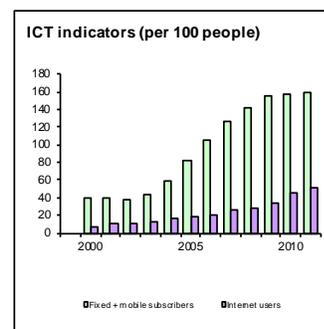
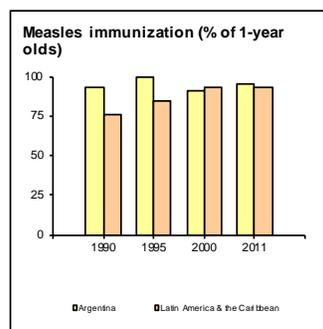
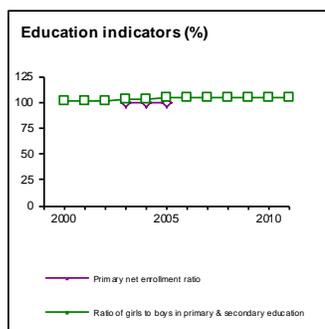
Millennium Development Goals

Argentina

With selected targets to achieve between 1990 and 2015

(estimate closest to date shown, +/- 2 years)

| | Argentina | | | |
|--|-----------|------|------|-------|
| | 1990 | 1995 | 2000 | 2011 |
| Goal 1: halve the rates for extreme poverty and malnutrition | | | | |
| Poverty headcount ratio at \$1.25 a day (PPP, % of population) | <2 | 3.8 | 5.1 | <2 |
| Poverty headcount ratio at national poverty line (% of population) | .. | .. | .. | .. |
| Share of income or consumption to the poorest quintile (%) | 5.0 | 3.9 | 3.2 | 4.4 |
| Prevalence of malnutrition (% of children under 5) | .. | 4.7 | .. | 2.3 |
| Goal 2: ensure that children are able to complete primary schooling | | | | |
| Primary school enrollment (net, %) | 96 | 100 | 99 | 99 |
| Primary completion rate (% of relevant age group) | .. | 94 | 99 | 107 |
| Secondary school enrollment (gross, %) | 71 | 78 | 87 | 90 |
| Youth literacy rate (% of people ages 15-24) | 98 | .. | 99 | 99 |
| Goal 3: eliminate gender disparity in education and empower women | | | | |
| Ratio of girls to boys in primary and secondary education (%) | 107 | 103 | 101 | 104 |
| Women employed in the nonagricultural sector (% of nonagricultural employment) | 37 | 40 | 43 | 44 |
| Proportion of seats held by women in national parliament (%) | 6 | 28 | 27 | 37 |
| Goal 4: reduce under-5 mortality by two-thirds | | | | |
| Under-5 mortality rate (per 1,000) | 28 | 23 | 20 | 15 |
| Infant mortality rate (per 1,000 live births) | 24 | 21 | 18 | 13 |
| Measles immunization (proportion of one-year olds immunized, %) | 93 | 99 | 91 | 95 |
| Goal 5: reduce maternal mortality by three-fourths | | | | |
| Maternal mortality ratio (modeled estimate, per 100,000 live births) | 71 | 60 | 63 | 76 |
| Births attended by skilled health staff (% of total) | 96 | 97 | 98 | 97 |
| Contraceptive prevalence (% of women ages 15-49) | .. | .. | 65 | 78 |
| Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases | | | | |
| Prevalence of HIV (% of population ages 15-49) | 0.2 | 0.3 | 0.3 | 0.4 |
| Incidence of tuberculosis (per 100,000 people) | 60 | 49 | 40 | 26 |
| Tuberculosis case detection rate (% , all forms) | 63 | 79 | 79 | 90 |
| Goal 7: halve the proportion of people without sustainable access to basic needs | | | | |
| Access to an improved water source (% of population) | 94 | 95 | 96 | 98 |
| Access to improved sanitation facilities (% of population) | 86 | 89 | 92 | 96 |
| Forest area (% of land area) | 12.7 | 12.2 | 11.6 | 10.7 |
| Terrestrial protected areas (% of land area) | 4.6 | 5.3 | 5.5 | 5.5 |
| CO2 emissions (metric tons per capita) | 3.5 | 3.5 | 3.8 | 4.5 |
| GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent) | 5.3 | 6.2 | 6.2 | 6.2 |
| Goal 8: develop a global partnership for development | | | | |
| Telephone mainlines (per 100 people) | 9.3 | 16.4 | 21.4 | 24.3 |
| Mobile phone subscribers (per 100 people) | 0.0 | 1.2 | 17.6 | 134.9 |
| Internet users (per 100 people) | 0.0 | 0.1 | 7.0 | 51.0 |
| Households with a computer (%) | .. | .. | 20.5 | 51.0 |



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

7/3/14

Development Economics, Development Data Group (DECDG).

Annex 14. Argentina Operations Portfolio (IBRD and Grants)

Operations Portfolio (IBRD/IDA and Grants)

As Of Date 7/4/2014

Closed Projects 141

IBRD/IDA *

| | |
|-------------------------------------|-----------|
| Total Disbursed (Active) | 2,683.74 |
| of which has been repaid | 147.80 |
| Total Disbursed (Closed) | 6,723.51 |
| of which has been repaid | 11,852.01 |
| Total Disbursed (Active + Closed) | 9,407.25 |
| of which has been repaid | 11,999.81 |
| Total Undisbursed (Active) | 2,189.98 |
| Total Undisbursed (Closed) | 1.35 |
| Total Undisbursed (Active + Closed) | 2,191.32 |

Active Projects

| Project ID | Project Name | Last PSR | | Fiscal Year | IBRD | Original Amount in US\$ Millions | | | Difference Between Expected and Actual Disbursements ^{af} | | |
|----------------|---------------------------------|------------------------|-------------------------|-------------|------|----------------------------------|-----------|-------------|--|--------------|-----------|
| | | Supervision Rating | | | | IDA | GRANT | Cancel. | Undisb. | Orig. | Frm Rev'd |
| | | Development Objectives | Implementation Progress | | | | | | | | |
| P125151 | AR 2nd Norte Grande Wat S | S | ✓ | 2011 | 200 | | | | 169.2855 | | |
| P101170 | AR 2nd State Modernizatio S | S | ✓ | 2007 | 20 | | | | 2.315742 | 2.315742 | 2.315742 |
| P116974 | AR 3rd Natl Communicatio MU | MS | ✓ | 2011 | | 2.439209 | | | 1.639209 | | |
| P093491 | AR APL2 Urban Flood Prev MS | MS | ✓ | 2006 | 70 | | | | 11.68691 | 11.68691104 | |
| P060484 | AR Basic Municipal Servict S | S | ✓ | 2006 | 110 | | | | 19.64569 | 19.64569063 | |
| P115183 | AR Basic Protection Projec S | MS | ✓ | 2009 | 930 | | | | 26.22542 | -453.7745826 | 25.72542 |
| P088032 | AR CRL1 APL1 Buenos Aii S | S | ✓ | 2005 | 250 | | | | | -50 | -50 |
| P090119 | AR Energy Efficiency Proje MS | U | ✓ | 2008 | | 15.155 | | | 13.49198 | 12.89698055 | |
| P110599 | AR Essential Public Health S | S | ✓ | 2011 | 461 | | | | 131.8156 | 82.51555622 | |
| P094425 | AR GEF Biod.Conserv in P MS | MS | ✓ | 2007 | | | 7 | | 4.363449 | | |
| P121836 | AR La Rioja Public Sect St MS | MS | ✓ | 2011 | 30 | | | | 10.27612 | | |
| P095485 | AR Metropolitan Areas Urb. MU | MU | ✓ | 2010 | 150 | | | 0.32001455 | 102.0772 | | |
| P110462 | AR Mining Environmental RMS | MS | ✓ | 2009 | 30 | | | | 18.16435 | 18.20434673 | |
| P120198 | AR Norte Grande Road Infr. MS | MS | ✓ | 2011 | 400 | | | | 166.9483 | -233.0513846 | |
| P120211 | AR Norte Grande Water Inf S | S | ✓ | 2011 | 200 | | | | 165.7087 | | |
| P106684 | AR PROSAP2 2nd Prov Ag S | MS | ✓ | 2009 | 300 | | | | 152.4236 | 150.7236148 | |
| P106735 | AR Provincial Public Health MU | MS | ✓ | 2011 | 400 | | | | 266.6401 | 136.6400692 | |
| P089926 | AR Solid Waste Managemt S | S | ✓ | 2006 | 40 | | | | 9.356219 | 3.75621895 | |
| P100806 | AR Sustainable Natural Re: MS | MS | ✓ | 2008 | 60 | | | | 27.63353 | 27.63352581 | -1.60719 |
| P106752 | AR Unleashing Productive IMS | MS | ✓ | 2009 | 150 | | | | 53.34037 | 53.34037357 | |
| P114008 | AR-GEF Sustain. Transp. z MS | MS | ✓ | 2009 | | | 3.987 | | 1.344537 | 1.34453736 | 1.344537 |
| P070628 | AR-Provincial Road Infrastrn MU | MU | ✓ | 2005 | 325 | | | | 128.5799 | -46.42006274 | |
| P116989 | AR-Road Safety S | S | ✓ | 2010 | 30 | | | | 17.5024 | 15.50240017 | |
| P105680 | AR(APL1) Matanza-Riachu MU | MU | ✓ | 2009 | 840 | | | 121.968 | 710.3496 | 612.3175557 | |
| P005920 | MP/AR-REDUCTION OF O S | MS | ✓ | 1997 | | | | | 1.60996 | -4.60871457 | -4.60871 |
| Overall Result | | | | | 4996 | | 53.581209 | 122.2880146 | 2212.424 | 224.8997256 | -26.8302 |

Annex 15. Argentina Trust Fund Portfolio

| Project # | Trust Fund # | Trust Fund Name | Net Grant Amount | Funds Disb. to Date | FY Disb. | Program Source | Grant Closing Date | Managing Unit | Effective Date | Exec. By |
|-----------|--------------|---|------------------|---------------------|-----------------|----------------|--------------------|---------------|----------------|-----------|
| P115126 | TF010737 | Argentina - HRITF Impact Evaluation | 790.00 | 692.30 | 218.36 | HRBF | 10/30/2014 | LCSHH | 9/5/2011 | Bank |
| P116989 | TF012338 | Ibero-American Road Safety Observatory (OISV) | 200.00 | 193.45 | 123.84 | GRSF | 6/30/2014 | LCSTR | 5/2/2012 | Bank |
| P143762 | TF013597 | Argentina #10274 Insurance Risk Based Supervision along with Risk Based Capital (Solvency Modernization) | 388.20 | 263.11 | 117.41 | FIRST | 7/31/2014 | LCSPF | 11/12/2012 | Bank |
| P095485 | TF014165 | Using Available Quantitative Data to Support Urban Transport Subsidy Reform in Argentina | 75.00 | 59.56 | 59.56 | PSIA | 2/28/2014 | LCSTR | 1/28/2013 | Bank |
| P106735 | TF014493 | Analyzing the Equity and Pro-Poor Impacts of a Pioneering Pay-for-Performance Health Program | 80.00 | 55.40 | 55.40 | PSIA | 8/31/2014 | LCSHH | 3/11/2013 | Bank |
| P125804 | TF015041 | Increasing Climate Resilience And Enhancing Sustainable Land Management In The Southwest Of The Buenos Aires Province | 3,960.20 | 0.00 | 0.00 | ADPTIA | 12/30/2018 | LCSEN | 5/27/2014 | Recipient |
| P125804 | TF015784 | AR - Adaptation Fund Project - Fee to Region | 247.41 | 13.48 | 13.48 | ADPTIA | 12/30/2018 | LCSEN | 8/9/2013 | Bank |
| P005920 | TF017255 | Argentina: ODS Project | 25.00 | 5.66 | 5.66 | OTF | 12/30/2014 | LCSEN | 4/15/2014 | Bank |
| P129397 | TF017256 | Argentina: Montreal Protocol HCFC Phase-out Project | 25.00 | 2.34 | 2.34 | OTF | 4/30/2021 | LCSEN | 4/15/2014 | Bank |
| P005920 | TF022013 | OTF-ARGENTINA ODS PROJECT | 31,218.68 | 29,608.71 | -549.91 | OTF | 12/30/2014 | LCSEN | 7/1/1994 | Recipient |
| P094425 | TF090118 | GEF FSP - ARGENTINA: BIODIVERSITY CONSERVATION IN PRODUCTIVE FORESTRY LANDSCAPES PROJECT | 7,000.00 | 2,636.55 | 904.21 | GEFIA | 2/28/2015 | LCSAR | 12/9/2007 | Recipient |
| P101253 | TF090822 | SALTA SOLID WASTE MANAGEMENT EMISSION REDUCTION PROJECT | 94.50 | 0.00 | 0.00 | CARBON | 12/31/2015 | CCGCF | 10/31/2008 | Recipient |
| P090119 | TF092377 | GEF FSP - ARGENTINA: ENERGY EFFICIENCY PROJECT | 15,155.00 | 1,663.02 | 347.02 | GEFIA | 6/30/2015 | LCSEG | 10/1/2008 | Recipient |
| P114008 | TF093048 | GEF FSP: ARGENTINA SUSTAINABLE TRANSPORT AND AIR QUALITY PROGRAM | 3,987.00 | 2,284.27 | 740.37 | GEFIA | 10/31/2014 | LCSTR | 5/14/2009 | Recipient |
| P114957 | TF094065 | IDF: ARGENTINA - IMPROVING INVESTMENT PORTFOLIO MANAGEMENT: BUILDING UP INSTITUTIONS, SYSTEMS AND HUMAN CAPITAL | 492.82 | 240.93 | -33.00 | IDF | 12/1/2013 | LCC7C | 12/1/2009 | Recipient |
| P119875 | TF096688 | Enhancing Communications to Stakeholders, Transparency and Accountability at the Ministry of Finance | 300.00 | 21.22 | -28.78 | IDF | 12/3/2013 | LCREA | 12/3/2010 | Recipient |
| P101170 | TF096822 | W2-Overcoming governance and fiduciary constraints to service delivery in Argentina | 325.00 | 172.50 | 67.34 | GPF | 2/28/2015 | LCSPS | 4/30/2010 | Bank |
| P121808 | TF097750 | IDF: Improving Transparency & Accountability in the province of Santa Fe | 385.00 | 208.95 | 60.24 | IDF | 12/17/2013 | LCSPS | 12/17/2010 | Recipient |
| P105680 | TF098374 | Supporting the Implementation of Phase 1 of the Matanza-Riachuelo Basin Sustainable Development Project | 450.00 | 350.69 | 59.22 | SFLAC | 12/27/2014 | LCSEN | 11/21/2010 | Bank |
| P116974 | TF098640 | Third National Communication to the United Nations Framework Convention on Climate Change Project | 2,439.21 | 800.00 | 500.00 | GEFIA | 11/13/2014 | LCSEN | 7/27/2012 | Recipient |
| P115183 | TF099062 | Argentina: Improving Governance of Sub-National Social Protection Programs | 250.00 | 178.25 | 28.71 | SFLAC | 8/31/2014 | LCSHS | 3/1/2011 | Bank |
| | Total | | 67,888.02 | 39,450.39 | 2,691.47 | | | | | |

Annex 16. IFC Committed and Disbursed Outstanding Investment Portfolio

| | | Committed | | | | | Disbursed Outstanding | | | | |
|--|-------------------------|-----------|--------|---------------|---------|-------------|-----------------------|--------|---------------|---------|-------------|
| FY Approval | Company | Loan | Equity | Quasi-Equity* | GT/RM** | Participant | Loan | Equity | Quasi-Equity* | GT/RM** | Participant |
| 2010 | <u>ALUAR</u> | - | 18.2 | - | - | - | - | 18.2 | - | - | - |
| 2001/ 2002 | <u>ASF</u> | 0.0 | - | - | - | - | 0.0 | - | - | - | - |
| 1995/ 2002/ 2004/ 2005/ 2009 | <u>Aceitera General</u> | 13.8 | - | - | - | - | 13.8 | - | - | - | - |
| 1995/ 1996 | <u>Aguas</u> | - | 0.0 | - | - | - | - | 0.0 | - | - | - |
| 1990/ 2006/ 2008/ 2009 | <u>Arcor</u> | 23.5 | - | - | - | 0.0 | 23.5 | - | - | - | 0.0 |
| 2011 | <u>Argentex Mining</u> | - | 0.9 | - | - | - | - | 0.9 | - | - | - |
| 1994/ 1999 | <u>BGN</u> | - | - | 0.0 | - | - | - | - | 0.0 | - | - |
| 1997/ 1999/ 2000/ 2004/ 2005/ 2008/ 2009/ 2010/ 2011/ 2012/ 2013/ 2014 | <u>Banco Galicia</u> | 21.9 | - | - | 44.5 | - | 21.9 | - | - | 44.5 | - |
| 2007/ 2008/ 2009/ 2010/ 2011/ 2012/ 2013/ 2014 | <u>Banco Patagonia</u> | 12.9 | - | - | 18.5 | - | 12.9 | - | - | 18.5 | - |
| 2008/ 2009/ 2010/ 2011/ 2012/ 2013/ 2014 | <u>Banco Superviell</u> | - | - | - | 12.5 | - | - | - | - | 12.5 | - |
| 2009/ 2010/ 2011/ 2012/ 2013/ 2014 | <u>Banco CMF</u> | - | - | - | 2.0 | - | - | - | - | 2.0 | - |
| 1997/ 2006/ 2010 | <u>CAPSA</u> | 58.2 | - | 15.0 | - | 18.6 | 58.2 | - | 15.0 | - | 18.6 |
| 2000 | <u>CCI</u> | - | 0.0 | - | - | - | - | 0.0 | - | - | - |
| 2009 | <u>Cencosud Arg</u> | 19.2 | - | - | 0.7 | - | 19.2 | - | - | - | - |
| 2009 | <u>Exolgan</u> | 23.0 | - | - | 1.1 | - | 23.0 | - | - | 0.5 | - |
| 1999/ 2009/ 2011 | <u>F.V. S.A.</u> | 12.4 | - | 8.0 | - | - | 12.4 | - | 8.0 | - | - |
| 2009/ 2010 | <u>Grupo ASSA</u> | - | 2.4 | - | - | - | - | 2.4 | - | - | - |
| 1999 | <u>Hospital Privado</u> | - | - | 6.2 | - | - | - | - | 6.2 | - | - |
| 1992/ 1993/ 1994 | <u>Huantraico</u> | - | 27.0 | - | - | - | - | 0.1 | - | - | - |
| 2009/ 2010/ 2014 | <u>ICBC Argentina</u> | - | - | - | 8.4 | - | - | - | - | 8.4 | - |
| 2009/ 2010/ 2011/ 2012/ 2013/ 2014 | <u>Itau Argentina</u> | - | - | - | 24.5 | - | - | - | - | 24.5 | - |
| 2011 | <u>Kordsa Argentina</u> | 11.3 | - | - | - | - | 11.3 | - | - | - | - |
| 2012 | <u>Medanito</u> | - | 21.9 | - | - | - | - | 21.9 | - | - | - |
| 1997/ 1999 | <u>Neuquen Basin</u> | - | 31.4 | - | - | - | - | (0.0) | - | - | - |
| 2006/ 2008/ 2009 | <u>Noble Argentina</u> | 17.1 | - | - | - | - | 17.1 | - | - | - | - |
| 1993/ 1996 | <u>Nuevo Central</u> | - | 0.0 | - | - | - | - | 0.0 | - | - | - |
| 1993/ 1996/ 2006/ 2008 | <u>PAE - Argentine</u> | 83.1 | - | 55.0 | 3.5 | 37.0 | 83.1 | - | 55.0 | 1.5 | 37.0 |
| 2008 | <u>PAMPA</u> | - | 20.0 | - | - | - | - | 18.9 | - | - | - |

Annex 17. Map of Argentina

IBRD 33362R



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