We welcome the opportunity of discussing this CAS for Argentina together with the proposed loan for the Buenos Aires Urban Transport Project and would like to commend staff for a well-written CAS document delineating development challenges, objectives and strategies faced by the country. Let me also compliment the Argentine Government which has succeeded to bring the country out of its recession from the regional financial crisis of 1995. Thanks to the Convertibility Plan, the Government was able to take strong measures to correct the imbalances in the fiscal and financial sectors reversing the deterioration of the economy. As a result, the economy grew by 4.4 percent in real term in 1996, inflation was brought down to a very low level, exports expanded and access to international financial markets improved. Despite this progress and the country’s relatively high income per capita, however, Argentina still faces a number of challenging economic and social problems which need the Bank’s assistance.

We support the CAS, which focuses on supporting Government efforts to: i) enhance social development, including poverty alleviation and human resource development; ii) improve the performance and institutional capacity of the government, particularly sub-national governments; and iii) consolidate successful structural reforms. As indicated in the Bank’s Poverty Assessment, in Argentina the incidence of poverty among children, the uneducated and the unemployed is the highest. Therefore, we welcome the Bank’s effort to assist the poor, including women and children, to improve their health and education. Besides support for employment projects, these measures would help increase the income-generating opportunities of the poor.

The recent financial crisis showed the importance of addressing the problem of the weak capacity of the provincial governments. In this regard, the Bank assistance strategy to continue to focus on improving regional fiscal performance, efficiency of social expenditures and infrastructure development, is a step in the right direction. We are also pleased with the Bank’s assistance to reduce market distortions by reforming the factor markets, especially the labor market.
We note the deterioration in project implementation in the provinces was also caused by weak ownership and poor implementation capacity as a result of inadequate design at entry. Therefore, we support the Portfolio Commission's recommendation to improve preparation at the sub-project level and to strengthen portfolio management. We also agree with the recommendation that Argentina and the Bank need to enhance their respective institutional capabilities in portfolio monitoring and project supervision. In this connection, the process of decentralization, which enhances the institutional capacity of sub-national governments, needs to be continued. This would improve portfolio performance, which in turn could trigger actual provincial lending levels.

Finally, regarding the proposed loan for the Buenos Aires Urban Transport Project, we note that it is consistent with the CAS objectives of strengthening weak public institutions and rebuilding deteriorated infrastructure. The project would also generate economic, social, as well as environmental benefits while the risks are limited, therefore we have no objection to the proposed loan.