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**INTERNATIONAL FINANCE CORPORATION**

**AND**

**MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**PERFORMANCE AND LEARNING REVIEW  
OF THE COUNTRY PARTNERSHIP STRATEGY**

**FOR**

**THE ARGENTINE REPUBLIC  
FOR THE PERIOD FY15-FY18**

**January 13, 2017**

**Argentina, Paraguay, and Uruguay Country Management Unit  
Latin America and Caribbean Region**

**The International Finance Corporation  
Latin America and Caribbean Department**

**Multilateral Investment Guarantee Agency**

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**The date of the last Country Partnership Strategy was August 7, 2014**

**FISCAL YEAR**

January 1 – December 31

**CURRENCY EQUIVALENTS**

(Exchange Rate Effective December 30, 2016)

Currency Unit = Argentine Peso (ARS)

ARS 1.00 = USD 0.06

USD 1.00 = ARS 15.89

**ABBREVIATIONS AND ACRONYMS**

ANSES	Social Security Agency ( <i>Agencia Nacional de Seguridad Social</i> )
ASA	Advisory Services and Analytics
AF	Additional Financing
AR	Argentina
AUH	Universal Child Allowance ( <i>Asignación Universal por Hijo</i> )
CNDC	National Commission for Defense of Competition ( <i>Comisión Nacional de Defensa para la Competencia</i> )
COP	Conference of the Parties of the UN Framework Convention on Climate Change
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
EPH	Household Survey ( <i>Encuesta Permanente de Hogares</i> )
FY	Fiscal Year
G20	Group of Twenty
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for the Settlement of Investment Disputes
IFC	International Finance Corporation
IMF	International Monetary Fund
INDEC	National Statistics Institute ( <i>Instituto Nacional de Estadísticas y Censo</i> )
IP	Implementation Progress
IPF	Investment Project Financing
MDES	Multi-Dimensional Economic Survey
MIGA	Multilateral Investment Guarantee Agency
OECD	Organization for Economic Cooperation and Development
PA	Programmatic Approach
PDO	Project Development Objective
PIU	Project Implementation Unit
PLR	Performance and Learning Review
PPP	Public-Private Partnership
PROSAP	Provincial Agricultural Development Project

SAI	Supreme Audit Institutions
SCD	Systematic Country Diagnostic
SME	Small and Medium Enterprise
SORT	Systematic Operation Risk-Rating Tool
TA	Technical Assistance
VAT	Value Added Tax
WBG	World Bank Group
WTO	World Trade Organization

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**ARGENTINA**  
**PERFORMANCE AND LEARNING REVIEW**  
**OF THE COUNTRY PARTNERSHIP STRATEGY**

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## I. INTRODUCTION

1. **This Performance and Learning Review (PLR) summarizes progress in the implementation of the World Bank Group (WBG) Country Partnership Strategy (CPS) for the Argentine Republic for the period FY15-FY18 (Report No. 81361-AR), discussed by the WBG Executive Directors on September 9, 2014.** The CPS is built upon nine WBG result areas set within three broad pillars: (a) employment creation in firms and farms; (b) availability of assets for people and households; and (c) reduction of environmental risks and safeguarding natural resources.

2. **After a three-year lending hiatus (FY12-FY14), the CPS defined a new framework for WBG's assistance focused on financing activities that directly support the most vulnerable at the household level and meet wide consensus across the political spectrum.** The CPS result areas, selected for their relevance in achieving the WBG twin goals of poverty reduction and shared prosperity, responded to expressed demands from our counterparts at the federal, provincial, and firm level, as well as in sectors and areas with a favorable policy environment for sustained impact. Political consensus on the CPS program was considered critical on the eve of an electoral year that could bring about changes in the country's policy orientation. The IFC focused its immediate support on meeting the most pressing financing needs of existing portfolio clients and on export-oriented industries (agribusiness and oil & gas).

3. **The elections in late 2015 resulted in a major shift in the country's policy orientation and, for the WBG, in a substantial broadening of the policy dialogue and a gradual shift in program activities.** The new Administration has reoriented policy priorities towards unlocking long-term productivity growth in tandem with a strong focus on poverty alleviation and improved governance. For the IBRD, this has implied a substantial expansion of the analytical and technical assistance work, particularly in the areas of private sector led growth, trade and competitiveness and financial sector reform. It has also generated new financing opportunities. The new Administration's emphasis on a territorial approach to poverty reduction has led to new operations in urban slum upgrading and in social infrastructure and services in the northern provinces and in areas with high prevalence of poverty. It has also implied increased support to private investment, including support for SMEs and in renewable energy. For IFC, it has led to a proactive collaboration with the Government to catalyze private sector investments, in parallel with substantial direct new investments into private sector-led projects and businesses. The shifting focus and demand from Argentina to boost private investment has also implied a significant increase in joint IFC/IBRD provision of just-in-time technical advice. Likewise, after a fifteen-year hiatus, MIGA has reinitiated its dialogue with the Administration and is ready to support Argentina, beginning with short-tenure guarantees.

4. **The current CPS remains a valid instrument for framing the collaboration between Argentina and the WBG.** The choice of strategic themes of the CPS has proved instrumental in engaging with the new Administration, allowing the WBG to respond effectively to the changes in policy outlook and priorities. Within the context of a more complex global environment and the current transition in Argentina, this PLR provides the opportunity to revisit the CPS program priorities and reflects discussions between the new Administration and the WBG in a portfolio review and programming exercise conducted in October 2016. During the remainder of the CPS period, the WBG will start the preparation of a Systematic Country Diagnostic as the basis for a Country Partnership Framework for the period starting in FY19.

## II. MAIN CHANGES IN COUNTRY CONTEXT

### RECENT POLITICAL DEVELOPMENTS AND OUTLOOK

5. **Mauricio Macri's inauguration as the President of Argentina for a four-year term starting in December 2015 has marked a major change in the Argentine political landscape.** The current administration is seeking to introduce market-oriented policies in tandem with a strong focus on poverty alleviation and improved governance. The new Administration moved expeditiously to implement core reforms to address key economic imbalances with the objective of creating an environment conducive to economic growth and renewed investment. The new Administration is also actively pursuing a closer integration with international political and financial institutions and fostering transparency of government affairs. While progress in all these fronts is visible, a significant agenda remains going forward.

6. **With a minority in Congress, the new Administration needs to build consensus with a fragmented opposition to obtain passage of critical economic reforms and at the same time maintain the population's support.** During the first year in office, the Administration has been able to pass 70 laws while maintaining good approval ratings and keeping the Index on Government Confidence<sup>1</sup> at its maximum levels since 2011. However, the future political situation is expected to evolve in close correlation with the economy: the level of economic recovery and inflation control delivered by the Administration is expected to have a significant impact on the outcome of key mid-term parliamentary elections in October 2017.

7. **The new Administration's medium term strategic framework focuses on four critical priorities: poverty eradication, economic reforms to boost longer-term productivity growth, improved governance, and global integration.<sup>2</sup>**

- a. *Poverty Eradication.* The new Administration has made poverty eradication a central focus of its policy priorities. Poverty Zero, the Administration's poverty eradication program, is focused on the following key areas: (i) achieving universal social protection for children, youth and the elderly, (ii) ensuring universal access and improved quality to basic education, (iii) fostering employment growth and reducing job informality, and (iv) improving access to housing for the vulnerable through low income housing finance and slum upgrading. Poverty Zero is complemented by Plan Belgrano, a program focused on developing social infrastructure and services for the vulnerable in Argentina's northern provinces that present the highest levels of poverty concentration.
- b. *Economic Reforms to Boost longer-term productivity growth.* Beyond the initial efforts aimed at reducing macroeconomic imbalances, the Government has embarked on a medium-term economic reform agenda driven by productivity increases and private sector investment as the engines of sustainable growth (see [Box 1](#)). To this end, it is planning and implementing policies designed to lure private investments, enhance competition, revamp international trade, and foster innovation. This agenda includes deep structural reforms to open the economy to international competition, promotion of public-private partnerships (PPP) investment for much needed infrastructure projects, introduction of reforms to domestic capital markets to enable the long-term financing of businesses and households, reducing the costs of doing business, and improving the authorities legal and organizational

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<sup>1</sup> Since 2002, the index has been calculated by the Torcuato Di Tella University, based on a monthly survey, to measure the public perception of the national government's performance.

<sup>2</sup> The Government has recently established eight priority objectives: Macroeconomic stability, National Productivity, Infrastructure Development, Fight to drug trafficking and improved security, Sustainable Human Development, Smart World Integration, State Modernization, and Institutional Strengthening.

capacity to sanction anti-competitive behavior.

**Box 1: Argentina's Structural Reforms and Major Policy Initiatives, 2016**

The Government embarked rapidly on an ambitious structural reform agenda. While several significant ones are still outstanding, many others have been completed or are underway. Below, a list of the most important structural reforms implemented.

- *Foreign exchange controls lifted, exchange rate unified (December 2015).* Exporters and importers, as well as the public, are now able to buy foreign currency freely at a single exchange rate without requiring an authorization from the Federal Tax Agency;
- *Holdout lawsuits settled and access to international credit markets regained (April 2016).* After a long legal battle, Argentina settled the lawsuits initiated with holdout creditors, which allowed the country to access international credit markets after 15 years. This has allowed Argentina to postpone fiscal consolidation in a year of economic contraction, and to gradually reduce the Treasury's dependence on the Central Bank to finance the fiscal deficit.
- *Credibility of statistics reestablished.* The Government declared a "statistical emergency" in December 2015 and INDEC was allowed to temporarily suspend the publication of statistics until the existing methodologies were revised. One year later, INDEC has resumed publishing inflation, balance of payment, poverty, employment and new GDP figures. In November 2016, the IMF lifted its censure over Argentine official statistics.
- *Inflation targeting regime adopted by the Central Bank.* In September, the Central Bank moved to an inflation targeting regime, and announced a target range of 12-17 percent in 2017, 8-12 percent in 2018 and 5 percent in 2019. The Central Bank achieved its target to reduce monthly inflation to 1.5 % in the last quarter of 2016.
- *Reduction of export taxes.* Export taxes on agricultural goods including beef, wheat and corn were eliminated while the tax on soybeans was reduced by 5 percentage points (now at 30 percent) in December 2015. The administration also lifted export taxes on almost all industrial manufacturing exports, including autos, textiles, and chemicals;
- *Energy and transport subsidies reduced while social tariff for low-income users maintained.* Despite legal challenges to subsidy reduction, electricity prices increased by about 340 percent for residential users and about 600 percent for firms. Gas tariffs increased by 200 percent, on average. Subway, train and bus tickets increased 66 percent, 100 percent and 70 percent, respectively. The new scheme included price incentives to reduce energy consumption and a social tariff for every public service destined to low income users. Drinking water subsidies were also adjusted. The overall fiscal saving of these measures are expected to be close to 0.7 percent of GDP.
- *Pension system adjusted.* Outstanding debts to retirees settled; pension benefits adjusted; and new universal old age pension introduced (replacing the current moratorium scheme) for citizens 65 years or older not qualifying for a contributory pension. Overall, the fiscal impact of the reform could reach 1.4% of GDP in additional expenditures, starting in 2017. The reform, will be financed with resources from the "Fondo de Garantía de Sostenibilidad" (administered by the Social Security Agency, ANSES) and the resources collected through the tax amnesty.
- *Core transparency measures taken.* An *Access to Public Information Law* was passed in September 2016 that also creates an autonomous Public Information Access Agency. President Macri also signed a decree that makes the disclosure of information on assets owned by public officials mandatory (and now easily accessible online). To strengthen the fight against corruption, Congress passed a law that reduces prison sentences related to corruption charges, in exchange for valuable information on higher-level agents. Moreover, a bill was sent to Congress holding businesses and organizations criminally liable on corruption-related cases. A bill on transparency of public works that incorporates best procurement practices is in the making.
- *Competition authority empowered.* The new Administration empowered the Competition Authority (Comisión Nacional de Defensa para la Competencia -CNDC), and sponsored a law to prevent and punish anti-competitive behavior. CNDC is conducting studies on several sensitive sectors that are suspected of anti-competitive practices, and has sued the main player in the credit card sector for abuse of its dominant position in the market.
- *Public Private Partnership Law enacted.* In November 2016, Congress passed a landmark Law on Public Private Partnerships which is geared to significantly increase private financing of, especially, infrastructure projects.

- c. *Governance reforms.* The Administration is actively promoting measures to enhance public transparency and accountability. A transparency law that eases access to public information and creates an autonomous Public Information Access Agency was approved in September 2016 and information on public officials' assets is now easily accessible online. A law that reduces prison sentences related to corruption charges in exchange for valuable information on higher-level agents was approved in October 2016. The Government is drafting a bill on transparency of public works that incorporates best procurement practices and a new guideline on transparency in public procurement has been issued.
- d. *Global Integration.* The new Administration has taken decisive actions to normalize its international relations by, inter alia, resolving the stand-off with holdouts creditors, regularizing relations with the IMF, by restoring the credibility of public statistics and bringing import regulations in line with WTO procedures. It is also moving forward with a proactive agenda to contribute to the global dialogue and promote Global Public Goods, including by engaging in trade talks on various fronts, playing an active role in the G20, establishing the eradication of extreme poverty as a key domestic priority, and being among the first countries to ratify the 2015 Paris Agreement on Climate Change. Argentina will preside the G20 in 2018 and it is actively pursuing accession to the OECD (see [Box 2](#)).

**Box 2: Argentina's Renewed International Orientation**

*Settling outstanding negotiation with holdout creditors.* A landmark deal was reached in April 2016 enabling the country to make international payments servicing its debt and move out of selective default status. For the first time in 15 years, Argentina returned to international capital markets in 2016 with the biggest sovereign bond issuance in its history (\$16.5bn) to close the deal with the holdouts.

*Bringing import licenses in line with WTO procedures.* These actions resolved the dispute that led to a judgment against Argentina in January 2015 for imposing undue import restrictions. The new Administration has replaced the import licensing system by a simpler import monitoring system.

*Normalizing relations with the IMF.* Article IV consultations resumed after ten years. An IMF team visited Argentina in September 2016 to evaluate the revision of Argentina's inflation and national accounts statistics. The IMF praised the authorities' "extraordinary effort and important progress in strengthening the accuracy of Argentina's statistics" and on November 8, 2016, lifted the censure, declared in 2013, regarding the poor quality of Argentina's public statistics.

*Re-opening trade talks on several fronts.* As member of Mercosur, Argentina has opened negotiations with the European Union on a trade agreement and a portion of a general Association Agreement on trade, cooperation, and procurement. Argentina was also welcomed as an observer at the Pacific Alliance, indicating its intention to strengthen trade and integration with the Alliance. Finally, Argentina was considered instrumental in the agreement reached on agricultural export subsidies at a WTO Conference in December 2015.

*Ratifying the 2015 Paris Agreement on climate change and improving its contributions under COP22.* Argentina ratified the 21st Conference of the Parties (CoP21) through a law that Congress enacted in September 2016. Argentina presented more ambitious targets for its Nationally Determined Contributions during the CoP22 held in Marrakech in November 2016.

*Assuming the presidency of the G20 in 2018.* The thirteenth G20 summit in Buenos Aires would be the first-ever G20 meeting to be hosted in South America, following member countries' unanimous selection of Argentina.

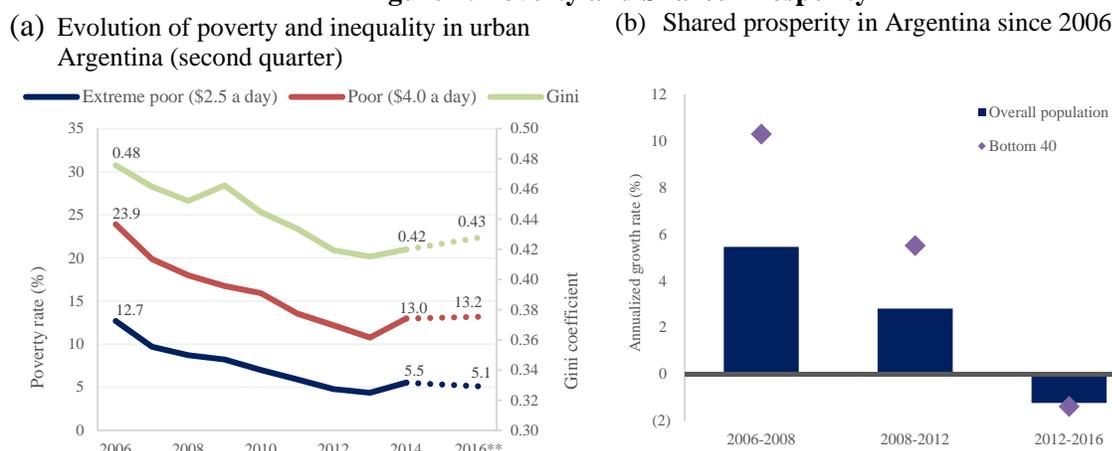
*Embarking on OECD accession.* The Administration has developed a comprehensive Action Plan to align its national systems to OECD standards. The Action Plan comprises 17 areas of government including a wide range of topics from statistics to environment.

*Hosting the next WTO Ministerial Conference.* The Conference will take place in Buenos Aires in December 2017. The Ministerial Conference meets every two years and is the top decision-making body of the WTO.

## CHANGES TO POVERTY REDUCTION AND SHARED PROSPERITY.

8. **A decade of falling poverty and inequality trends started to slow down in 2012 and eventually reversed in the last four years.** While the poverty rate (measured at \$4.00 a day) had more than halved between 2006 and 2013 –from 24 to 10.8 percent, by the second quarter of 2016 13.2 percent of Argentines were poor. Similarly, extreme poverty (measured at \$2.50 a day) had fallen to 4.4 percent in 2013 but then reached 5.1 percent of the total population in 2016. Income inequality, which had fallen from a high level of 0.48 of the Gini coefficient to 0.42 by 2012, also increased, albeit mildly, and now stands at 0.43. These recent trends are the result of a decline in real income of the bottom forty percent of the population (and to a larger extent than for the rest of the population). Until 2012, incomes of the bottom forty percent grew twice as fast as for the population as a whole. After having suspended poverty measurement in 2014, Argentina’s National Statistics Office (INDEC) resumed measuring and publishing poverty data in September 2016 (see [Box 3](#)). According to the new national poverty line, 32.2 percent of Argentina’s population lives in poverty today.<sup>3</sup>

**Figure 1: Poverty and Shared Prosperity**



Source: SEDLAC (CEDLAS and the World Bank), based on second quarter EPH – 31 urban agglomerates. Note: estimates for 2016 are based on preliminary harmonization exercises.

9. **Employment outcomes, previously the drivers of poverty reduction, are no longer the engine of household income growth.** The poverty increase experienced between 2012/13 and 2016 has been the result of both labor earnings and employment opportunities shrinking for vulnerable households. Labor incomes alone, in the absence of non-labor and other incomes, would have led to a poverty rate in 2016 more than one point higher than observed. This is in sharp contrast with the 2004-2012 period in which labor incomes (primarily, earnings) accounted for nearly 71 percent of the fall in poverty, while non-labor incomes played a smaller, though increasing role in poverty reduction.

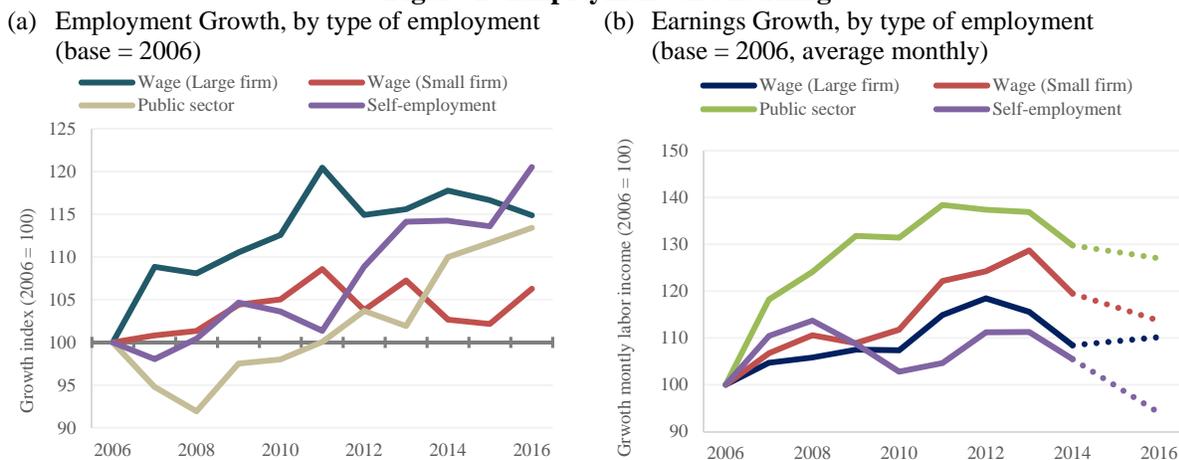
<sup>3</sup> Both national and international poverty estimates rely on the same household survey (*Encuesta Permanente de Hogares*, EPH). However, the international poverty rates use a harmonized version of the survey to allow for comparability with other countries in Latin America and the Caribbean. Therefore, both the thresholds (poverty lines) as well as the household income aggregate used to compute poverty rates differ from the national estimates. See Annex 5 for a detailed description.

**Box 3: Reestablishing Credibility in Statistics**

Government interference with INDEC’s autonomy dates back to 2007, starting with the removal of the Director of Price Statistics and her replacement by a political appointee. The until then highly reputable public statistics agency was since subject to a gradual erosion of its professional capacity and credibility, culminating with the International Monetary Fund (IMF) issuing a rare motion of censure to Argentina in 2013 for the poor quality of the country’s official statistics. The process of readjusting price and GDP data had started in 2014 with IMF technical support. The new Administration declared a “statistical emergency” at the end of 2015, whereby INDEC was allowed to temporarily suspend the publication of core statistics pending revision of the existing methodologies. In March 2016, the revised external accounts for the period 2009–2015 were issued showing lower trade surpluses than previously published by INDEC. Inflation and revised national income accounts were released in June 2016. According to the new figures, the real GDP (in 2004 prices) was 23 percent lower in 2014 compared to the previous series. INDEC also published an unemployment rate of 9.3 percent for the first semester of 2016, revealing a challenging labor market situation that was not reflected in prior official figures. Finally, poverty figures published in September 2016 showed a marked difference with the official figures prevailing in 2014. The IMF praised the Government’s efforts to strengthen its statistics and lifted its Censure on Argentina on November 8, 2016.

10. **Employment growth has been stagnating since 2012, particularly for wage employees in large firms.** Until 2012, most of the new job opportunities came from the higher-paying large private firms. Employment in this sector grew 20 percent between 2006 and 2011, compared to less than 10 percent in smaller firms and negligible growth in the public sector (see Figure 2(a)). Since 2012, however, employment and wage growth outside the public sector have weakened: private employment has virtually stagnated and real earnings have declined 10 percent for all types of employment and for both skilled and unskilled workers (see Figure 2(b)). Administrative data for formal employment show a similar pattern: of the almost 1 million formal jobs added between August 2012 and August 2016, 50 percent came from public employment and only 17 percent from new net private wage employees.

**Figure 2: Employment and Earnings**



Source: SEDLAC (CEDLAS and the World Bank), based on EPH, 2006–16 second quarters. Figures are based on main employment for individuals between the ages of 16 and 65. Note that employers and unpaid workers (accounting for 5 percent of employment) are not reported in the figures above. Earnings for 2016 based on preliminary harmonization and 2015 to be added.

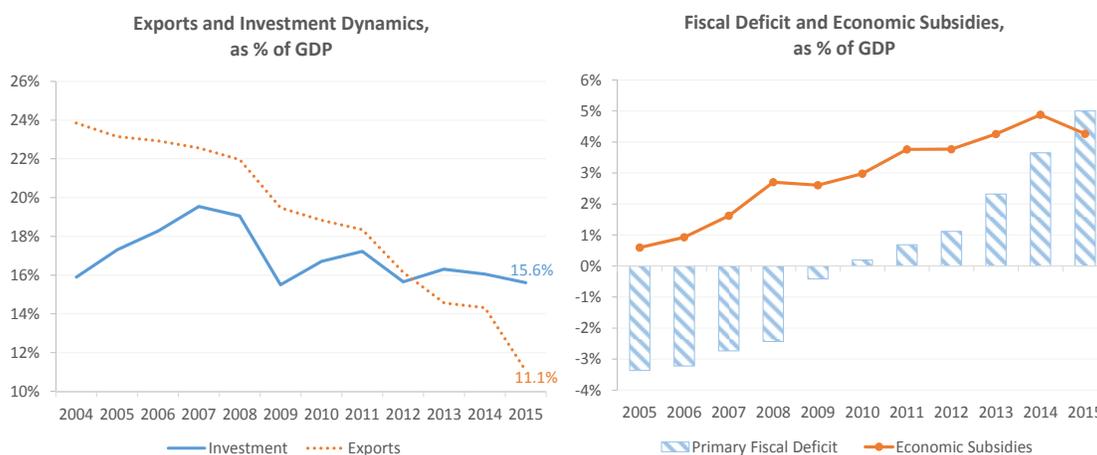
11. **Non-labor income (including pensions and private and public transfers), became more relevant for household’s welfare since the end of the 2000s and continues to play an important protection against the fall in labor incomes.** With the expansion of the flagship conditional cash transfer program *Asignación Universal por Hijo* (AUH) and the *moratoria* of pensioners, public transfers became

an increasing factor behind poverty reduction. In 2016, 15 percent of households receive a direct government transfer such as the AUH, unemployment benefit or scholarship.

## RECENT REFORMS AND KEY MACROECONOMIC DEVELOPMENTS.

12. **The first year of the CPS was an electoral year and saw an exacerbation of already significant macroeconomic imbalances.** Expansionary fiscal policies helped to support consumption, bringing the fiscal deficit to record levels in 2015. According to private estimates, inflation hovered around 25-30 percent, twice the official figure. In addition, there was a significant amount of repressed inflation in the form of an artificially overvalued Argentine peso and very low prices for public utility services. With inflation running high, the Argentine peso kept appreciating in real terms, decreasing the competitiveness of exports. Growing discretionary regulations and record-high fiscal pressure were also viewed by firms as major obstacles and exports lost dynamism. Despite capital controls, international reserves at the Central Bank continued to fall, raising vulnerability questions. Low prices for public utility services were sustained with large energy and transport subsidies, which accounted for a large part of the fiscal deficit and led to under-investment (see Figure 3). With its holdout creditors demanding to pay the country’s defaulted obligations in full and de facto blocking its access to international capital markets, Argentina relied increasingly on Central Bank advances to finance expenditures.

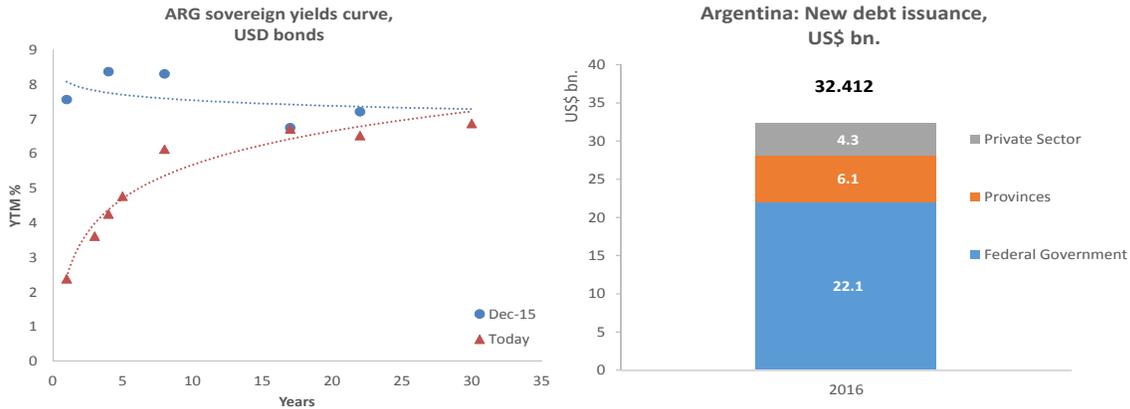
**Figure 3: Exports & Investments, Fiscal Deficit & Subsidies**



Source: WBG based on Central Bank of the Argentine Republic.

13. **The new Administration unified the exchange rate, removed capital and currency controls, and regained access to international credit markets.** The black market exchange rate premium of about 50 percent became negligible in a matter of days and firms and individuals can now buy foreign currency freely at market-determined rates without the need for any authorization. The Government also moved from a system of discretionary to automatically provided import licenses in line with WTO procedures, and eliminated or reduced export taxes for major crops, beef, and manufacturing exports. In March 2016, after 15 years, the Administration resolved the dispute with the debt holdouts, allowing Argentina to restore access to international capital markets with the largest issuance ever for an emerging country (\$16.5bn). The resolution of the dispute with holdouts and the ongoing macroeconomic reforms also led to a rapid decline of Argentina’s borrowing premium and a normalization of its yield curve (see Figure 4).

**Figure 4: Sovereign Yields, Debt Issuance**

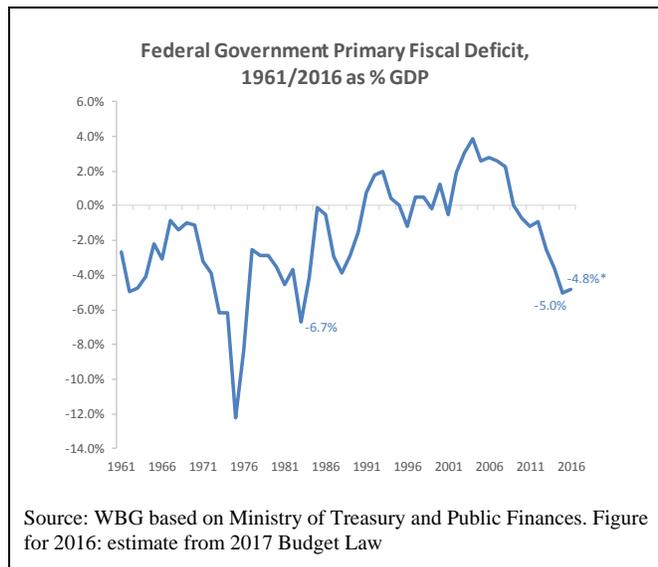


Source: WBG based on Ministry of Treasury and Public Finance

14. **Despite legal challenges, electricity, gas and transport tariffs were increased.** The Government implemented tariff increases that were challenged in the court system. In particular, the Supreme Court suspended gas tariff hikes arguing that the Government had not conducted mandatory public hearings. Following the Court's ruling, the Government conducted public hearings and settled for a more gradual tariff increase path. In the end, gas tariffs increased on average 200 percent. Electricity prices increased, from very low levels, about 340 percent for residential users and about 600 percent for firms. The new scheme includes price incentives to reduce energy consumption and a social tariff for low-income users albeit the reach of the policy should be evaluated. Subway, train and bus tickets increased 66 percent, 100 percent, and 70 percent, respectively. Drinking water subsidies were also adjusted in some regions, such as the Buenos Aires Metropolitan Area. Overall, subsidy cuts led to important fiscal savings, estimated at close to 0.7 percent of GDP in 2016.

15. **While substantial and important reforms have advanced, important challenges remain, particularly on the fiscal side.** The fiscal deficit remains high, as the Administration avoided abrupt fiscal consolidation to limit the negative short-run effects of economic reforms. The primary deficits for 2014 and 2015 were 3.4 percent and 5.0 percent of GDP, respectively, the largest since 1983. In this context, the Government enacted reforms that are expected to have a marginal positive effect on the fiscal balance for 2016 due to a successful tax amnesty. The reestablished access to international capital markets enables a gradual adjustment while the Government puts much emphasis on a credible fiscal consolidation path.

16. **Meeting fiscal targets and closing the primary deficit over the next years will be key to ensure fiscal sustainability and avoid a negative impact on the costs of financing and on investors' confidence.** The Administration adopted a strategy of gradual fiscal consolidation. According to the Budget Law, the fiscal deficit will be reduced from 4.8 percent of GDP in 2016 to 4.2 percent of GDP in 2017. This is an ambitious target, given the expected fiscal



Source: WBG based on Ministry of Treasury and Public Finances. Figure for 2016: estimate from 2017 Budget Law

impact of the 2016 pension reform (which adjusted benefits and created an old age universal pension), the income tax reform recently passed in Congress, and the expansion of social programs to protect the most vulnerable households from the correction of macroeconomic imbalances. Fiscal savings resulting from the subsidy reduction discussed above and the tax amnesty program are key to achieve the 2016 fiscal targets but an additional consolidation effort might be needed to meet the fiscal targets for 2017. While access to capital markets provides space to make the adjustment more gradual, reducing the deficit is essential to avoid a fast growth of debt levels and ensure fiscal sustainability.

17. **Argentina is currently in recession but the outlook for 2017 is positive.** GDP growth for 2015 was 2.4 percent and it was supported mostly by consumption, especially public consumption. 2016 has been a year of transition. Official indicators show that economic activity contracted up to the third quarter of 2016, for domestic and external reasons. On the domestic front, the effects of the temporary spike in inflation fueled by the exchange rate depreciation and increase in energy tariffs dampened economic activity. On the external front, the protracted recession in Brazil (Argentina's main trading partner) and weak global demand in a politically uncertain environment have limited the potential of exports as a driver of growth. Overall, real GDP is projected to have contracted in 2016 by 2.3 percent. Economic activity is projected to have hit bottom in the last quarter of 2016, and growth is expected to recover in 2017 and 2018, assuming that a stable macroeconomic framework and ongoing structural reforms will promote private consumption and investment and facilitate access to capital markets. Some external factors might affect the country's growth path as well, including the possible appreciation of the dollar, the evolution of prices of Argentina's commodity exports, growth prospects in key trading partners, and the risk of rising protectionism. Also, the difficult challenge of balancing competing objectives such as lower inflation and fiscal deficits with expanded social protection and other poverty eradication measures may create additional tensions in 2017 and 2018.

**Table 1. Argentina – Main Macroeconomic Indicators**

	2011	2012	2013	2014	2015	2016e	2017f
	<i>(percentage change)</i>						
GDP Growth	6.2	-1.1	2.3	-2.6	2.4	-2.3	2.7
CPI INDEC	9.5	10.8	10.9	23.9		41.0	21.0
CPI Private estimates	26.5	22.6	25.2	37.0	28.1	-	-
<b>Monetary Indicators</b>							
Exchange Rate, eop (ARS/US\$)	4.3	4.9	6.5	8.0	13.0	15.9	-
Central Bank bill rate, 12M (nominal)	14.3	15.0	17.8	29.3	31.5	22.9	-
	<i>(percentage of GDP, unless otherwise stated)</i>						
<b>National Accounts</b>							
Nominal GDP (US\$b)	560	608	622	545	639	534	-
Nominal GDP (AR\$b)	2,192	2,652	3,361	4,609	5,839	7,886	9,733
<b>Fiscal Accounts (General Government)</b>							
Total Revenues	31.4	32.7	33.0	32.7	34.3	-	-
Total Expenditures	34.8	35.3	36.4	38.1	41.2	-	-
Primary Balance	-1.8	-1.2	-2.6	-4.3	-5.6	-5.7	-5.2
Overall balance	-3.4	-2.6	-3.4	-5.4	-6.8	-	-
Gross Public Debt	36.1	36.5	35.5	41.6	37.4	-	-
Foreign Currency debt	20.3	20.0	20.5	25.4	23.7	-	-
	<i>(US\$ millions, unless otherwise stated)</i>						
<b>Balance of Payments</b>							
Current account balance	-4,471	-1,440	-12,143	-8,075	-15,934	-	-
(% of GDP)	-0.8	-0.2	-2.0	-1.4	-2.5	-	-
Trade Balance	9,019	12,005	1,521	3,107	-3,035	-	-
Exports of goods and services (fob)	98,423	95,168	90,696	82,158	70,704	-	-
Imports of goods and services (fob)	88,446	83,213	89,735	79,326	75,147	-	-
Foreign Direct Investment (% GDP)	2.0	2.6	1.6	0.9	1.9	-	-
Gross Reserves, year end	46,376	43,290	30,600	31,443	25,562	-	-
Gross Reserves, (months of imports)	6.3	6.2	4.1	4.8	4.1	-	-

Notes: GDP and National Accounts projections from Global Economic Prospect 2017.

CPI projections from Central Bank's REM.

Fiscal accounts projections from WBG estimates based on 2017 Budget Law for the Central Government.

### III. SUMMARY OF WBG PROGRAM IMPLEMENTATION

#### SUMMARY OF PROGRESS

18. **Over the first two years of the CPS, the World Bank Group has delivered a strong and diversified program.** Total IBRD approvals under the CPS amount to \$2.4bn until December 31, 2016 (of which about \$1.1bn was approved under the new Administration), corresponding to 10 new investment loans and 2 trust-funded projects. This is fully in line with the CPS envisaged \$1.0bn to \$1.2bn of IBRD investment project financing per fiscal year and brings the active portfolio to US\$5.85bn at end 2016. During the same period, IFC's committed investment portfolio has reached over \$2.6bn, largely surpassing the expected CPS level of \$1.7 for the full CPS period. In terms of knowledge products, the WBG presented to Government and the public a number of flagship reports and is supporting reform efforts through technical assistance in a significant number of sectors. A set of in-depth policy notes were prepared for the incoming Administration that helped to guide the policy dialogue at the very beginning of its time in office.

19. **The CPS program has been making progress, with about two thirds of the objective indicators on track to be achieved and one-third experiencing delays.** Of the fourteen original CPS outcomes, nine are broadly on track to be achieved within the remainder of the CPS period. Delays in implementation or approval of projects have led to delays in progress in four of the CPS outcomes and for these adjustments to CPS outcomes are being introduced. The remaining indicator (labor market insertion for young people) is no longer measured by the authorities and will be replaced (see section V: Adjustments to the CPS). A review of major achievements and highlights of the CPS program implementation, by pillar, is presented in the following paragraphs, while Annex 3 presents more details on progress towards achieving the CPS results.

#### **Pillar I: Sustaining employment creation in firms and farms.**

20. **To foster private investment and strengthen its enabling environment,** the Bank, through an IBRD-financed project, has assisted the country to reduce by 17 percent the cost of freight transport in selected corridors in the northern provinces of Argentina and is on track to achieve the CPS target of 20 percent reduction by 2018 (Outcome 1). Given the new Administration's focus on the private sector, this area has seen a substantial expansion of collaboration between the Government and the WBG. The IFC and the IBRD teams have jointly provided targeted advisory services to the Government, including Capital Markets Deep Dive Diagnostic, a collateral asset review and recommendations, a telecom sector diagnostic to the Ministry of Science and Technology, just-in-time advisory to the Government in reviewing the PPP Law approved by Congress in November 2016, preparation of bidding documents for the recent renewable energy auctions, and support for the Investment & Business Forum of September 2016. Following its substantial technical assistance in drafting the renewable energy auction documents that created the basis for the very successful tendering process that was launched by the Government in mid-2016, IFC is currently discussing possible debt financing with three of the winners. Civil works needed to achieve the outcome to *support agglomeration economies reach low income area* have suffered delays but are now on track to attain the revised goals (Outcome 3). Finally, there are no results yet regarding the *increase in agricultural productivity of small- and medium-size farms in low-income regions* as the evaluation of the large agricultural investment program PROSAP is ongoing.

#### **Pillar II: Asset availability of households and people.**

21. **Overall progress under this pillar varies.** Under this pillar, the objective of *achieving universal health* coverage has shown considerable progress: the share of eligible people benefitting from effective health care (Outcome 8) has risen from 28 percent to 36 percent and is on track to achieve the proposed 50 percent target by 2018. On the other hand, the objective of *increasing access to electricity, water and sanitation services for the bottom 40 percent of the population*, supported through a series of IBRD-

financed infrastructure projects, has suffered from delays in the implementation of said projects. However, all outcomes (Outcome 5, Outcome 6, and Outcome 7) are on track to be achieved by 2018, including through extension of the projects' closing dates. It is not yet possible to measure progress for the objective of *improving employability of Argentina's youth* even though the prospects for increasing the completion rate of students in rural secondary schools (Outcome 9) by 2018 are good, as project implementation is on track.

### **Pillar III: Reducing environmental risks and safeguarding natural resources.**

22. **A major achievement under this pillar has been in improving natural forest cover in the Chaco ecological region.** The annual deforestation rate of natural forest in critical areas of Chaco, Salta and Santiago de Estero has been reduced by 75 percent (from 0.56 percent at the beginning of the CPS period to 0.15 percent) exceeding the proposed target of reducing it by 50 percent (Outcome 14). The proposed *reduction of exposure to extreme flooding in Chaco, Corrientes, and Buenos Aires* has not yet materialized, mostly because of implementation delays in three infrastructure projects, one of which was only recently approved. However, Outcome 11 related to flood risk protection is expected to be substantially achieved by mid-2018. Finally, *reducing household exposure to environmental health hazard in the Greater Buenos Aires* has seen little progress on the reduction of sewage discharge and increase in sewerage coverage (Outcomes 12 and 13) because of the important delays in the implementation of the Matanza Riachuelo Project. However, the major civil works contracts are finally under execution and form the basis of a reformulated outcome of infrastructure provision.

### **Cross-Cutting Themes.**

23. **The CPS proposed a number of gradual shifts in the way, locations, and areas in which the WBG would work on a series of cross-cutting issues.** Broadly, these are on track and remain valid. In terms of content, and as stipulated in the CPS, our engagement in road maintenance management programs is winding down. Additionally, IBRD has scaled up support for the employability of young people through the Second Rural Education Improvement Project and the Youth Employment Support Project, as well as the inclusion of a specific result area in the CPS results framework. The CPS also aimed at shifting the Bank program out of direct income support for the poor unless an urgent need were to arise. Given the strong recession in the country in 2016, as well as increasing poverty since 2014, IBRD postponed such phasing out through the approval of the FY16 Children and Youth Support Project, albeit for a limited period.

24. **Several structural goals are on target.** In terms of structural themes, the increased use of *results- or output-based modalities* has been a major guiding principle in the design of operations: currently 36 percent of the current commitments use these modalities, which have shown faster disbursements and accelerated achievement of results. Similarly, the *portfolio of impact evaluations* is increasing strongly and outside of the human development sectors to include renewable energy, forestry and communities, and urban upgrading. The new Administration has shown a keen interest in working with the WBG to develop a more strategic and programmatic approach to IEs. Also, increasing project financing *to northern provinces and low-income municipalities* in largest metropolitan areas is on track with more than 55 percent of FY17 new commitments expected to directly benefit northern provinces and poor municipalities in the largest metropolitan areas.

25. **Stipulated governance reforms related to the implementation of the World Bank portfolio are similarly showing good progress.** The proportion of WB-financed projects in Argentina audited by supreme audit institutions (SAI) increased from 73 percent in FY14 to 80 percent in FY16. Likewise, the use of concurrent audits to enhance projects fiduciary controls and verify outputs delivery doubled, increasing from four projects before the CPS to eight now. Additionally, with Bank support, the Ministry

of Modernization is implementing an e-procurement system throughout the national administration, replicating a model that was implemented in the City of Buenos Aires.

## PORTFOLIO OVERVIEW

26. **The current IBRD portfolio consists of 25 projects, including 22 investment loans and 3 trust-funded grants, with total commitments of \$5.85bn, of which \$2.76bn remains undisbursed.**<sup>4</sup> The overall quality of the portfolio is moderately satisfactory or better and has improved significantly since the approval of the CPS. As of end-FY16, the number of problem<sup>5</sup> projects was reduced by half and currently there are three such projects, all expected to be out of problem status by end of FY17 (one closing, two restructuring).

27. **The portfolio is younger and better performing than at the beginning of the CPS.** The Bank's portfolio currently includes four overage projects,<sup>6</sup> all expected to close by the end of FY17. With their closing and proposed approvals, the average age of the portfolio at the end of FY17 is projected to be 40 months/project, a strong reduction from the average 68 months/project at the start of the CPS period. The disbursement ratio has improved since FY12, reaching a high of 29.8 percent in FY15, while declining to 20.4 in FY16, affected by the political transition of end 2015. However, FY17 shows signs of a strong recovery, with a disbursement ratio of 17.8 percent for the period from July to December 2016.

28. **Country portfolio reviews conducted by the Administration and the Bank have enabled a consensus on the actions to improve portfolio performance.** The new Administration indicated the overall alignment of the portfolio with their objectives and priorities and their strong interest in accelerating the pace of both approval and implementation of projects. Strong improvements have been achieved in reducing preparation time and effectiveness delays. The effectiveness lag has been reduced by approximately 30 percent during 2016 (from an average 6.4 months to 4.5 months) while the average time between concept and approval is projected to be 6.7 months at the end of FY17, strongly reduced from 10.4 months in FY11 (the last year of project approvals before the CPS).

29. **Analytical and advisory services have seen a major expansion under the CPS.** Five major analytical pieces were delivered during the first part of the CPS period: *Argentina Policy Notes*; *Country Environmental Assessment*; *Agriculture Sector Review*; *Urbanization Review*; and *Logistics Review*. This body of analytical work has provided a strong foundation in our dialogue with the new Administration and as proven instrumental in defining the strategic focus of the Bank's support and in the design of proposed operations. Over the year, the Bank and IFC have teamed up to provide the Administration targeted advisory services in a number of areas, including capital markets diagnostic, collateral asset analysis, a review of the new PPP proposed legislation, and a telecom sector diagnostic for the Ministry of Science and Technology. Major new analytical, knowledge and advisory services have commenced (see section V).

30. **IFC's Portfolio has expanded strongly over the last two years.** Since its re-engagement with Argentina under the CPS, the IFC has significantly ramped up its private sector support. As of November 2016, IFC committed investment portfolio has reached over \$2.6bn (including \$734m in short-term trade finance) from a level of about \$500m just before the start of the current CPS. In terms of long-term finance, IFC committed \$1.3bn from its own account, including \$71m in equity investments, and mobilized another \$1.3bn from third parties to benefit 39 client companies and banks. The rebound in investments reflects

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<sup>4</sup> Data as of December 30, 2016.

<sup>5</sup> Project in problem status: rated moderately unsatisfactory or lower for the development objective (DO) and/or the implementation progress (IP) in a published implementation and status report. (for ratings, see Table 5.1, Annex 5).

<sup>6</sup> Overage projects: with age (from approval) greater than eight years (ten years for project with additional financing).

IFC's ability to create a "demonstration effect" to encourage investments in key sectors, including manufacturing and agribusiness (\$880m), trade finance and financial intermediaries that support SMEs (\$788m), oil and gas (\$530m), and telecommunications and financial technology (\$404m). Although IFC finds itself only mid-way through the CPS period, it has more than doubled its own-account commitments, compared to the previous CPS period (FY10-FY12). Today, Argentina represents approximately 1.7 percent of IFC's global portfolio, or 8 percent of IFC's committed portfolio for the Latin American and Caribbean region<sup>7</sup>. IFC's re-engagement with Argentina reflects its longstanding relationship with the country. Back in FY2000 Argentina was IFC's largest exposure globally with \$1.3 billion, proportionally even more significant than today, as IFC's commitments and global portfolio were considerably smaller at the time.

31. **MIGA is re-engaging and exploring opportunities.** While it does not currently have an active portfolio in the country, MIGA has reinitiated its dialogue with the Government after a fifteen-year absence and has fielded a high-level mission to Argentina in September 2016. The Agency is ready to reengage and initially plans to support the country with short tenures (until December 2019) guarantees, pending an assessment of reinsurance possibilities for longer tenures.

#### IV. EMERGING LESSONS

32. **Focusing the CPS on areas characterized by a favorable policy environment and wide consensus across the political spectrum was instrumental in overcoming the dialogue constraints that prevailed during FY12-FY14.** It enabled the WBG to provide continued support in sectors where there had been significant engagement experience and productive dialogue. In the case of the Bank, it ensured continuity and new lending to support long-standing efforts in health, social protection, and rural development. In the case of IFC, it focused its immediate support on existing portfolio clients by meeting their most pressing financing needs and initiated the buildup of its portfolio by supporting large, export-oriented investments less affected by macroeconomic distortions. It has also enabled the new Administration and the WBG to broaden the scope of the initial strategic framework as the shift in policy orientation has led to a substantial improvement in the scope and quality of the dialogue, resulting in a gradual shift to support the Administration in its productivity growth and job creation priorities.

33. **The WBG effort to implement an ambitious ASA agenda during the CPS paid off in our dialogue with the new Administration and has proven instrumental in refining the strategic focus of our support.** By the time of the presidential elections, the WBG had already undertaken a strong set of analytical works including the Argentina Policy Notes and strategic assessments on environment, agriculture, urbanization, and logistics. This body of analytical work has provided a strong foundation for the dialogue with the new authorities at an early stage. It has also enabled the WBG to develop an even stronger program of analytical activities to support the wide variety of challenges facing the Administration as seeks to implement its medium-term strategic framework.

34. **The overlap of the CPS period across two political cycles proved a valuable instrument to engage in dialogue with the new Administration immediately after the elections.** The CPS provided an authorizing environment to initiate the dialogue with the new Government since its early days, allowing the WBG to show support to areas of importance for the Administration and to define and start delivering both advisory and financial support in a timely fashion. It also allowed for the IFC and IBRD teams to scale-up jointly provided assistance to support the administration's shift to promote an enabling business climate and ability to create markets within an environment of limited budgetary resources and challenging

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<sup>7</sup> Portfolio as of October 31, 2016.

macroeconomic risks. In the case of the Bank, for instance, the Youth and Children Protection Project was approved by the Board less than seven months from the inauguration of the new Administration, providing timely support to a specific Government request. Likewise, the IFC provided \$713m in short-term trade finance at the early stages of the Administration, thus, helping alleviate severe financing constraints faced by the private sector. At the same time, the PLR exercise one year into the new Administration's term provides a good basis to jointly reassess the program and prepare for the coming CPF cycle.

35. **The result-oriented approach in the design of operations in a broad variety of fields such as health, social protection, and education has proven an effective way of reaching vulnerable groups and ensuring faster results on the ground.** In these operations, the use of flexible framework agreements between the central government and provinces has proven more efficient than subsidiary loan agreements with the provinces, where the central government on-lends Bank loan resources to the provinces. While the use of subsidiary loan agreements is a prerogative of the Borrower, in Argentina the experience has shown that, whenever feasible, the use of flexible implementation agreements reduces implementation delays and can contribute to a healthy and agile portfolio.

36. **Delays in the implementation readiness of infrastructure projects have led to slower than anticipated progress in the delivery of some of the proposed CPS objectives, which calls for an enhanced agenda to address implementation challenges.** The Bank's infrastructure portfolio has shown strong variations in implementation readiness. While works under the Matanza-Riachuelo Project took almost five years to start, works under the Buenos Aires Flood Management Project are ready to commence six months after Board approval. While the former was a framework project at the time of Board approval, the latter – admittedly helped during a long preparation phase due to delays in prioritization of the operation – counts on a robust project design, systematic use of advanced procurement, and strategic use of retroactive financing. This experience has led, for instance, to structuring a new water and sanitation program for the Plan Belgrano provinces in two phases, rather than a single phase with a long startup period. Likewise, the experience shows the importance of taking into account project-specific implementation readiness and risks to development outcomes at the time of incorporating project-specific outcomes into the CPS results matrix.

## V. ADJUSTMENTS TO THE CPS AND FUTURE ENGAGEMENT

37. **The CPS remains an effective framework for collaboration and engagement with the new Administration.** All CPS areas of focus remain relevant for the engagement with the Administration and are expected to allow further strengthening of the collaboration between Argentina and the WBG. The structure of the CPS will allow the WBG to broaden both its financial support and policy dialogue in response to the shift in policy orientations introduced by the new Administration. In particular, Pillar I, originally focused in sustaining employment at the firm and farm level, will widen its focus to encompass long-term productivity growth and job creation. This will be realized through new investment lending accompanied with an ambitious and growing ASA agenda and reflected in the incorporation of new indicators under Objective 1<sup>8</sup> -Fostering Private Investment and Strengthening its Enabling Environment. Likewise, Pillar II, originally focused on direct assistance to the poor at the household level, will widen its focus to incorporate a specific urban approach towards poverty eradication, reflected in the addition of one indicator on housing. Additionally, the strong priority assigned by the new Administration to transparency and improved governance has set the stage for Bank financing of a stand-alone State Modernization and Innovation Project, going beyond the cross-portfolio approach envisaged under the CPS. Following is a detailed description of adjustments made to the CPS pillars.

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<sup>8</sup> In this PLR and for the remainder of the CPS period, we will use the new terminology used for Country Partnership Frameworks. Accordingly, the CPS "Result Areas" will become "Objectives" and the CPS "Outcomes" will become "Objective Indicators". Detailed changes are described in Section V.

38. **Pillar I. The WBG will support the Administration's focus on growth and unleashing the country's productive potential by deepening the support to foster private investment and strengthening its enabling environment.** Across the WBG, this will become the main area of engagement, given the country's needs during the current recession as well as the explicit reform goals to spur private investment and job growth, including through public-private partnerships. New projects will focus on facilitating access to longer-term credit and the expansion of online platforms and electronic processing tools to increase the productivity and the job-creation potential of Argentine SMEs. A project-based guarantee will support private investment in the generation of renewable energy as part of the Government's ambitious agenda for the energy sector. Two investment projects will support the reforms promoted by the new Administration regarding improved public statistics and the modernization of the public administration, especially regarding improved access and accessibility of public services. The IFC expects to increasingly focus its expansion on private sector investments geared towards improving the domestic market, including stepping up its engagement in lending to SMEs. In addition, infrastructure investments, especially in the areas of renewable energy, telecommunications and transport, are expected to become another axis of growth for IFC's investment financing.

39. **Pillar II. The WBG is expanding its collaboration on poverty alleviation in line with the Administration's territorial focus on poverty and its commitment to eradicate extreme poverty.** The expansion will include a set of IBRD investment project financing supporting: (i) substantial investments in the improvement of slums and poor neighborhoods under the proposed National Neighborhood Improvement and the Urban Slum Transformation Projects; (ii) the development of a nationwide demand-driven housing financing program for low-income families; and (iii) a further expansion of the water and sanitation investments foreseen under the CPS for the Plan Belgrano provinces. The new emphasis on this Pillar is also reflected by the inclusion of a new indicator on housing. Moreover, the scope of Objective 6 (*Improving employability of youth*) will include increasing effective social protection for children and youth, reflected by the inclusion of an indicator to measure the increase in the number of beneficiaries of Safety Nets programs financed by the FY16 Children and Youth Protection Project.

40. **Pillar III. No major changes are proposed to the three objectives of this pillar, apart from adjustment of one objective indicator.** Due to delays in implementation of the Matanza-Riachuelo Project and given the time remaining under the current CPS, two revised indicators measuring physical progress of sewerage collectors and of subaquatic outfall will replace the two original outcomes (75 percent treatment of sewage discharges to the Matanza River and a 39 percent increase in sewerage coverage in the Matanza-Riachuelo Basin).

41. **Advisory Services and Analytics.** The broader policy dialogue established with the new Administration has translated into a substantial broadening of our analytical and advisory work program. The Government has actively sought advice on a variety of areas responding to its highest policy priorities. On the transparency agenda, the Bank will be assisting the Administration to introduce key reforms in public procurement and in improving the quality and access of public administration services to citizens and businesses. A large work program on supporting the analysis of public expenditures is under way. Further, a flagship report on the role of investment, trade and competition policies is being prepared which will provide the overall framework for the WBG engagement on private sector development in Argentina. The preparation of the report will be complemented by an IBRD-IFC advisory project on competition policy, trade and integration into global value chains, investment climate reforms, and facilitating Argentina's engagement on the OECD agenda as well as joint key technical assistance in supporting Argentina PPP agenda (for which a new specific indicator has been included under Pillar 1). Under Pillar 2, access to asset availability by the poor, a study to improve service delivery is underway to increase access and improve the quality of water, sanitation, and electricity services for the most vulnerable populations as well continued support for the Government's overall poverty reduction drive. [Table 2](#) provides a summary of the several of the main knowledge activities the Bank will be undertaking in the remainder of the CPS

period. Annex 8 provides a list of selected advisory services and analytics undertaken or planned.

42. **The IBRD pipeline for the remainder of the CPS period is strong and diversified.** The overall pipeline for FY17 includes seven investment project financing (two already approved) and one project-based guarantee for a total indicative amount of \$1.6bn (of which \$480m as guarantee). The FY17 pipeline includes two urban development operations (one for the Province of Buenos Aires and the Metropolitan Area of Buenos Aires and one nationwide), a Bank guarantee for the renewable energy sector, a State Modernization Project, an additional financing for the Metropolitan Urban Transport Project, a project to strengthening INDEC’s capacity, an additional financing to strengthen water and sanitation services in the Plan Belgrano area, and an Integrated River Basin Management Project. Table 5.2 in Annex 5 presents more info on the FY17 pipeline and the projects’ fit with the CPS’ objectives. In general, the new operations are not expected to influence the CPS outcomes within the remainder of the CPS period. With \$2.4bn lending in the first two years of the CPS, and \$1.6bn (of which \$480m as guarantee) expected for FY17, the total lending amount for the whole CPS period is expected to remain broadly within the financing parameters outlined in the original CPS.

**Table 2. Portfolio of Core Knowledge Activities for FY17-FY18**

<b>Knowledge Area</b>	<b>Description</b>	<b>CPS Pillars and Objective</b>
Competitiveness and Trade Program	Analysis, technical assistance and policy options for (i) doing business reforms; (ii) investment climate; (iii) competition policy; and (iv) gradual trade policy reforms	Pillar I Objective 1
Financial Sector Assessment	Analysis, technical assistance and policy options for (i) capital market development; (ii) financial inclusion; (iii) housing finance; and (iv) infrastructure finance (PPP)	Pillar I Objective 1
Public Expenditures Reviews	At the subnational level (Buenos Aires Province) as well as, focused, at national level	Pillar II Objective 2
Poverty and Social Statistics	Technical assistance in support of (i) household survey design and reach; (ii) development of new and reliable social statistics.	Pillar II Objectives 4 & 5
Transparency and Anti-Corruption Program	Analysis, technical assistance, and policy reform options including: (i) benchmarking key governance and transparency practices, including information access and use; (ii) assessment of public procurement processes in three key ministries; and (iii) open contracting assessment.	Cross-cutting in all pillars/objectives

43. **Looking forward, a core activity for the remainder of the CPS is the preparation of a Systematic Country Diagnostic (SCD) for Argentina.** During the first half of 2017, the WBG will start the Argentina Systematic Country Diagnostic (SCD) aimed at assessing the most critical constraints and opportunities the country faces toward the goals of eradicating poverty and promoting shared prosperity in a sustainable manner.

## VI. RISKS TO CPF PROGRAM

44. **The overall risk to the program proposed for the remainder of the CPS period is Moderate** as assessed using the Systematic Operations Risk-Rating Tool (SORT, see Table 3 below). The risks included are those that may affect the CPF objectives or contribute to unintended adverse consequences associated with the program. Most of the major risks identified in the original CPS have considerably receded. About two-thirds of the CPS objectives show satisfactory progress while the remaining ones, mostly related to infrastructure financing, present delays that do not compromise their achievement, although belatedly. Most of the delayed objectives are expected to be on track to achieve significant milestones by the end of the CPS period.

**Table 3. Revised SORT: Risks to the CPS Objectives in Argentina**

Risk Categories	Rating (H, S, M, or L)*
1. Political and governance	M
2. Macroeconomic	S
3. Sector strategies and policies	M
4. Technical design of project or program	M
5. Institutional capacity for implementation and sustainability	S
6. Fiduciary	M
7. Environment and social	M
8. Stakeholders	L
9. Other: Portfolio Implementation	M
<b>Overall</b>	<b>M</b>

*\*(H: High; S: Substantial; M: Moderate; L: Low)*

45. **Macroeconomic Risk.** At the time of the CPS presentation, several international credit rating agencies had just downgraded to ‘selective default’ Argentina’s credit rating on its foreign currency debt. With the new Administration’s rapid resolution of the debt situation and efforts to resolve a wide range of matters affecting the country’s credibility and international relations, effectively restoring Argentina’s access to international financial markets, those risks have receded. However, redressing the significant macroeconomic imbalances inherited from the previous administrations will require some additional time. Reducing the deficit is essential to avoid a fast growth of debt levels and ensure fiscal sustainability. While the reestablishment of international credit enables the Administration to follow the gradualist approach it has chosen towards fiscal balance, restoring growth and establishing a credible path towards fiscal sustainability constitute an important challenge along a narrow path, given the external environment and expected need to protect the most vulnerable households during the transition time. Missing those targets might have a negative impact on investor confidence, which could impact the achievement of some of the indicators of Objectives 1 of the CPs. The macroeconomic risk is rated substantial.

46. **Political risks.** At the time of CPS preparation, the country was engulfed in a strong political debate between different economic models. The Bank’s program focused, hence, on areas which had broad support across the political spectrum. Also, while the transition did cause some inevitable slowdown in implementation, its effects have now been fully discounted. The risk of a divisive political context has emerged since the new Government does not hold a majority in either chambers of the legislative branch and support from trade unions and other relevant social actors may prove volatile. The Administration needs to play a careful balancing act to proceed with economic reforms and at the same time maintain the population’s support. The mid-term political elections scheduled for October 2017 will be an important test for the Administration. However, their impact, if any, would be felt only at the end of the CPS period and

are not likely to constitute a major risk to achieving the CPS objectives. Likewise, at the decentralized level, the political cycle of 21 of the 23 provinces<sup>9</sup> and the City of Buenos Aires coincide with the presidential mandate and is not expected to be impacted by the outcome the mid-term elections. Based on this, the political risk is rated moderate.

47. **IBRD Portfolio Risks.** The CPS identified possible project implementation issues related to effectiveness delays, challenges in retaining highly-skilled staff in the PIUs, and possible fiduciary and procurement issues. While the administrative transition after the elections has caused some inevitable delays, the Administration and the IBRD have strengthened their portfolio reviews and have organized implementation workshops to strengthen knowledge and capacity of the implementation teams and provide solutions to possible implementation bottlenecks. Effectiveness delays for all operations approved during the CPS have been strongly reduced with respect to previous projects, thanks to simpler design in operations, stronger engagement of central authorities, and increased joint follow-up in the framework of strengthened coordination and dialogue between the Government and the World Bank. For the operations approved under the CPS there has been a deliberate effort towards simplifying project design and increasing the results focus, even at provincial level. The risks to implementation remains mostly linked to older projects for which corrective actions are being taken. With the quality of the portfolio overall in satisfactory range and an improved relationship with the Administration on portfolio reviews, the risk to portfolio implementation is rated moderate.

48. **IFC Portfolio Risks.** Despite the significant volume of investments achieved thus far, the success of future IFC financing is demand-driven and depends on market conditions. In this regard, IFC notes that the outlook for Argentina should reflect cautious optimism as there remain both internal and external factors which may affect IFC's ability to attract investments and achieve CPS objectives. The main internal challenges include the cost of doing business – related to weak competition policies, heavy burden of red tape and restrictive price controls – as well as the Macri administration's ability to build support to deep structural reforms and control inflation, which together, impact investor confidence. The main external challenges in the remaining CPS period include the growth prospects of its northern neighbor and largest trading partner, Brazil, as well as rising protectionist trends in other important global trading partners and investors, such as the United States. Argentina's exposure to these adverse economic shocks, in turn reduce IFC's reach in direct employment generation and earnings opportunities. Here, the Bank will complement the IFC's mobilization efforts with knowledge products and continued work with the government on deeper reform strategies in order to counter these potential risks.

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<sup>9</sup> With the exception of Santiago del Estero (2016) and Corrientes (2017)

## Annex 1. Updated CPS Results Matrix

CPS Indicators	Key WBG Activities
<i>PILLAR I: Unlocking long-term productivity growth and job creation</i>	
<b>Objective #1: Fostering Private Investment and Strengthening its Enabling Environment</b>	
<p><b>Indicator #1.</b> Reduction in cost of freight transport in selected corridors of Northern Argentina by 20 percent.  <b>Baseline 2014:</b> average cost in selected corridors: \$/tn.km 0.233 - AR\$/tn.km 1.861.  <b>Target 2018:</b> average cost in selected corridors: \$/tn.km 0.185 - AR\$/tn.km 1.476.</p> <p><b>Indicator #2.</b> Ratio of the average portfolio maturity of MSME sub-loans under the credit line over the average portfolio maturity of PFI's MSME lending portfolio not financed by the credit line  <b>Baseline 2016:</b> 0  <b>Target 2018:</b> &gt;1</p> <p><b>Indicator #3:</b> At least one new public-private partnership transaction under the new PPP framework by 2018  <b>Baseline 2016:</b> 0  <b>Target 2018:</b> 1</p> <p><b>Indicator #4.:</b> Volume of energy efficiency loans of financial institutions supported by IFC  <b>Baseline 2016:</b> 0  <b>Target 2018:</b> \$15m</p>	<p><b>Financial Services</b></p> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Provincial Roads Infrastructure Project &amp; AF (P070628) – FY06 &amp; FY10</li> <li>• Norte Grande Road Infrastructure (P120198) – FY11</li> <li>• Argentina Access to Finance for MSMEs (P159515) -- FY16</li> </ul> <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> <li>• Renewable Energy Fund Guarantee – FODER (P159901) FY17</li> </ul> <p><b>Knowledge Services</b></p> <p><i>Delivered:</i></p> <ul style="list-style-type: none"> <li>• AR Development Policies for Growth PA (FY15) P154802</li> <li>• Financial sector policy notes (P156048)</li> </ul> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Argentina Development Policies for Growth PA (P154802)</li> <li>• State of Transparency in Argentina (P161697)</li> <li>• Capital Markets, Infrastructure and Housing Finance Advisory (P161487)</li> <li>• Strengthening Argentina's integration in the global economy. The role of investment, trade and competition policies (P161698)</li> <li>• Strengthening PPP agendas (P161168)</li> <li>• Argentina Public Expenditure Review - (P161695)</li> </ul>

Objective #2: Supporting agglomeration economies' reach low-income areas	
<p><b>Indicator #5:</b> 8 percent reduction in average transit time in the Metrobus of La Matanza and Rosario</p> <p><b>Baseline 2014:</b> La Matanza: 59.3 minute/trip; Rosario: 38.4minutes/trip</p> <p><b>Target 2018:</b> Eight percent reduction from baseline</p>	<p><b>Financial Services</b></p> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Provincial Roads Infrastructure Project &amp; AF (P070628) – FY06 &amp; FY10</li> <li>• Urban Transport in Metropolitan Areas -PTUMA (P095485) – FY10</li> <li>• AR Buenos Aires Infrastructure Development (P088032) –FY07- FY15 (closed)</li> <li>• Infrastructure financing (Global Infrastructure Facility) (GIF MU ID.0015)</li> </ul> <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> <li>• AR: National Habitat and Housing Project (P159929) FY17</li> <li>• Metropolitan Buenos Aires Urban Transformation Project (P159843) FY17</li> <li>• Urban Transport in Metropolitan Areas AF -PTUMA –FY17</li> </ul> <p><b>Knowledge Services</b></p> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Agglomeration economies and resilience (P153198)</li> <li>• AR Transport Engagement Strategy (P161716)</li> </ul> <p><i>Delivered:</i></p> <ul style="list-style-type: none"> <li>• AR Development Policies for Growth PA (FY15) P154802</li> </ul>
Objective #3 Raising agricultural productivity of small- and medium-size farms in low income regions	

<p><b>Indicator #6:</b> Increase the gross value of agricultural production (\$/ha) of 30,000 small- and medium-size farms by 12 percent on average by 2018.</p>	<p><b>Financial Services</b></p> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• AR PROSAP2 –Provincial Agricultural Development (P106684)</li> <li>• Socio Economic Inclusion in Rural Areas (P106685)</li> </ul> <p><b>Knowledge Services</b></p> <p><i>Delivered</i></p> <ul style="list-style-type: none"> <li>• Programmatic Farm to Markets Study (AR, PY, and UY) (P145360) FY16</li> <li>• AR Development Policies for Growth P154802 FY16</li> <li>• Prospects for Agricultural Competitiveness in Argentina (P155040) – FY16</li> </ul>
<p><b>PILLAR II: Increase access and quality of social infrastructure &amp; services for the poor</b></p>	
<p><b>Objective #4 Increasing access to electricity, safe drinking water, housing and sanitation services for the bottom 40 percent in low-income provinces and areas</b></p>	
<p><b>Indicator # 7:</b> 365,000 people from rural areas of all provinces of Argentina receive electricity services (out of 725,000 without in 2010);  <b>Baseline 2014:</b> 0  <b>Target 2018:</b> 365.000 (40% of which female beneficiaries)</p> <p><b>Indicator #8:</b> Increased access to safe drinking water increases in Plan Belgrano provinces  <b>Baseline 2014:</b> 83 percent  <b>Target 2018:</b> 92 percent</p> <p><b>Indicator #9:</b> Increased access to sanitation services in Plan Belgrano provinces  <b>Baseline 2014:</b> 41 percent  <b>Target 2018:</b> 55 percent</p> <p><b>Indicator # 10:</b> Implementation of pilot intervention for a nation-wide demand-driven housing subsidy program  <b>Baseline 2016:</b> no pilot  <b>Target 2018:</b> pilot implemented</p>	<p><b>Financial Services</b></p> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• AR Norte Grande Water Infrastructure (P120211) – FY11</li> <li>• AR Second Norte Grande Water Infrastructure (P125151) – FY11</li> <li>• Public Sector Strengthening Program, La Rioja SWAP (P121836) – FY11</li> <li>• Developing Renewable Energy and Energy Efficiency Markets -PERMER (P133288)</li> </ul> <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> <li>• Water and Sanitation AF Plan Belgrano (P159928) FY17</li> <li>• Argentina National Habitat and Housing Project (P159929) FY17</li> </ul> <p><b>Knowledge Services</b></p> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Improving Service Delivery for the most vulnerable (P156133)</li> </ul> <p><i>Delivered:</i></p> <ul style="list-style-type: none"> <li>• AR Development Policies for Growth PA (FY15) P154802</li> </ul>

Objective #5: Achieving Universal Health Coverage with focus on the poorest provinces	
<p><b>Indicator #11:</b> Proportion of eligible people benefiting from effective healthcare rises.</p> <p><b>Baseline 2014:</b> 28 percent <b>Target 2018:</b> 50 percent</p>	<p><b>Financial Services</b></p> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Essential Public Health Functions Program, FESP (P110599) – FY11</li> <li>• Provincial Public Health Insurance Development Project, SUMAR and AF (P106735 &amp; P154431) – FY11 &amp; FY15</li> <li>• Support to the Integral Strategy for the Prevention and Control of Chronic Conditions and Injuries Project (P133193) FY15</li> </ul> <p><b>Knowledge Services</b></p> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Impact Evaluation of Maternal and Child Health Interventions (P095515) - FY15</li> </ul> <p><i>Delivered:</i></p> <ul style="list-style-type: none"> <li>• Argentina Aging Country Study (P133190)- FY15</li> <li>• AR Health Strategy Sustainability TA (P147424) FY16</li> <li>• Analysis of Fiscal and Health Expenditure Trends and Opportunities in the Province of Buenos Aires FY16</li> </ul>
Objective #6 Improving employability of Argentina’s youth and increasing effective social protection for children and youth	
<p><b>Indicator #12:</b> Percentage of JMyMT [youth with more and better work] program participants who have left the program and are employed in the formal market.</p> <p><b>Baseline Dec 2014:</b> 25.2 percent. <b>Target 2018:</b> 27 percent.</p> <p><b>Indicator #13:</b> Increase by 500.000 in the number of children and youth covered by child allowances managed by ANSES</p> <p><b>Baseline 2016:</b> 7.897.000 <b>Target 2018:</b> 8.397.000 (or which 50% female)</p>	<p><b>Financial Services</b></p> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Argentina Second Rural Education Improvement Project- PROMER(P133195) FY15</li> <li>• Youth Employment Support (P133129) FY15</li> <li>• Children and Youth Protection Project (P158791) FY16</li> </ul> <p><b>Knowledge Services</b></p> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Provincial Education Impact Evaluation (P147562) – FY14</li> <li>• AR Development Policies for Growth PA P154802 – FY15</li> </ul>

**PILLAR III: Reducing Environmental Risks and Safeguarding Natural Resources**

**Objective #7 Reducing exposure to extreme flooding in Chaco, Corrientes, and Buenos Aires**

**Indicator #14:** Flood risk protection reaches 2.3 million people in the provinces of Buenos Aires, Chaco and Corrientes  
**Baseline 2014:** 200,000 people.  
**Target 2018:** 2.300.000 people

**Financial Services:**

*Ongoing:*

- AR Norte Grande Water Infrastructure (P120211) – FY11
- AR Second Norte Grande Water Infrastructure (P125151) – FY11
- AR Vega Flood Prevention and Drainage Project (P145686) – FY16

*Pipeline:*

- Salado Integrated River Basin Management Support Project (P161798) FY17

**Knowledge Services**

- Strengthening Disaster Risk Management (P156197)

**Objective #8 Reducing household exposure to environmental health hazards in Greater Buenos Aires**

**Indicator #15:** Linear kilometers of sewerage collectors built under the Riachuelo System:  
**Baseline 2016=** 0 km  
**Target 2018=** 29.7 km (87.3% of the total)

**Indicator #16:** Linear kilometers of subaquatic outfall:  
**Baseline 2016=** 0 km  
**Target 2018=** 7.5 km (62.5% of the total)

**Financial Services**

*Ongoing:*

- Matanza-Riachuelo Basin (MRB) Sustainable Development Adaptable Lending Program (P105680) – FY09
- Reduction of Ozone Project, Montreal Protocol (P005920) – FY07

**Knowledge Services**

*Delivered:*

- Country Environmental Analysis (P147282) FY16

**Objective #9 Improving natural forest cover in the Chaco Eco Region**

**Indicator #17:**  
Reduction of 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)  
**Baseline 2011:** 0.56 percent  
**Target 2018:** 0.28 percent (achieved)

**Financial Services**

*Ongoing:*

- Forests and Communities FY15 (P132846)
- Biodiversity Conservation in Productive Forestry Landscapes (P094425) – FY09
- Forest Carbon Partnership Facility (FCPF) Readiness Grant (P120414)

*Closed:*

- Third National Communication UNFCCC (P116974)
- AR Sustainable Natural Resources Management (P100806)

**Knowledge Services**

*Ongoing:*

- Agriculture Risk Management and El Niño (ENSO) Preparedness (P159720)

## Annex 2. Matrix of Changes to Original CPS Results Matrix

The structure of the CPS has remained unchanged. The revised results framework continues to be structured under the original 3 CPS Strategic Themes/Pillars. The number of intermediate indicators has been reduced

Original Objectives and Indicators	Revised indicators	Rationale for change
<i>PILLAR I: Sustaining Employment Creation in Firms and Farms</i>	<i>PILLAR I: Unlocking long-term productivity growth and job creation</i>	
<b>Objective #1: Fostering Private Investment and Strengthening its Enabling Environment</b>		
Reduction in cost of freight transport in selected corridors of Northern Argentina by 20 percent. <b>Baseline 2014:</b> average cost in selected corridors: \$/tn.km 0.233 - AR\$/tn.km 1.861. <b>Target 2018:</b> average cost in selected corridors: \$/tn.km 0.185 - AR\$/tn.km 1.476.	<b>Unchanged</b>	
IFC: Increased number of direct jobs supported through IFC clients. <b>Baseline 2014:</b> 56,000. <b>Target 2018:</b> 61,000.	<b>Dropped</b>	Indicator dropped due to marginal improvement in relation to total volume of investment.
	<b>New indicator:</b> Ratio of the average portfolio maturity of MSME sub-loans under the credit line over the average portfolio maturity of PFI's MSME lending portfolio not financed by the credit line Baseline 2016: 0 Target 2018: >1	Indicator added in the area of SMEs to reflect progress under new SMEs Support Project(FY17) aimed to improve access to longer-term finance for micro, small and medium enterprises, through strengthening BICE's second-tier lending capacity and establishing the foundation for an improved enabling environment for access to finance.
	<b>IFC new indicator</b> Volume of energy efficiency loans of financial institutions supported by IFC (\$15 Million target)	Indicator added to reflect new IFC business
	<b>New indicator</b> At least one public-private partnership transaction by 2018 <b>Baseline 2014:</b> 0 <b>Target 2018:</b> 1	Indicator added to reflect continued WBG support on PPP regulatory and institutional frameworks across several infrastructure sectors

Original Objectives and Indicators	Revised indicators	Rationale for change
<b>Milestone:</b> Implementation of risk-based supervision and risk-based capital management.	<b>Dropped</b>	This milestone/Intermediate indicator is no longer required in the remainder of the CPS period
<b>Objective #2: Supporting agglomeration economies' reach to low-income areas</b>	<b>Objective #2: Promoting urban development with focus on low income areas</b>	
Reduction in average transit time for bottom 40 percent in 2 metropolitan areas (Buenos Aires, Rosario).  <b>Baseline 2014:</b> Buenos Aires: 51.92 minutes per transit trip + Rosario: 36.78 minutes per transit trip // Weighted average: 51 minutes. <b>Target 2018:</b> 15 percent reduction from baseline	Reduction in average transit time in the Metrobus of La Matanza and Rosario  <b>Baseline 2014:</b> La Matanza: 59.35 average minutes per transit trip; Rosario: 38.4 average minutes per transit trip) <b>Target 2018:</b> 8% reduction from baseline	The target has been reduced to adjust to delays in the completion of works. Also, the area where the indicator will be measured has been corrected (La Matanza and Rosario)
<b>Milestone:</b> Contribute to rehabilitation and upgrading of provincial roads.	<b>Dropped</b>	This milestone/Intermediate indicator is no longer required in the remainder of the CPS period
<b>Milestone:</b> Decline in road accident injuries.	<b>Dropped</b>	This milestone/Intermediate indicator is no longer required in the remainder of the CPS period
<b>Objective #3 Raising agricultural productivity of small- and medium-size farms in low income regions</b>		
Increase the gross value of agricultural production (\$/ha) of <b>80,000</b> small- and medium-size farms by 12 percent on average by 2018.	Increase the gross value of agricultural production (\$/ha) of <b>30,000</b> small- and medium-size farms by 12 percent on average by 2018.	Given delays in the implementation of the project and in the measuring of results, the target was revised downwards.
<b>Milestone:</b> Increased productive area resulting from investments in irrigation, roads, energy, and extension services.	<b>Dropped</b>	This milestone/Intermediate indicator is no longer required in the remainder of the CPS period.

Original Objectives and Indicators	Revised indicators	Rationale for change
<b>Milestone:</b> Small and medium sized farms with improved access to productive infrastructure and service through demand-driven community subprojects	<b>Dropped</b>	This milestone/Intermediate indicator is no longer required in the remainder of the CPS period.
<b>PILLAR II: Asset Availability of Households and People</b>	<b>PILLAR II: Increase access and quality of social infrastructure &amp; services for the poor</b>	
<b>Objective #4 Increasing access to electricity, safe drinking water, and sanitation services for the bottom 40 percent in low-income provinces and areas</b>		
365,000 people receive electricity services (out of 725,000 without in 2010) <b>Baseline (2014): 0</b> <b>Target (2018): 365.000</b> (40% of which female beneficiaries)	<b>Revised</b> 365,000 people from rural areas of all provinces of Argentina receive electricity services (out of 725,000 without in 2010); <i>Baseline (2014): 0</i> <i>Target (2018): 365.000</i> (40% of which female beneficiaries)	Specificity has been added to the definition of the indicator. The indicator now includes gender disaggregation.
Access in the Norte Grande provinces to safe drinking water increases from 83 to 92 percent <b>Baseline:</b> 83% <b>Target:</b> 92%	<b>Unchanged</b>	
Access in the Norte Grande provinces to sanitation increases from 41 to 55 percent. <b>Baseline:</b> 41% <b>Target:</b> 55%	<b>Unchanged</b>	
<b>Milestone:</b> Increase in number of consumers benefiting from improved access to water and sanitation.	<b>Dropped</b>	Milestone/intermediate indicator no longer required in the remainder of the CPS period
<b>Milestone</b> Increase in number of schools, health centers, and other public buildings electrified	<b>Dropped</b>	This milestone/Intermediate indicator is no longer required in the remainder of the CPS period
	<b>New indicator added:</b> Implementation of pilot intervention for a nation-wide demand-driven housing subsidy program <i>Baseline: no pilot</i> <i>Target 2018: pilot implemented</i>	An indicator for access to housing area has been included to reflect two new Projects projected to be delivered in FY17.

Original Objectives and Indicators	Revised indicators	Rationale for change
<b>Result Area #5: Achieving Universal Health Coverage with focus on the nine poorest provinces</b>		
Proportion of eligible people benefiting from effective healthcare rises.  <b>Baseline 2014:</b> 28 percent <b>Target 2018:</b> 50 percent	<b>Unchanged</b>	
<b>Milestone:</b> % of provinces that have implemented a minimum set of actions to regulate sodium consumption and tobacco control.	<b>Dropped</b>	This will no longer be required in the remainder of the CPS period.
<b>Milestone:</b> Increased proportion of eligible women between 25 and 64 with at least one cervical cancer screening every two years.	<b>Dropped</b>	This milestone has been achieved (Annex 3) and will no longer be required in the remainder of the CPS period.
<b>Milestone:</b> Subnational governments put in operation planning and monitoring instruments aimed to introduce performance in public expenditures financing key services.	<b>Dropped</b>	This milestone has been achieved (Annex 3) and will no longer be required in the remainder of the CPS period.
<b>Milestone:</b> 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.	<b>Dropped</b>	This milestone has been achieved and will no longer be required in the remainder of the CPS period.

Objective #6 Improving employability of Argentina's youth	Objective #6 Improving employability of Argentina's youth and increasing effective social protection for children and youth	
Increase in secondary school completion rate in rural areas. <b>Baseline 2010*</b> : 61.5% *Census 2010 <b>Target 2018</b> : 65.5%	<b>Dropped</b>	This indicator is dropped. A new indicator will be included under objective 6 to reflect new engagement under Children and Youth Protection Project.
<b>Milestone</b> : Increase in enrollment rate into upper secondary school in rural areas.	<b>Dropped</b>	This milestone will no longer be required in the remainder of the CPS period.
Relative chance of labor market insertion rate for 400,000 young people doubles. <b>Baseline 2014</b> : 9 percent. <b>Target 2018</b> : 25 percent.	<b>Replaced by:</b> Percentage of JMyMT program participants who have left the program and are employed in the formal market. <ul style="list-style-type: none"> <li>• Baseline Dec 2014: 25.2 percent.</li> <li>• Target 2018: 27 percent.</li> </ul> Percentage of JMyMT program participants who have left the program and are employed in the formal market - Female. (Percentage - Sub-Type: Breakdown) Baseline Dec 2014: 16 percent. Target 2018: 20 percent	The old indicator is dropped because the Ministry no longer collects the data needed for its measuring. The indicator is replaced by the PDO of Youth Project.
	<b>New indicator:</b> Increase by 500.000 in the number of children and youth covered by child allowances managed by ANSES <i>Baseline 2016</i> : 7.897.000 <i>Target 2018</i> : 8.397.000 (or which 50% female)	A new indicator related to effective social protection coverage added, based on approval of Children and Youth Protection Project (FY16), not originally foreseen under the CPS.
<b>PILLAR III: Reducing Environmental Risks and Safeguarding Natural Resources</b>		
<b>Objective #7 Reducing exposure to extreme flooding in Chaco, Corrientes, and Buenos Aires</b>		
Flood risk protection reaches 2.3 million people in the three provinces <b>Baseline 2014</b> : 200,000 people. <b>Target 2018</b> : 2.3m people	<b>Revised</b> Flood risk protection reaches 2.3 million people in the Provinces of Buenos Aires, Corrientes and Chaco <b>Baseline 2014</b> : 200,000 people.	Specificity has been added to the definition of the indicator.

<b>Milestone:</b> Square kilometers of area protected from flooding in the Northern provinces and the city of Buenos Aires.	<b>Dropped</b>	This milestone will no longer be required in the remainder of the CPS period.
<b>#8 Reducing household exposure to environmental health hazards in Greater Buenos Aires</b>		
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. <b>Baseline:</b> zero. <b>Target:</b> 75%  Increase in sewerage coverage from 33 percent to 72 percent in the Province of Buenos Aires' 14 municipalities of the Matanza-Riachuelo Basin. <b>Baseline:</b> 33% <b>Target:</b> 72%	<b>Dropped, replaced by:</b> Linear kilometers of sewerage collectors (Lot 1): <b>Baseline 2016=</b> 0 km <b>Target 2018=</b> 29.7 km (87.3% of the total)  Linear kilometers of subaquatic outfall: <b>Baseline 2016=</b> 0 km <b>Target 2018=</b> 7.5 km (62.5% of the total)	Delays in the implementation of the Matanza-Riachuelo Project and new timeline for works led to replace the original CPS indicators.
<b>Milestone:</b> Linear kilometers of sewerage collectors completed.	<b>Dropped</b>	This milestone will be used as an indicator for objective 8.
<b>Milestone</b> Linear kilometers of subaquatic outfall completed	<b>Dropped</b>	This milestone will be used as an indicator for objective 8.
<b>#9 Improving natural forest cover in the Chaco Eco Region</b>		
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. (50 percent decline in deforestation in critical areas in targeted provinces)	<b>Unchanged</b>	
<b>Milestone:</b> Development of forestry and conservation strategies.	<b>Dropped</b>	This milestone has been achieved and will no longer be required in the remainder of the CPS period.
<b>Milestone:</b> Develop a multi-sectoral policy framework for reduction of emissions of carbon from deforestation and forest degradation.	<b>Dropped</b>	This milestone has been achieved and will no longer be required in the remainder of the CPS period.
<b>Milestone:</b> Develop an agriculture and climate change information system that facilitates producers' access to climate-related data.	<b>Dropped</b>	This milestone has been achieved and will no longer be required in the remainder of the CPS period.

### Annex 3. Matrix summarizing Progress towards CPS Results

CPS Outcomes	CPS Intermediate Milestones	Progress during FY15-16: intermediate data on CPS outcomes and milestones	Key WBG Activities
<i>PILLAR I: Sustaining Employment Creation in Firms and Farms</i>			
<b>Result Area #1: Fostering Private Investment and Strengthening its Enabling Environment</b>			
<b>Issues and Obstacles:</b>			
<p><b>OUTCOME 1:</b> Reduction in cost of freight transport in selected corridors of Northern Argentina by 20 percent. <b>Baseline 2014:</b> average cost in selected corridors: \$/tn.km 0.233 - AR\$/tn.km 1.861. <b>Target 2018:</b> average cost in selected corridors: \$/tn.km 0.185 - AR\$/tn.km 1.476.</p> <p><b>OUTCOME 2:</b> IFC: Increased number of direct jobs supported through IFC clients. <b>Baseline 2014:</b> 56,000. <b>Target 2018:</b> 61,000.</p>	<p>1.1 Implementation of risk-based supervision and risk-based capital management.</p>	<p><b>Progress:</b> <b>Outcome 1:</b> The outcome indicator shows progress. As of December 2015, there has been a reduction of 17% in the cost of freight transport in selected corridors (\$/tn.km 0.192). <b>ON TRACK</b></p> <p><b>Outcome 2:</b> Actual baseline for 2014 was 48,742. Current data for 2015 is 53,339. Moreover, female employment increased from 9,504 in 2014 to 10,909 in 2015, which represents a fifth of total direct employment supported by IFC clients. <b>PARTIALLY ACHIEVED.</b></p> <p><b>Milestone Progress 1.1.:</b> This indicator has not been tracked.</p>	<p><b>Financial Services</b> <i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Provincial Roads Infrastructure Project &amp; AF (P070628) – FY06 &amp; FY10</li> <li>• Norte Grande Road Infrastructure (P120198) – FY11</li> <li>• Argentina Access to Finance for MSMEs (P159515) (FY16)</li> </ul> <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> <li>• Renewable Energy Fund Guarantee – FODER (P159901)</li> <li>• Modernization and Innovation for Better Public Services in Argentina (P157136)</li> </ul> <p><b>Knowledge Services</b> <i>Delivered:</i></p> <ul style="list-style-type: none"> <li>• AR Development Policies for Growth PA (FY15) P154802</li> <li>• Financial sector policy notes (P156048)</li> </ul> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Argentina Development Policies for Growth PA (P154802)</li> <li>• State of Transparency in Argentina (P161697)</li> <li>• Capital Markets, Infrastructure and Housing Finance Advisory (P161487)</li> </ul>

CPS Outcomes	CPS Intermediate Milestones	Progress during FY15-16: intermediate data on CPS outcomes and milestones	Key WBG Activities
			<ul style="list-style-type: none"> <li>• Strengthening Argentina’s integration in the global economy. The role of investment, trade and competition policies (P161698)</li> <li>• Strengthening PPP agendas (P161168)</li> <li>• Argentina PER (P161695)</li> </ul>
<b>Result Area #2: Supporting agglomeration economies’ reach low-income areas</b>			
<p><b>OUTCOME 3:</b> 15 percent reduction in average transit time for bottom 40 percent in 2 metropolitan areas (Buenos Aires, Rosario).</p> <p><b>Baseline 2014:</b> Buenos Aires: 51.92 minutes per transit trip + Rosario: 36.78 minutes per transit trip // Weighted average: 51 minutes.</p> <p><b>Target 2018:</b> Baseline - 15 percent</p>	<p>2.1 Contribute to rehabilitation and upgrading of provincial roads.</p> <p>2.2 Decline in road accident injuries.</p>	<p><b>Outcome 3:</b> Although there is no data available yet, the contracts for the construction of segregated bus lanes in Santa Fe and Rosario (2.5km &amp; \$4.5 million) are under construction and the works for the construction of the Bus Rapid Transit (BRT) in La Matanza have started and are progressing at good speed. . The completion of these works will lead to the attainment of the end target. <b>ON TRACK</b></p> <p><b>Milestone Progress:</b></p> <p>2.1 The Bank contributed to rehabilitate and maintain about 1,273 Km under a performance based road-contracting methodology, which has led to more sustainable management of parts of the road networks in the Provinces that implemented CREMA contracts. Under Specific Civil Works component, about 207 Km of roads have been rehabilitated and additional 30 Km have paved. The works already performed have benefited mobility of about 14,395 vehicles per day and 482,000 inhabitants living on the project influence area.</p> <p><b>ON TRACK</b></p> <p>2.2 There has been a reduction of 45% in the death rate (number per 1 million vehicles/km) along demonstration corridors (NR 2, NE 9 Buenos Aires- Rosario, RN 9 Rosario –</p>	<p><b>Financial Services</b></p> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Provincial Roads Infrastructure Project &amp; AF (P070628) – FY06 &amp; FY10</li> <li>• Urban Transport in Metropolitan Areas - PTUMA (P095485) – FY10</li> <li>• AR Buenos Aires Infrastructure Development (P088032) –FY07 <b>closed FY15</b></li> <li>• Infrastructure financing (Global Infrastructure Facility) (GIF MU ID.0015)</li> </ul> <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> <li>• AR: National Habitat and Housing Project (P159929) FY17</li> <li>• Metropolitan Buenos Aires Urban Transformation Project (P159843) FY17</li> <li>• Urban Transport in Metropolitan Areas AF - PTUMA –FY17</li> </ul> <p><b>Knowledge Services</b></p> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Agglomeration economies and resilience (P153198)</li> <li>• AR Transport Engagement Strategy (P161716)</li> </ul> <p><i>Delivered:</i></p> <ul style="list-style-type: none"> <li>• AR Development Policies for Growth PA (FY15) P154802</li> </ul>

CPS Outcomes	CPS Intermediate Milestones	Progress during FY15-16: intermediate data on CPS outcomes and milestones	Key WBG Activities
		Cordoba) in 2016 with respect to baseline 2011. Moreover, there has been a reduction of 10.94% of total non-fatal injuries with respect to baseline in selected corridors. Finally, the institutional role of the Agency is widely recognized with a strong management capacity for road safety throughout the national territory. <b>ON TRACK</b>	
<b>#3 Raising agricultural productivity of small- and medium-size farms in low income regions</b>			
<p><b>OUTCOME 4:</b> Increase the gross value of agricultural production (\$/ha) of 80,000 small- and medium-size farms by 12 percent on average by 2018.</p>	<p>3.1 Increased productive area resulting from investments in irrigation, roads, energy, and extension services.</p> <p>3.2 Small and medium sized farms with improved access to productive infrastructure and service through demand-driven community subprojects.</p>	<p><b>Outcome 4:</b> No results yet about the increase in the gross value of agricultural production as there have been delays in developing the M&amp;E system. An impact evaluation will be carried out in the upcoming months. <b>NOT ON TRACK</b></p> <p><b>MILESTONE PROGRESS:</b> 3.1 There has been an increase of 12% of land productivity measured in completed irrigation subprojects in the provinces of San Juan and Mendoza. Moreover, because of improved infrastructure, there are 2300 additional productive hectares. <b>PARTIALLY ACHIEVED</b> 3.2 The Project has reached 45,710 beneficiaries, of whom about 31,000 are small and medium-sized farms and 14,000 are rural youth engaged in an entrepreneurship program. <b>ON TRACK</b></p>	<p><b>Financial Services</b></p> <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• AR PROSAP2 –Provincial Agricultural Development (P106684)</li> <li>• Socio Economic Inclusion in Rural Areas (P106685)</li> </ul> <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> <li>• Integrated Management of Agricultural Risks FY18 (P106684)</li> </ul> <p><b>Knowledge Services</b></p> <p><i>Delivered</i></p> <ul style="list-style-type: none"> <li>• Programmatic Farm to Markets Study (AR, PY, and UY) (P145360)</li> <li>• AR Development Policies for Growth PA (FY15) P154802</li> <li>• Prospects for Agricultural Competitiveness in Argentina (P155040)</li> </ul>

**PILLAR II: Asset Availability of Households and People**

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

<p><b>OUTCOME 5:</b> 365,000 people receive electricity services (out of 725,000 without in 2010);</p> <p><b>OUTCOME 6:</b> Access in the Norte Grande provinces to safe drinking water increases from 83 to 92 percent</p> <p><b>OUTCOME 7:</b> Access in the Norte Grande provinces to sanitation increases from 41 to 55 percent.</p>	<p>4.1 Increase in number of consumers benefiting from improved access to water and sanitation.</p> <p>4.2 Increase in number of schools, health centers, and other public buildings electrified.</p>	<p><b>Progress:</b>  <b>Outcome 5:</b> There are no results yet as the project became effective in May 2016. The first tender process for the provision of 6500 solar home systems has already been launched.  <b>ON TRACK (given recent Project effectiveness)</b></p> <p><b>Outcome 6:</b> There are no direct results yet regarding access to safe drinking water due to previous delays in procurement process caused by lack of counterpart funding. However, implementation has now resumed and target are expected to be achieved, even though delayed.  <b>ON TRACK</b></p> <p><b>Outcome 7:</b> There are no direct results yet regarding access to safe drinking water due to delays in procurement process caused by lack of counterpart funding. These delays have now been solved.  <b>ON TRACK</b></p> <p><b>MILESTONE PROGRESS:</b>  4.1 There are no results yet measuring an increase in the number of consumers benefitting from improved access to water and sanitation. However, works are progressing at good pace. The construction of the water treatment plant and distribution lines for the Pampa del Indio - Presidencia Roca, Chaco and other 5 localities; the Canal 9 de Julio drainage project and the San Luis urban drainage works, both in Yerbabuena Tucumán and the construction of two water treatment plants and an aqueduct for the communities of Wichi, Nueva Pompeya, and</p>	<p><b>Financial Services</b>  <i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• AR Norte Grande Water Infrastructure (P120211) – FY11</li> <li>• AR Second Norte Grande Water Infrastructure (P125151) – FY11</li> <li>• Public Sector Strengthening Program, La Rioja SWAP (P121836) – FY11</li> <li>• Developing Renewable Energy and Energy Efficiency Markets -PERMER (P133288)</li> </ul> <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> <li>• Water and Sanitation AF Plan Belgrano (P159928) FY17</li> <li>• Argentina National Habitat and Housing Project (P159929) FY17</li> </ul> <p><b>Knowledge Services</b>  <i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Improving Service Delivery for the most vulnerable in 10 Poor Argentinean Provinces (P156133)</li> </ul> <p><i>Delivered:</i></p> <ul style="list-style-type: none"> <li>• AR Development Policies for Growth PA (FY15) P154802</li> </ul>
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		<p>Fuerte Esperanza in the Chaco Province show progress. <b>ON TRACK</b>  4.2 There are no results yet as PERMER II became effective in May 2016. <b>ON TRACK (given recent Project effectiveness).</b></p>	
<b>Result Area #5: Achieving Universal Health Coverage with focus on the nine poorest provinces</b>			
<p><b>OUTCOME 8:</b> Proportion of eligible people benefiting from effective healthcare rises.</p> <p><b>Baseline 2014:</b> 28 percent  <b>Target 2018:</b> 50 percent</p>	<p>5.1 % of provinces that have implemented a minimum set of actions to regulate sodium consumption and tobacco control</p> <p>5.2 Increased proportion of eligible women between 25 and 64 with at least one cervical cancer screening every two years.</p> <p>5.3 Subnational governments put in operation planning and monitoring instruments aimed to introduce performance in public expenditures financing key services.</p> <p>5.4 Planning, financial management, procurement, investment, and tax collection administrative processes required to deliver outputs for the provision of health, education, and/or water &amp; sanitation services are improved and have an impact in the coverage and/or quality of the services.</p>	<p><b>Outcome 8:</b> Proportion of eligible people benefiting from effective healthcare rises: 36% <b>ON TRACK</b></p> <p><b>Milestones:</b></p> <p>5.1 Four provinces have implemented actions to regulate sodium consumption. 21 provinces have signed Umbrella agreements to participate in the Prevention and Control of Chronic Conditions and Injuries Project. <b>ON TRACK</b></p> <p>5.2 In the province of Misiones, there has been increase from 10% in 2010 to 76.3% in 2015 of women between 35 and 64 years benefiting from at least one PHV and/or citology test provided by the health system, surpassing the target of 60% for 2016. In the province of Tucuman, there has been also an increase from 10% in 2010 to 55.8% in 2015, surpassing the target of 60% for 2016. These are the two provinces where the pilot has taken place. <b>ACHIEVED</b></p> <p>5.3 and 5.4. Diagnostics carried out in the province of Chaco (P153175) and municipality of Cordoba (P146832) under the PA P147285 successfully delivered service delivery chain analysis exercises targeting the improvement of sector services and the performance orientation of public expenditures. In Chaco, the analysis supported the identification of the parts of the population lacking access to health care services, pinpointed administrative areas with a major impact</p>	<p><b>Financial Services</b>  <i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Essential Public Health Functions Program, FESP (P110599) – FY11</li> <li>• Provincial Public Health Insurance Development Project, SUMAR and AF (P106735 &amp; P154431) – FY11 &amp; FY15</li> <li>• Support to the Integral Strategy for the Prevention and Control of Chronic Conditions and Injuries Project (P133193) FY15</li> </ul> <p><b>Knowledge Services</b>  <i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Impact Evaluation of Maternal and Child Health Interventions (P095515) - FY15</li> <li>• <i>Delivered:</i></li> <li>• Argentina Aging Country Study (P133190)- FY15</li> <li>• AR Health Strategy Sustainability TA (P147424) FY16</li> <li>• Analysis of Fiscal and Health Expenditure Trends and Opportunities in the Province of Buenos Aires FY16</li> </ul>

		<p>in adolescent pregnancy treatment and hospital post-labor care, and proposed solutions in planning and budgeting, information systems, public procurement, and supply and logistics. In Cordoba, the work identified challenges in the stages of planning and public investment management and served as input for the conceptualization of a new public investment system. In La Rioja, the subnational implementation of planning and monitoring instruments to introduce performance in public expenditures financing key services is underway (P121836). Ten agencies have already prepared annual operating plans, four have prepared annual procurement plans for 2016, and an additional six have received training in procurement planning. Also, the task has contributed to strengthen the planning and procurement processes of the Provincial Water Institute</p> <p><b>ACHIEVED.</b></p>	
<p><b>Result Area #6 Improving employability of Argentina's youth</b></p>			
<p><b>OUTCOME 9:</b> Increase in secondary school completion rate in rural areas. <b>Baseline 2010*:</b> 61.5 percent. <b>Target 2018:</b> 65.5 percent. *From the 2010 Census.</p> <p><b>OUTCOME 10:</b> Relative chance of labor market insertion rate for 400,000 young people doubles. <b>Baseline 2014:</b> 9 percent. <b>Target 2018:</b> 25 percent.</p>	<p>6.1 Increase in enrollment rate into upper secondary school in rural areas.</p> <p>6.2 Increase in number of youth that have gone through the training and employment services system</p>	<p><b>Outcome 9:</b> There has been an increase in completion rate of secondary school in rural areas (63.3% in 2016), however, this cannot be attributed to the WBG intervention since the 2015 Census established that the completion rate was at the time 63.3%. There has been no increase reflected since 2015 that could be attributed to the WBG intervention. <b>NOT ON TRACK.</b></p> <p><b>Outcome 10:</b> The Ministry of Labor has discontinued the use of the indicator and therefore no data is available. <b>NOT ON TRACK. DROPPED AND REPLACED.</b></p> <p><b>Milestones:</b></p>	<p><b>Financial Services</b> <i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Argentina Second Rural Education Improvement Project- PROMER (P133195) FY15</li> <li>• Youth Employment Support (P133129) FY15</li> <li>• Children and Youth Protection Project (P158791) FY16</li> </ul> <p><b>Knowledge Services</b> <i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Provincial Education Impact Evaluation (P147562) FY14</li> <li>• AR Development Policies for Growth PA (FY15) P154802</li> </ul>

		<p>6.1 There has not been an increase in enrollment rate in upper secondary school in rural areas (92.1% in 2012 and 92% in March 2016 (target: 96% in 2018). <b>NOT ON TRACK.</b></p> <p>6.2 The number of labor market participants in training programs have increased from 660.000 in Dec 2014 to 772.114 as of May 2016. <b>ON TRACK</b></p>	
<b>PILLAR III: Reducing Environmental Risks and Safeguarding Natural Resources</b>			
<b>Result Area #7 Reducing exposure to extreme flooding in Chaco, Corrientes, and Buenos Aires</b>			
<p><b>OUTCOME 11:</b> Flood risk protection reaches 2.3 million people in the three provinces  <b>Baseline 2014:</b> 200,000 people.  <b>Target 2018:</b> 2.3m people</p>	<p>7.1 Square kilometers of area protected from flooding in the Northern provinces and the city of Buenos Aires.</p>	<p><b>Outcome 11:</b> The works in the northern provinces have suffered delays. Regarding the city of Buenos Aires, the project has been approved only in July 2016. <b>ON TRACK.</b></p> <p><b>Milestones:</b>  7.1 Vega Flood Prevention and Drainage Project has been approved in July 2016. The execution of the Project will contribute to risk protection in the City of Buenos Aires. For Chaco, the construction of the water treatment plant and distribution lines have started in March 2013 and physical progress is estimated at around 85%. <b>ON TRACK</b></p>	<p><b>Financial Services:</b>  <i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• AR Norte Grande Water Infrastructure (P120211) – FY11</li> <li>• AR Second Norte Grande Water Infrastructure (P125151) – FY11</li> <li>• AR Vega Flood Prevention and Drainage Project (P145686) – FY16</li> </ul> <p><i>Pipeline:</i></p> <ul style="list-style-type: none"> <li>• Salado Integrated River Basin Management Support Project (P161798) FY17</li> </ul> <p><b>Knowledge Services</b></p> <ul style="list-style-type: none"> <li>• Strengthening Disaster Risk Management (P156197)</li> </ul>

#8 Reducing household exposure to environmental health hazards in Greater Buenos Aires			
<p><b>OUTCOME 12:</b> 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.</p> <p><b>OUTCOME 13:</b> Increase in sewerage coverage from 33 percent to 72 percent in the Province of Buenos Aires' 14 municipalities of the Matanza-Riachuelo Basin.</p>	<p>8.1 Linear kilometers of sewerage collectors completed.</p> <p>8.2 Linear kilometers of subaquatic outfall completed.</p>	<p><b>Outcome 12 and 13:</b> As the execution of works has just started, there is yet no progress on treatment of sewage discharges or increase in sewerage coverage. <b>NOT ON TRACK. DROPPED AND REPLACED.</b></p> <p><b>Milestones:</b> 8.1 As the execution of works has just started, there is no progress to show. <b>NOT ON TRACK.</b> 8.2 As the execution of works has just started, there is no progress to show. <b>NOT ON TRACK</b></p>	<p><b>Financial Services</b> <i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Matanza-Riachuelo Basin (MRB) Sustainable Development Adaptable Lending Program (P105680) – FY09</li> <li>• Reduction of Ozone Project, Montreal Protocol (P005920) – FY07</li> </ul> <p><b>Knowledge Services</b> <i>Delivered:</i></p> <ul style="list-style-type: none"> <li>• Country Environmental Analysis (P147282) FY16</li> </ul>

#9 Improving natural forest cover in the Chaco Eco Region			
<p><b>OUTCOME 14:</b> 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.</p>	<p>9.1 Development of forestry and conservation strategies.</p> <p>9.2 Develop a multi-sectoral policy framework for reduction of emissions of carbon from deforestation and forest degradation.</p> <p>9.3 Develop an agriculture and climate change information system that facilitates producers' access to climate-related data.</p>	<p><b>Outcome 14:</b> Annual deforestation rate of natural forest in critical areas of Chaco, Salta and Santiago de Estero has fallen from 0.56% (Baseline 2011) to 0.15%. <b>ACHIEVED.</b></p> <p><b>Milestones:</b></p> <p>9.2 Intended nationally determined contributions were presented at the U.N. Framework Convention of Climate Change Conference of the Parties CoP-21 in Paris in December 2015. The Bank provided inputs to the design of the strategy through the Third National Communication UNFCCC (P116974). <b>ACHIEVED</b></p> <p>9.3 In order to develop an agriculture and climate change information system that facilitates producers' access to climate-related data, the National Meteorology Service was hired under the NLTA "Agriculture Risk Management and ENSO Prevention to strengthen spatial and temporal resolution of meteorological information and to consolidate the agro-climatic information systems. This will enable the standardization of data which will be available to producers and agro sector. <b>ON TRACK</b></p>	<p><b>Financial Services</b> <i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Forests and Communities FY15 (P132846)</li> <li>• Biodiversity Conservation in Productive Forestry Landscapes (P094425) – FY09</li> <li>• Forest Carbon Partnership Facility (FCPF) Readiness Grant (P120414)</li> </ul> <p><i>Closed:</i></p> <ul style="list-style-type: none"> <li>• Third National Communication UNFCCC (P116974)</li> <li>• AR Sustainable Natural Resources Management (P100806)</li> </ul> <p><b>Knowledge Services</b> <i>Ongoing:</i></p> <ul style="list-style-type: none"> <li>• Agriculture Risk Management and El Niño (ENSO) Preparedness (P159720)</li> </ul>

#### Annex 4. Monitoring and Evaluation (M&E) of the CPS FY14-18 Results Framework

Indicator name	Description	Data source
<i>PILLAR I: Unlocking long-term productivity growth and job creation</i>		
<b>Objective #1: Fostering Private Investment and Strengthening its Enabling Environment</b>		
Reduction in cost of freight transport in selected corridors of Northern Argentina by 20 percent. <ul style="list-style-type: none"> <li>• <b>Baseline 2014:</b> average cost in selected corridors: \$/tn.km 0.233 - AR\$/tn.km 1.861.</li> <li>• <b>Target 2018:</b> average cost in selected corridors: \$/tn.km 0.185 - AR\$/tn.km 1.476.</li> </ul>	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.	Baseline data source: Unidad de Redeterminación de precios de Vialidad Nacional. In 2018 the information will be provided by the same source.
Ratio of the average portfolio maturity of MSME sub-loans under the credit line over the average portfolio maturity of PFI's MSME lending portfolio not financed by the credit line <b>Baseline 2016:</b> 0 <b>Target 2018:</b> >1	Ratio of the average portfolio maturity of MSME sub-loans under the project, over the average portfolio maturity of eligible PFI's MSME lending portfolio not financed under the project is higher than 1.	Data will come from the reports of each eligible PFI and will be collected by the implementing unit of the SMEs Project at BICE.
Volume of energy efficiency loans of financial institutions supported by IFC (\$15 Million target)	Number and volume of energy efficiency loans in the portfolio of a financial intermediary at the end of its fiscal year	IFC standard indicators: Annual reports, other documents from the company agree to in legal agreements with IFC
At least one public-private partnership transaction by 2018 (2014 baseline: 0). Baseline 2014: 0 Target 2018: 1	Number of public-private partnership transactions with participation of IBRD or IFC completed by 2018	Data will come from regular portfolio monitoring

<b>Objective #2: Supporting agglomeration economies' reach to low-income areas</b>		<b>Objective #2: Promoting urban development with focus on low income areas</b>	
Reduction in average transit time in the Metrobus of La Matanza and Rosario  <b>Baseline 2014:</b> La Matanza: 59.35 average minutes per transit trip; Rosario: 38.4 average minutes per transit trip) <b>Target 2018:</b> 8% reduction from baseline	Average transit time for the bottom 40 percent of the population in the metropolitan areas of Matanza 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.	
<b>Objective #3 Raising agricultural productivity of small- and medium-size farms in low income regions</b>			
Increase the gross value of agricultural production (\$/ha) of <b>30,000</b> small- and medium-size farms by 12 percent on average by 2018.	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."	Baseline values: 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 94 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: Sources: Sheinkerman de Obschatko, family farms in Argentina, IICA/PROINDER, 2009.	
<b>PILLAR II: Increase access and quality of social infrastructure &amp; services for the poor</b>			
<b>Objective #4 Increasing access to electricity, safe drinking water, and sanitation services for the bottom 40 percent in low-income provinces and areas</b>			
365,000 people from rural areas of all provinces of Argentina receive electricity services (out of 725,000 without in 2010) (40% of which female beneficiaries)	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.	

<p>Access in the Norte Grande provinces to safe drinking water increases from 83 to 92 percent</p> <p><b>Baseline:</b> 83%</p> <p><b>Target:</b> 92%</p>	<p>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.</p>	<p>Baseline data for water and sanitation comes from 2010 National Census. In 2018 water utilities from the involved provinces will provide updated access data.</p>
<p>Access in the Norte Grande provinces to sanitation increases from 41 to 55 percent.</p> <p><b>Baseline:</b> 41%</p> <p><b>Target:</b> 55%</p>	<p>Definition of access to improved sanitation services: basic sanitation is the lowest-cost technology ensuring hygienic excreta and sewage 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.</p>	<p>Baseline data for water and sanitation comes from 2010 National Census. In 2018 water utilities from the involved provinces will provide updated access data.</p>
<p>Implementation of pilot intervention to support a nation-wide demand-driven housing subsidy program in Argentina.</p>	<p>Implementation of the pilot intervention is defined as the implementation of the first nation-wide demand-driven housing subsidy program in Argentina, the SCPP. The SCPP finances an up-front subsidy for eligible households earning between 2 and 4 Minimum Wages (MW)<sup>10</sup>, to improve affordability for the purchase of a new or existing house.</p>	<p>Data will come from regular monitoring of upcoming IBRD urban projects</p>

<b>Result Area #5: Achieving Universal Health Coverage with focus on the nine poorest provinces</b>		
<p>Proportion of eligible people benefiting from effective healthcare rises.</p> <p><b>Baseline 2014:</b> 28 percent <b>Target 2018:</b> 50 percent</p>	<p>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 period considered to receive health services varies by age group, as defined in the Operational Manual of the project.</p>	<p>The numerator is measured by administrative data of Programa Sumar. 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.</p>
<b>Objective #6 Improving employability of Argentina’s youth and increasing effective social protection for children and youth</b>		
<p>Percentage of JMyMT program participants who have left the program and are employed in the formal market. <b>Baseline Dec 2014:</b> 25.2 percent. <b>Target 2018:</b> 27 percent.</p> <p>Percentage of JMyMT program participants who have left the program and are employed in the formal market - Female. (Percentage - Sub-Type: Breakdown) <b>Baseline Dec 2014:</b> 16 percent. <b>Target 2018:</b> 20 percent.</p>	<p>This indicator measures the percentage of participants that have left the program at least one year before and joined the formal labor market since then. The gender indicator measures the percentage of female participants that have left the program at least one year before and joined the formal labor market since then.</p>	<p>This indicator is reported in the MTESS quarterly report.</p>
<p>Increase by 500.000 in the number of children and youth covered by child allowances managed by ANSES <b>Baseline 2016:</b> 7.897.000 <b>Target 2018:</b> 8.397.000 (or which 50% female)</p>	<p>This indicator measures the number of individual beneficiaries covered by safety nets programs supported by the Bank. Safety nets programs intend to provide social assistance (kind or cash) to poor and vulnerable individuals or families, including those to help cope with consequences of economic or other shock. Unit of measure: Millions of children under 18 years of age. The disaggregation measures female participation in SSN programs. It has the same definition as the "Beneficiaries of Safety Nets programs" but applies only to female. This indicator will yield a measure of coverage of SSN projects disaggregated by gender. Unit of measure: Millions of children under 18 years of age.</p>	<p>The indicator is measured biannually by the Administration of the Social Security Administration and published in the ANSES’ Statistical Report.</p>

<i>PILLAR III: Reducing Environmental Risks and Safeguarding Natural Resources</i>		
<b>Objective #7 Reducing exposure to extreme flooding in Chaco, Corrientes, and Buenos Aires</b>		
<p>Flood risk protection reaches 2.3 million people in the three provinces of Chaco, Corrientes and Buenos Aires.  <b>Baseline 2014:</b> 200,000 people.</p>	<p>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.</p> <p>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.</p>	<p>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.</p>

<b>#8 Reducing household exposure to environmental health hazards in Greater Buenos Aires</b>		
Linear kilometers of sewerage collectors (Lot 1): Baseline 2016= 0 km Target 2018= 29.7 km (87.3% of the total)	Number of km of sewerage collectors built under Lot 1 of Matanza- Riachuelo Project	Information on target population will be provided by AySA and ABSA.
Linear kilometers of subaquatic outfall: Baseline 2016= 0 km Target 2018= 7.5 km (62.5% of the total)	Number of km of subaquatic outfall built under Matanza- Riachuelo Project	Information on target population will be provided by AySA and ABSA
<b>#9 Improving natural forest cover in the Chaco Eco Region</b>		
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. (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 5. Argentina Portfolio (as of December 30, 2016)

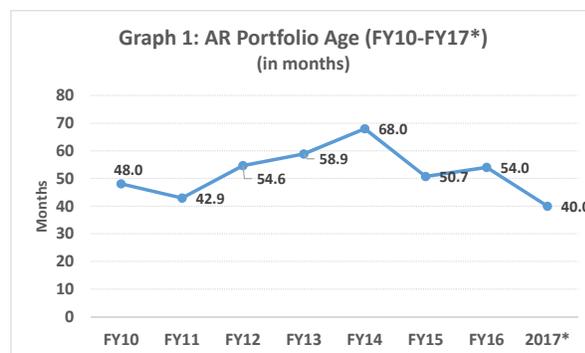
### Overall features

1. The Bank's portfolio in Argentina consists exclusively of investment projects with half of them approved in the last two years (FY15 and FY16) under the current CPS and the other half approved under the previous two CPS's (spanning from FY05 to FY12). Given the relationship between Argentina and key shareholders of the WBG, no operations were presented for Board consideration between FY12 and FY14.
2. The current portfolio consists of 25 projects, including 22 investment loans and 3 trust-fund grants (two from the Global Environment Fund and one from the Montreal Protocol), with a total commitment of \$5.85bn, of which \$2.76bn undisbursed. Under the current CPS, ten IPFs<sup>11</sup> and two trust fund grants have been approved for a total commitment of \$2.4bn (\$1.7bn undisbursed) until December 30, 2016.
3. The pipeline for Q3 and Q4 of FY17 includes seven investment project financing and one \$480m project-based guarantee for a total amount of \$1.5bn. The projects currently under preparation are two urban development operations, a Bank guarantee for the renewable energy sector, a State Modernization Project, an Additional Financing for the Metropolitan Urban Transport Project, a Project for Strengthening of INDEC and a water and sanitation project in the Plan Belgrano area. Total commitment at the end of FY17 is projected to be \$3.7bn (of which \$0.48bn as Bank guarantee).

### Quality of the portfolio

4. The overall quality of the portfolio is moderately satisfactory or better and has improved significantly since the approval of the CPS. The number of problem projects was reduced by half as of end-FY16 and currently there are three projects in problem status. The three of them are expected to be out of problem status by end of FY17 (one closing, two restructuring). Six other projects are considered at risk, two of which are expected to close in FY17.

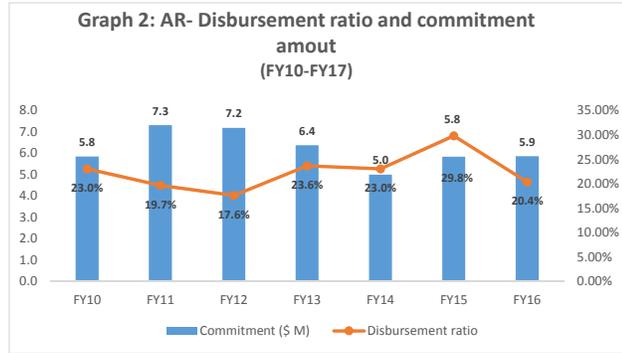
5. The portfolio currently includes four overage projects, all expected to close by the end of FY17. With the closing of those projects and the approval of FY17 proposed projects, the average age of the portfolio at the end of FY17 is projected to be 40 months, a strong rejuvenation from 68 months at the start of the CPS period (see Graph #1).



<sup>11</sup>This includes two additional financing Operations: Unleashing Productive Innovation (P106752) and Provincial Public Health Insurance (P106735)

6. The disbursement ratio has improved since FY12, reaching a high of 29.8 percent in FY15, while declining back to 20.4 in FY16, affected by the political transition of end 2015 (see Graph # 2)

7. The following tables present the current status of the portfolio (Table 5.1) and the preliminary IBRD pipeline for FY17 (Table 5.2).



**Table 5.1: Argentina IBRD Portfolio**

Project ID	Project Name	GPVP	Approval FY	Prod. Line	Len. Inst. Type	Closing Date	Net Comm. Amt. (\$M)	Undisb. Bal. (\$M)	Age (Months)	No. of AF	Project Ratings		Overall Risk
							IBRD				DO	IP	
P070628	AR-Provincial Road InfrastructureProject	Transport & ICT	2005	PE	IPF	30-Jun-2017	325.00	76.23	139.2	1	MS	MU	M
P090119	AR Energy Efficiency Project	Energy & Extractives	2008	GE	IPF	31-May-2017	15.16	7.50	102.5	0	S	MS	M
P095485	AR Metropolitan Areas Urban Transport	Transport & ICT	2010	PE	IPF	31-Jan-2017	149.68	36.91	86.7	0	MS	MS	M
P105680	AR(APL1) Matanza-Riachuelo Development	Environment & Natural	2009	PE	IPF	31-Mar-2017	718.03	466.29	91.1	0	MU	MS	H
P106684	AR PROSAP2 2nd Prov Agric Dev	Agriculture	2009	PE	IPF	15-Mar-2017	300.00	25.74	99.6	0	MS	MS	M
P106685	AR Rural Inclusion	Agriculture	2015	PE	IPF	28-Feb-2021	52.50	50.37	19.1	0	S	MS	M
P106735	AR Provincial Public Health Insurance	Health, Nutrition & Population	2011	PE	IPF	30-Sep-2017	600.00	135.27	68.5	1	MS	MS	M
P106752	AR Unleashing Productive Innovation	Trade & Competitiveness	2009	PE	IPF	25-Sep-2108	195.00	45.00		1	S	S	M
P110462	AR Mining Environmental Restoration Proj	Environment & Natural	2009	PE	IPF	27-Jun-2017	30.00	2.09	101.4	0	MS	MU	S
P110599	AR Essential Public Health Functions II	Health, Nutrition & Population	2011	PE	IPF	30-Apr-2018	461.00	41.19	72.7	0	MS	MS	M
P114294	AR GEF Rural Corridors and Biodiversity	Environment & Natural	2015	GE	IPF	30-Nov-2020	6.29	5.79	21.2	0	MS	MS	S
P116989	AR-Road Safety	Transport & ICT	2010	PE	IPF	28-Feb-2017	30.00	4.45	81.2	0	S	S	M
P120198	AR Norte Grande Road Infrastructure	Transport & ICT	2011	PE	IPF	31-May-2018	400.00	91.50	72.7	0	MS	MS	S
P120211	AR Norte Grande Water Infrastructure	Water	2011	PE	IPF	30-Apr-2017	200.00	76.19	72.7	0	S	MS	M
P121836	AR La Rioja Public Sect Streng Prog-APL1	Governance	2011	PE	IPF	31-Dec-2017	30.00	5.95	70.6	0	MS	S	S
P125151	AR 2nd Norte Grande Water Infrastr.	Water	2011	PE	IPF	30-Apr-2017	200.00	83.25	69.3	0	MS	S	M
P129397	Montreal Protocol HCFC Phase-out Project	Environment & Natural	2014	MT	IPF	30-Apr-2021	1.91	0.83	41.4	0	S	S	M
P132846	Forests and Community	Environment & Natural	2015	PE	IPF	30-Nov-2020	58.76	54.22	21.2	0	S	MS	S
P133129	AR - Youth Employment Support Project	Social Protection & Labor	2015	PE	IPF	31-May-2018	425.00	230.27	23.9	0	S	MS	S
P133193	AR Chronic Conditions and Injuries	Health, Nutrition & Population	2015	PE	IPF	31-Dec-2020	350.00	272.92	19.1	0	MS	MS	S
P133195	AR Second Rural Education Improvement	Education	2015	PE	IPF	31-Dec-2019	250.50	203.73	25.3	0	S	MS	M
P133288	AR Renewable Energy	Energy & Extractives	2015	PE	IPF	31-Oct-2020	200.00	179.50	21.2	0	MS	MS	M
P145686	AR Buenos Aires Flood risk management	Water	2016	PE	IPF	1-Mar-2022	200.00	159.50	6.7	0	S	S	H
P158791	Children and Youth Protection Project	Social Protection & Labor	2016	PE	IPF	31-Dec-2020	600.00	338.50	6.4	0	S	S	M
P159515	Argentina Access to Finance for MSMEs	Finance & Markets	2017	PE	IPF	30-Nov-2021	50.00	50.00	1.8	0			S

**Table 5.2: Expected FY17 Board Presentations**

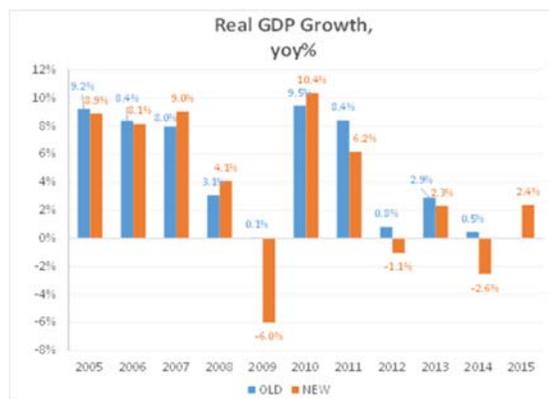
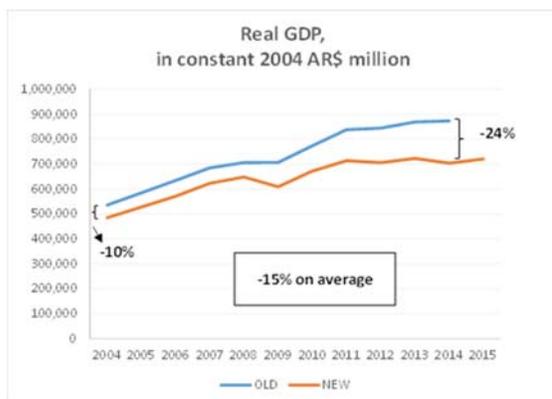
<b>Project</b>	<b>Description</b>	<b>CPS Pillars and Result Areas</b>
State Modernization and Innovation P157136	Supporting strategies to build a digital public administration and services, and develop open government initiatives, including e-procurement.	Pillar I Result Area 1
Statistical Capacity Building P158443	Support INDEC on revamping and improving social statistics.	Pillar I Result Area 1
Renewable Energy Fund Guarantee FODER P159901	To support the Government in attracting private investors to develop renewable energy generation capacity.	Pillar I Result Area 1 Pillar III Result Area 8
Metropolitan Areas Urban Transport Additional Financing P161393	To improve the quality and sustainability of urban transport systems in Buenos Aires Metropolitan Areas, reducing transit time for medium/low income residents.	Pillar I Result Area 2
Water and Sanitation Project – Plan Belgrano Additional Financing (P162712)	Improving access to and quality of water & sanitation services in the Plan Belgrano provinces supporting improved efficiency of provincial W&S utilities.	Pillar II Result Area 4
National Neighborhood Improvement P159929	Nationwide program to reform affordable housing finance and improve housing security in poorest urban agglomerations.	Pillar II Result Area 4 Pillar I, Result Area 2
AMBA Urban Slum Transformation P159843	Transforming some of the most critical slum areas in the City and Metropolitan Areas of Buenos Aires (AMBA).	Pillar II Result Area 4 Pillar I Result Area 2
Salado Integrated River Basin Management P161798	To reduce the risks and impacts of floods and droughts in the Province of Buenos Aires.	Pillar III Result Area 7
Notes: This list is limited to project expected to be presented for approval in FY17.		

## Annex 6. Statistics

1. **Upon assuming office, the new Administration declared a “statistical emergency” to improve official statistics and their credibility.** Starting in January 2007, official figures diverged significantly from private estimates, especially on inflation, but later also on GDP, exports and social indicators (unemployment and poverty). This process led to a growing divergence between official statistics and alternative figures (both private and public –some provincial statistics department-). For instance, while official inflation averaged 11.5 percent per year during 2007-2015, alternative sources registered a 25.6 percent annual inflation. In 2013, the IMF issued a Declaration of Censure questioning official statistics. On December 2015, a few days after taking office, the new Administration declared the “statistical emergency” which allowed INDEC to temporarily suspend the publication of inflation, economic activity, international trade, and unemployment figures until a revision of existing methodologies was made.

2. **The Government has gradually resumed its regular statistics publishing during 2016, which in some cases included a revision of historical data.** External accounts publications were resumed in March 2016, while GDP and inflation statistics were re-launched in June 2016. Unemployment and poverty indicators were published again in August and September 2016, respectively. External accounts and GDP statistics also included a revised version of historical data, showing large differences with previous figures. The new figures were in line with private estimates. After several technical missions and an Article IV consultation lifted the Declaration of Censure on November 2016.

3. **According to revised figures, GDP was 24 percent lower in 2014 than in previously published figures.** INDEC published new GDP figures for 2004-2015 and also preliminary figures for the first half of 2016. The revised version of real GDP in constant prices (2004 AR\$) for 2014 is 24 percent lower than the one published by the former Administration. Revised figures were also 15 percent lower on average for 2004-2014 period. While the new real GDP is lower, the new nominal GDP is higher than the previous series due to correction of GDP deflator which is considerably higher in the new series. In 2014 the new GDP deflator grew 40.7 percent while the old record was 29.3 percent. Furthermore, some changes on historical annual growth rates are worth mentioning. Revised figures show considerable GDP contractions in 2009, 2012 and 2014, while previous data indicated small growth. In particular, new data shows a 6 percent contraction in 2009 compared to a 0.1 percent growth previously reported.



4. **The revision of external accounts showed lower current account balance compared to previous data.** Balance of payment figures for the period 2009-2015 were revised by INDEC, showing a worse current account balances on each year. For instance, the current account deficits for 2013 and 2014 were, 2 percent and 1.5 percent of GDP higher, respectively, than previously published. Finally, for 2015, the current account deficit reached 2.5 percent of GDP, the highest since 2000.

5. **INDEC's inflation statistics were resumed in May and gained strong credibility since then.** During the revision of official inflation figures, INDEC published two alternative measures: estimates from the City of Buenos Aires and the Province of San Luis. Starting in May, INDEC resumed the publication of its CPI. These figures were highly realigned with the former "alternative" sources, helping grow INDEC's credibility. Past inflation figures were not revised.

6. **Finally, unemployment and poverty figures did not include a historical revision either, but revealed a challenging macroeconomic situation.** On August 2016, INDEC published an unemployment rate of 9.3 percent for the first semester of 2016 (recently down to 8.5 percent in the third quarter), revealing a challenging labor market situation that was not reflected in prior official figures.

***Box A1. Harmonization of poverty data and price deflator used***

All of this 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). The EPHC is collected quarterly by Argentina's Instituto Nacional de Estadística y Censos (INDEC). The survey is representative of 61 percent of the population, living in the 31 largest urban areas in the country.

The harmonization undertaken by CEDLAS and the World Bank increases the comparability of household surveys among various LAC countries, allowing for internationally comparable indicators. While the majority of the population in Argentina 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).

Poverty rates are estimated using a US\$4 per day minimum, adjusted to USD in 2005 purchasing power parity using partly private estimates of inflation, which differ from official estimates. As a result, poverty is reported using international poverty lines. Official poverty estimates were not released in Argentina since 2013, and had been under criticism since 2007. As INDEC relaunched the publication of this indicator for the second quarter of 2016, it indicated that its value is not comparable with previous numbers, particularly those between 2007 and 2015, due to changes in poverty line calculations and treatment of missing information on income.

## **Annex 7. Gender Equality and Changes in Argentina**

1. The 2015-2018 CPS described Argentina as “among the leaders in Latin America in some gender indicators”, although it also noted that “the country compares less favorably to its upper-middle-income countries cohort in key areas”. The focus of the analysis was on endowments (education, sexual and reproductive health, and health outcomes); equality in economic opportunities (labor force participation and gender wage gap) and equality in agency (political participation, gender-biased violence and teenage pregnancy).

2. Several of these indicators have evolved favorably since the information was collected for the CPS (around 2012-2013). Education enrollment rates, particularly in secondary and higher education, continue to favor women. Health indicators have been stable or improved, as in the case of the maternal mortality ratio, that continued to decrease (from 69 per 100,000 in 2013 to 52 in 2015) and the percentage of births attended by skilled health staff has been stable around 98 percent. On economic opportunities, labor force participation continues to be significantly lower for women than men, and unemployment is higher (10.5 percent for women and 8.5 percent for men as of the second quarter of 2016). Political participation of women continued growing, and in 2016 39 percent of Congress members are women (and a new Law to move this to 50 percent is under consideration).

3. All World Bank projects approved under the current CPS are gender-informed, and the teams have actively supported the Bank’s commitment to have a more gender-sensitive portfolio. All operations collect gender specific indicators to assess their performance, efforts to develop and implement impact evaluation strategies that consider gender issues are underway (in particular, the health impact evaluation agenda implemented as part of the SUMAR project has continued to develop) and the new Youth Employment Project includes specific actions and indicators aimed at reducing the gap in unemployment and informality between young men and women.

### **New initiatives in the portfolio**

4. ***Addressing gender disparities in employment.*** As part of the ongoing engagement with the Ministry of Labor, an UFGE grant was recently approved by the Bank to test evidence, at country level, on gender interventions in the provision of employment services, paying special attention to discriminated groups (LGBTI). The objective is to enhance their participation in employment programs and job opportunities across genders through capacity building and compensatory/complementary interventions. The Ministry of Labor, through the network of employment offices, will pilot those approaches and will generate operationally relevant lessons on how to effectively translate new evidence into results on the ground.

5. ***Empowering women.*** The ‘Qom Culture Route’ is an initiative, designed as part of the Indigenous People’s Plan under the Norte Grande Road and Water Infrastructure Projects, to promote the Provincial Route 3 and its surroundings in the Province of Chaco as a tourist and cultural corridor, centered on valuing the Qom culture with a focus on women’s economic empowerment. Main activities under the initiative included: (i) the construction and/or rehabilitation of 4 craftswomen community centers, (ii) training of Qom women in technical, organizational, productive, and life skills; (iii) mentorship and group formation to enhance women’s agency through the creation of a network of indigenous women associations; (iv) access to Internet and ICT equipment and training. A qualitative analysis published in 2015 showed that these activities were effective at enhancing women’s agency through promoting

income generation for women through sale of handicrafts, as well as at promoting the Qom cultural identity and protection of cultural heritage through the development of artistic productions that increased women's role in the development of their community. The intervention proved also successful in increasing women's self-esteem and aspirations.<sup>12</sup>

6. ***Promoting gender equality in access to finance.*** The Access to Long-term Finance for Micro, Small and Medium Enterprises (MSMEs) Project, approved by the Board in November, aims to improve access and strengthen the framework for provision of longer-term finance for eligible MSMEs. The project will allocate additional funds, as an incentive, to PFIs that can lend to MSMEs that promote gender equality<sup>13</sup> by, *inter alia*, supporting work-life balance and social shared responsibility by men and women in providing daycare to their dependents, ensuring equal treatment for men and women in terms of income, having women as part of their management team, and other criteria as defined in the Project documents. The project will also monitor an indicator on gender for analytical purposes and to inform the design of future projects for the financial sector.

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<sup>12</sup> Casabonne, Ursula; Jimenez Mota, Bexi Francina; Muller, Miriam. 2015. *Roads to agency: effects of enhancing women's participation in rural roads projects on women's agency - a comparative assessment of rural transport projects in Argentina, Nicaragua, and Peru*. Washington, D.C.: World Bank Group.

<sup>13</sup> As well as to those that lend to indigenous groups or are first time borrowers

# ARGENTINA

## COUNTRY GENDER SCORECARD, SEPTEMBER 2016

Indicators in this scorecard are a combination and slight modification of the IDA 17 and the WBG Corporate Scorecards, and contribute to measure progress of the SDG 5: "Achieve gender equality and empower all women and girls", and its targets. The scorecard shows the latest country data available, comparisons of country performance and development results relative to LAC and UMC averages in same or similar year, and the Bank's operational progress in regards to regional averages in gender mainstreaming.

### Summary Paragraph: Country Performance

Argentina is a strong performer in gender indicators related to primary completion rates for boys and girls, maternal health care and parliamentary participation rates of women when compared to the LAC region and HIC group. In terms of endowments, challenges remain in Argentina to reach gender parity in secondary education with a ratio of 110 (favoring females), similar to the LAC average. In health, the maternal mortality rate in Argentina (52 in 2015) is between the averages of HIC (10) and LAC (67). The share of births attended by skilled health staff and pregnant women receiving prenatal care are close to universal (both at 98%).

With regards to economic opportunity indicators, Argentina has a slightly lower female labor force participation (48%) than the LAC average (54%). While unemployment rates are decreasing for women of all ages, these rates are still higher than in the HIC and LAC averages. The share of men (50%) and women (31%) who have accounts at a formal financial institutions fall below the HIC averages (91% for both female and male).

Agency indicators show mixed results. The adolescent fertility rate slightly decreased from 67 births per 1,000 women 15 to 19 years old in 2000 to 64 in 2014, being significantly higher than HIC (15) average, and very close to the LAC average (65). In the share of seats held by women in national parliaments, Argentina performs better (36%) than the HIC and LAC averages (26% and 28% respectively). However, the share of firms with female top manager is quite low (9%) compared with the HIC and LAC averages of 19% and 21%. According to the Women, Business and the Law report 2016, Argentina has set up quotas for the Parliament and local governments' candidate lists. The report also notes that there are certain tasks and occupations prohibited to women in the country such as: producing or manipulating explosives, flammable or corrosive materials; working as a machinist or fire-stoker; distilling alcohol and producing or mixing liquors; sizing or polishing glass; working in any location or site that regularly contains dust or irritating or toxic vapors; loading or unloading ships, cranes or derricks; transporting incandescent materials, among others.

Country Performance: Human Endowments	COUNTRY	Year	COUNTRY BASELINE*	Year	HIC**	Year	LAC*	Year
Primary completion rate, female (% of relevant age group)	102	2013	100	2000	99	2012	102	2013
Primary completion rate, male (% of relevant age group)	100	2013	97	2000	98	2012	100	2013
Ratio of female to male primary level enrollment (%)	100	2013	100	2000	100	2013	100	2013
Ratio of female to male secondary level enrollment (%)	110	2013	100	2000	100	2013	110	2013
Maternal mortality ratio (modeled est. per 100,000 births)	52	2015	60	2000	10	2015	67	2015
Births attended by skilled health staff (% of total)	98	2012	99	2002	98	2012	93	2012
Pregnant women receiving prenatal care (%)	98	2012	98	2001	no data		97	2012
Women's share of population ages 15+ living with HIV (%)	30	2014	30	2000	no data		28	2014
Contraceptive prevalence, any methods (% of women ages 15-49)	53	2012	63	2001	no data		57	2014
Country Performance: Economic Opportunity	COUNTRY	Year	COUNTRY BASELINE	Year	HIC	Year	LAC	Year
Labor force participation rate, female (% of female population 15+) 0	48	2014	43	2000	52	2014	54	2014
Ratio of female to male labor force participation rate (%) 0	63	2014	57	2000	77	2014	68	2014
Account at a financial institution, female (% age 15+)	51	2014	no data		91	2014	48	2014
Account at a financial institution, male (% age 15+)	30	2014	no data		91	2014	54	2014
Unemployment, female (% female labor force)	10	2014	17	2000	8	2014	8	2014
Unemployment, youth female (% of female labor force ages 15-24) 0	28	2014	32	2000	18	2014	17	2014
Ratio of female to male youth unemployment (% ages 15-24)	136	2014	142	2000	100	2014	142	2014
Country Performance: Voice and Agency	COUNTRY	Year	COUNTRY BASELINE	Year	HIC	Year	LAC	Year
Adolescent fertility rate (births per 1,000 women, ages 15-19)	64	2014	67	2000	15	2014	65	2014
Proportion of seats held by women in national parliaments (%)	36**	2015	27	2000	26	2015	28	2015
Firms with female top manager (% of firms)	9	2010	no data		19	2010-2015	21	2010-2015
Spousal physical or sexual violence in the last 12 months (%)	no data		no data		no data		9	2014

Sources: World Bank World Development Indicators (WDI), World Bank Gender Statistics (WBG) and DHS

\* Country Baseline provides a simple point of reference for indicator data available. Circa 2000

\* LAC = Includes the 41 countries (all income levels) in Latin America and the Caribbean, as classified by The World Bank Group

\*\* HIC = As of 1 July 2016, high-income countries are defined as those with a GNI per capita of those with a GNI per capita of \$12,476 or more (calculated using the World Bank Atlas method)

0 Modeled ILO estimate

\*\* Inter-Parliamentary Union, ipu.org/

0 Weighted average for LAC was calculated using total population for countries where indicator data was available. Circa 2014

### Summary Paragraph: WBG Portfolio Performance

Between FY10 to FY16 (Q1-Q2), 73% of projects that went to Board for Argentina were considered gender-informed (incorporated gender in at least one of the dimensions analysis, actions and M&E). This compares to 74% at the regional level. Out of 20 projects, 8 projects during this period were gender-informed in all three dimensions, 40%, compared to the regional average of 38% gender informed in all three dimensions. The weakest dimension throughout this period is M&E (33%); and the strongest are analysis and actions (60% respectively).

The latest CAS for Argentina scored Highly Satisfactory in 2015. Within its World Bank Portfolio, there has been some considerable improvement on the quality of gender mainstreaming throughout the past few years. In FY10, 60% of the projects were gender informed, however only one out of five projects was gender informed across the three dimensions. During FY11, Argentina had eight new lending projects, five of which were gender-informed (63%). Although the sample size is small, strong performance was shown in gender mainstreaming within the HE sector that FY, having two projects gender-informed in all dimensions. Improvements could have been made in the rest of the projects to strengthen the gender dimensions. During the period FY12-FY14, Argentina did not have any new lending projects. In FY15 and FY16 (Q1-Q2), 100% of projects were gender-informed, surpassing the LAC averages for both periods (FY15: 84%; FY16, Q1-Q2: 86%). More specifically, out of seven projects in total throughout this period, five were gender-informed in all the three dimensions.

WBG Portfolio Performance*	COUNTRY		LAC		PROJECT SCORES			
	Year	Share	Year	Share	Year*	Project	Sector/GP	Rating
Latest CAS/CPS/IGN rating**		3 (2015)		3 (2015)				
Share of new projects that are gender-informed (FY10)		3/5   60%		43/75   57%	FY10	P114018	TR	0
Share of new projects that are gender-informed (FY11)		5/8   63%		35/44   80%		P116989	TR	0
Share of new projects that are gender-informed (FY12)		No FY12 Projects		43/75   57%		P095485	TR	1
Share of new projects that are gender-informed (FY13)		No FY13 Projects		40/42   95%		P113896	HE	2
Share of new projects that are gender-informed (FY14)		No FY14 Projects		40/42   95%		P117377	HE	3
Share of new projects that are gender-informed (FY15)		6/6   100%		27/32   84%	FY11	P121836	PS	0
Share of new projects that are gender-informed (FY16 - Q1, Q2)		1/1   100%		19/22   86%		P121511	WAT	1
						P120198	TR	2
						P120622	SP	2
						P110599	HE	3
						P106735	HE	3
						P114081	WAT	0
					P120211	WAT	0	
					FY15	P133195	EDU	3
						P133129	SPL	3
						P133288	EN	3
						P132846	ENV	3
						P106685	AGR	2
					P133193	HNP	1	
					FY16 - Q1, Q2	P154431	HNP	3

\*Data in the WBG Portfolio Review section provided by the Gender CCSA. Please note that to be considered gender-informed, it is enough to incorporate one out of the three dimensions: analysis includes gender, actions aim at closing gender gaps or empowering women, and there are sex-disaggregated and/or gender specific indicators in the results framework (M&E)

\*\* CAS/CPS dimensions are for: analysis, actions, and results framework

\*The portfolio review analysis includes projects that were approved by the Board from FY10 to FY16 (Q1, Q2)

#### DATA

Please note that whenever possible Country Performance data is from the World Development Indicators to allow for comparability. All data is as of June 30, 2016.

#### WANT TO KNOW MORE?

To learn more about these indicators contact the LAC Poverty and Equity group:  
Oscar Calvo-Gonzalez (ocalvo@worldbank.org) or Miriam Müller (mmuller1@worldbank.org).  
To access further information visit the LAC Equity Lab at <http://equitylab/>.



## **Annex 8: Selected Analytical and Advisory Services**

### **State of Transparency in Argentina (P161697)**

The Bank has been supporting efforts to improve transparency and prevent corruption in Argentina. Initial steps included identification of key agenda for transparency through working together with a group of Argentine institutions including Anti-Corruption Agency, Jefatura, Ministry of Modernization, Hacienda and Ministry of Interior. Ongoing activities will focus on carrying out a stocktaking of the country's current transparency and integrity policies and practices, and proposing recommendations for advancing this agenda.

### **Capital Markets, Infrastructure and Housing Finance Advisory (P161487)**

The Bank has been providing advice to the Argentine Government on global best practices for designing an optimal regulatory framework to promote domestic capital markets, a framework to implement bond and credit instruments for infrastructure finance, and regulations to jump start the mortgage finance market. In the first stage of this work, a comprehensive diagnostic of the Argentine capital markets with policy reform options were completed. Similarly, various technical and analytical pieces were shared on housing and infrastructure finance including Public-Private Participation (PPP). Ongoing work will support further efforts in all these three areas with various report, workshop and TA activities.

### **Province of Buenos Aires Public Expenditure Review (PBA PER)**

The PBA PER assessed fiscal trends and public financial management in the Province of Buenos Aires, and dedicated specific attention to the analysis of the health sector. The PBA PER was key to strengthen the engagement with the Province of Buenos Aires. Following the delivery of the PER, the Province asked the Bank to assess the provincial tax structure, analyze possible ways to reform system of transfers from the Province to Municipalities and also expand the analysis to the education sector.

### **Strengthening Argentina's integration in the global economy. The role of investment, trade and competition policies (P161698)**

The flagship report on "Strengthening Argentina's Integration in the Global Economy: The Role of Investment, Trade and Competition Policies," will provide the overall framework for the WBG engagement on private sector development in Argentina. It will provide an integrated assessment, of competition policy, trade and integration into global value chains, investment climate reforms and investment policy and promotion, and facilitating Argentina's engagement on the OECD agenda.

### **Argentina Development Policies for Growth PA (P154802)**

The Development Policies for Growth PA provided analytical inputs and recommendations for reinforcing the policy dialogue with the Argentine Administration, especially during a year of presidential election and with the incoming administration after elections. The program of activities focused on both urgent issues related to macro stability (i.e., exchange rate misalignment) and long term development challenges. The Argentina Development Discussion

Notes (Policy Notes) were prepared under this PA, covering nine specific themes and a stand-alone overview report reflecting both the findings of those policy notes and the studies carried out under this PA as well as within the broader country analytical work program.

### **Prospects for Agricultural Competitiveness in Argentina (P155040)**

The key objective of this programmatic approach is to identify opportunities for and limitations to an increase in agricultural competitiveness and resilience in Argentina, with a particular focus on development outcomes for small- and medium-size farms. This will be pursued through a programmatic, sequenced series of analytical and advisory products meant to inform the dialogue with Argentine authorities during FY15 to FY17.

### **Infrastructure financing (Global Infrastructure Facility GIF-TF)**

The objective of this activity is to assess opportunities and challenges for private to finance across a range of priority sectors. Activities will be supported through the GIF. Engagement will be in two stages: (i) supporting the Government at a strategic/ prioritization level, and (ii) providing the resources for detailed project preparation for a few projects (which would be reimbursable).

### **Argentina Policy Notes (P156046)**

The Argentina Policy Notes were prepared for the new administration and included options for short-term policy actions to address macroeconomic imbalances and a structural reform agenda for revitalizing growth with poverty reduction. Individual and in-depth notes focused on (i) Making the Most of Argentina's Comparative Advantages in Agriculture; (ii) Investing in Argentina's Aging Infrastructure; (iii) Logistics in Argentina: Moving Forward; (iv) Unlocking the Potential of Argentine Cities; (v) Subsidies; (vi) Improving Public Service Delivery through Enhanced Public Sector Institutions; (vii) Supporting Long-Term Finance; (xiii) Social Protection and Labor in Argentina; and (ix) Improving Education Quality.

### **AR Improving Service Delivery (P156133)**

The activities analyze the provision of water and electricity in 10 provinces with some of the worst service delivery rates and highest concentration of poor people in the country. A series of reforms and actions at national, provincial, and service providers level are envisaged to increase access and improve the quality of water, sanitation and electricity delivery for the most vulnerable populations in the provinces of Misiones, Corrientes, Chaco, Formosa, Salta, Jujuy, Santiago del Estero, Tucuman, Catamarca, and Buenos Aires. The analysis will be used to inform a potential operation to improve water, sanitation and electricity services for the most vulnerable population in the selected provinces or in a specific area of a given province.

### **Agglomeration Economies and Resilience (P153198)**

The objective of the program was to: (i) improve the understanding of opportunities and challenges associated with urban agglomerations; and (ii) strengthen capacity to formulate

policies and implement programs that improve the performance of urban agglomerations at the national, provincial and local level. The main outcomes were 1. Development of Metropolitan transit tariff for the Province of BA and accompanying fiscal framework for public transport in greater Buenos Aires, and 2. Developing clean and inclusive strategy implementing a model for provision of waste disposal services.

### **Agriculture Risk Management and El Niño (P159720)**

The objectives of this technical assistance were to: (i) reform the agriculture disaster emergency facility mechanism from an ex-post to an ex-ante; (ii) establish a public-private partnership to consolidate the public and private agro-climatic network data; and (iii) develop a proposal to introduce agro-climatic zoning to support risk management decision making for farmers, financial institutions, and public sector programs.

### **Country Environmental Analysis (P153169)**

The Country Environmental Analysis is a systematic, country-level diagnostic of the state of the environment and natural resource use. It serves as an environmental quality baseline against which future trends and changes in environmental quality and associated drivers can be analyzed. It provides a financing and budget analysis for the sector and assesses the policy and institutional framework readiness for addressing environmental and natural resources issues. The main objective is to support the Government in analyzing critical environmental constraints to sustainable growth and shared prosperity and propose broad policy actions to address them.