Board Meeting of May 15, 1997
Statement by Juanita Amatong

ARGENTINA -- Country Assistance Strategy

1. We support the overall Bank's strategy for Argentina, as proposed in the well-prepared document before us today. The document focuses on fundamental issues for the consolidation of the economic adjustment instituted by the Convertibility Plan adopted six years ago. The Argentinean government has shown political will and courage in facing the external shocks to the Plan, represented by the Mexican crisis of 1995.

2. As important as the $11 billion financial package brought together by the international community during the Mexican crisis, were the emergency measures taken by the Government of Argentina to further strengthening the Convertibility Plan. This is indicative of the determination of the Government, to resist to pressures to deviate from the Plan. There is, however, a long way to go for the consolidation of structural reforms. Poverty is still a matter of concern in Argentina, especially at the Provincial level, as well as social development and infrastructure. We think that the issue here is not only finance, but may be more important to strengthen the capacity of the sub-national governments to implement the reforms.

3. By reading the document we realize that there are projects in almost all sectors in Argentinean Provinces; many of them, however, with very poor performance in the implementation. In this regard, we favor the approach suggested by Management, to condition the access to new loans to the performance on the existing portfolio. This trigger will help focus the attention of the beneficiary on the need to better manage unsatisfactory projects.

4. While Argentina has achieved a very high per capita income, it is sad to note that there is a very unequal distribution of income. It is our sense that the problem of equity must be addressed by our Bank program to make development in countries similar to Argentina sustainable.

5. The Poverty Assessment study for Argentina (Box 1) classifies the poor into three categories: the vulnerable poor, the stagnant poor and the indigent. The approach to poverty alleviation in Argentina, therefore, depends on the type of poverty that is being addressed, and
rightly so. The Bank’s strategy in poverty alleviation in Argentina focuses on the social sector, particularly education and health. We support this strategy especially that the most vulnerable group of the poor are women and children, and who are also the targeted beneficiaries of the projects, such as the Secondary Education II, the Maternal and Child Health and Nutrition. In addition, projects to generate employment address the vulnerable poor who are victims of the rigidities of the labor market. The rural sector, where most of the poor people live, will be an area for a more focused intervention. We believe that the poverty problem of Argentina is something beyond this Bank’s capability to solve, thus we welcome the coordination with IDB, the Federal and Provincial Governments and other stakeholders to consolidate efforts at delivering cost-efficient and effective services.

6. We must be prepared to put emphasis on technical assistance to the sub-national governments. We are glad to note that the assistance provided by the Bank has helped the privatization process of public banks at the Provincial level, the majority of which, as stated in the CAS document, has already been privatized. However, to condition a reform loan to the privatization of provincial banks, for those sub-national governments that have not done it yet, is a matter of concern to us.

7. Privatization is a two way process. In addition to the willingness of the Governments to sell the banks the attractiveness of the financial sector for the private investors must be taken into account. There may be a Province with a well performing portfolio, fiscal indicators within the range established by the authorities, but can not sell the bank due to the lack of interest on the part of investors. How flexible would the proposed strategy be in such a circumstance?