



Independent Country Program Review

# Argentina 2021-2023

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# Acknowledgements

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# Abbreviations

<b>CCF</b>	Contingent Credit Facility for Natural Disaster Emergencies
<b>CCLIP</b>	Conditional credit line for investment projects
<b>CPD</b>	Country Program Document
<b>CPE</b>	Country Program Evaluation
<b>CSC</b>	Country Department Southern Cone
<b>FFS</b>	Fee-based financial advisory service
<b>ICPR</b>	Independent Country Program Review
<b>IMF</b>	International Monetary Fund
<b>INDEC</b>	Argentina's National Institute of Statistics and Census
<b>INV</b>	Investment loan
<b>LBR</b>	Loan based on results
<b>MSMEs</b>	Micro, small, and medium-sized enterprises
<b>NSG</b>	Non-sovereign guaranteed
<b>OE</b>	Strategic objective
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OVE</b>	Office of Evaluation and Oversight
<b>PBP</b>	Programmatic policy-based loan
<b>R&amp;D</b>	Research and development
<b>RE</b>	Expected outcome
<b>SDL</b>	Special development lending

<b>SG</b>	Sovereign guaranteed
<b>SME</b>	Small and medium-sized enterprise
<b>TCP</b>	Technical cooperation operation
<b>TFFP</b>	Trade Finance Facilitation Program

# Executive Summary

**Purpose.** This Independent Country Program Review (ICPR) analyzes the IDB Group's country strategy and country program with Argentina during the 2021-2023 period. The ICPR is intended to strengthen the accountability of the IDB Group's work in the country, providing the Board of Executive Directors with useful information to consider for the next country strategy and inviting Management to incorporate the review's findings for the benefit of the new strategy and program. The ICPR is based on a systematic review of documentation on the operations of the country program, as well as input provided by 70 respondents participating in semi-structured interviews, including both IDB Group personnel and counterparts in the country.

**Country context.** The economic and social context of Argentina over the past few years has been complex. A sluggish economy has combined with a number of significant macroeconomic challenges—including persistent high inflation and limited access to international financial markets. Meanwhile, poverty rates have been rising in recent years, along with major disparities throughout the country. The business environment has not been favorable for private sector growth, and long-postponed structural reforms still need to be prioritized in order to boost the country's competitiveness.

**Objectives and crosscutting issues.** The IDB Group Country Strategy with Argentina 2021-2023 established 21 strategic objectives and 43 expected outcomes in 4 priority areas. In addition, the strategy mainstreamed two crosscutting issues: gender and diversity; and environmental sustainability and climate change.

**Relevance of the objectives and the design of the country strategy.** Following the recommendation of the Office of Evaluation and Oversight (OVE) and at the request of the Government of Argentina, the effective duration of the previous country strategy (2016-2019) was extended in order to focus on addressing the effects of the pandemic. In this context, the IDB Group implemented a broad operational response to the COVID-19 crisis. The various counterparts interviewed throughout Argentina really appreciated the flexibility that the IDB Group showed in tackling the crisis in a timely manner. The current country strategy with Argentina, for the 2021-2023 period, was approved in June 2021, becoming the first IDB Group strategy approved after the end of the pause in country strategy approvals due to the pandemic. The objectives established in the 2021-



2023 country strategy were relevant with respect to development challenges and priorities. However, the strategy's relevance was impacted by its limited strategic selectivity. Despite its relatively brief duration, the 2021-2023 country strategy established strategic objectives and expected outcomes that were broader than those of the previous country strategy. Unlike the previous strategy, the 2021-2023 country strategy lacked focusing criteria based on geographical location, despite the IDB Group's limitations to provide support on a nationwide basis in several sectors. There is also no evidence that the IDB Group selected these objectives based on an analysis of its own comparative advantages. In this context and considering the country strategy's short validity period and execution times for the operations, as well as the Bank's limited financing in relation to Argentina's financing requirements in most sectors, there is a question of how realistic the expectations were that the IDB Group would be able to substantially contribute to the various objectives established. However, the relevance of the country strategy was also affected by evaluability issues, including the definition of expected outcomes that were too broad or generic (e.g., "poverty reduction" and "growth") and weaknesses in vertical logic that undermined the clarity of the theory of change with which the IDB Group expected to make progress toward country strategy objectives. Additionally, the country strategy's design included limited monitoring mechanisms. Considering the broad scope of the country strategy, all of the operations reviewed were aligned with at least one strategy objective.

**Country program.** The country program consisted of 161 operations with the IDB and 24 with IDB Invest. During the period under review, the IDB approved US\$5.233 billion for 32 sovereign guaranteed loans and US\$9.7 million for 32 nonreimbursable technical-cooperation operations. In addition, 95 public sector operations had a total of US\$4.931 billion pending disbursement at the beginning of this period. The IDB used a variety of financing instruments to respond to different needs within the country. For sovereign guaranteed operations in the country program, 12% of the amount was channeled through budgetary support instruments: one special development lending (SDL) operation and two programmatic policy-based loans (PBPs). The rest was for investment loans, focused mainly on the federal level and infrastructure operations. Argentina continued using conditional credit lines for investment projects (CCLIPs) frequently as the framework for loan approvals, seeking to give continuity to the Bank's support in several sectors such as water and sanitation, urban development, transportation, health, innovation, and education. The approval of loans based on results (LBRs) is also noteworthy. In this context, counterparts throughout Argentina pointed out that the financing instruments offered are a key element of the Bank's value proposition. However, in an environment of economic instability, IDB Invest significantly curtailed its approvals compared to the previous

period. The annual average for these approvals decreased from US\$556.3 million during the 2016-2020 period to US\$126.1 million in the 2021-2023 period. Of the amounts approved during the analysis period, 60% were channeled through the Trade Finance Facilitation Program (TFFP). The IDB Group also supported Argentina through other modalities, such as resource mobilization through non-sovereign guaranteed operations and cofinancing for sovereign guaranteed operations. The clients interviewed constantly mentioned the support and close monitoring that IDB Group specialists provide, indicating that sector knowledge is a significant value added by the IDB Group.

**Program implementation.** Disbursements from IDB Invest were substantially lower than for the previous strategy period, totaling US\$268 million for the 2021-2023 period. Meanwhile, disbursements from the IDB rose significantly to US\$5.032 billion for the same period. This was consistent with the high-financing scenario of the country strategy, which factored in changes in the country's macroeconomic context and the potential for a new agreement with the International Monetary Fund (IMF); the latter materialized in 2022. Disbursements for budgetary support instruments (one SDL and two PBPs) accounted for 27.3% of sovereign guaranteed operation disbursements during the 2021-2023 period. The disbursements for the SDL combined with support from other international organizations to address the financing commitments under the agreement with the IMF. The disbursements for the PBPs complemented the Bank's budgetary support, contributing to policy actions related to the institutional framework for climate change, the circular economy, decarbonization, and sustainable finance—all areas where the Bank has been assisting the country. In general, the policy actions were of medium depth, and need to be followed by other measures with monitored implementation in order to have a significant, lasting impact. The remaining sovereign guaranteed operation disbursements (72.7%) were associated with investment loans, under which disbursements for loans based on results (LBRs) have been increasing. Fewer operations were canceled during the 2021-2023 period, partly because of the portfolio's significant restructuring in 2020 in the context of the pandemic, as well as due to the Bank's flexibility in adjusting its operations. Since the Bank has made significant efforts to improve portfolio execution, this reduced the number of projects identified as on alert or problematic. However, in the context of a large investment loan portfolio focused mainly on infrastructure, term extensions for project execution continue to impact a significant portion of the portfolio, despite the Bank's close support during supervision. There were various execution issues, significantly those related to Argentina's economic context. The execution of operations was also impacted by the effects of the pandemic, which brought infrastructure works and supply chains

to a standstill. Other issues were related to shifting government priorities, staff turnover in execution units, and weaknesses in the execution capacities of some counterparts. In this context, the recommendations that OVE made in the previous Country Program Evaluation remain applicable and extremely relevant. Contributing to the sustainability of policies and reforms that lead to the country's fiscal stability remains essential. In addition, there is still a need to focus the IDB's support on a limited number of areas where the Bank can add most value, and to continue to address the institutional capacity gaps of counterparts more effectively.

**In the priority area of poverty reduction and social protection for the most vulnerable**, the program made high-level contributions to the objectives of *poverty reduction; strengthen the health system; prioritize early childhood development, especially within vulnerable groups; move forward on greater inclusion, quality, and retention in the education system*. With respect to poverty reduction, in the context of the pandemic, the programs that most directly addressed this objective helped to ensure the continuity of various social programs that were in operation through transfers. In terms of health, there were noteworthy improvements in the quality of health care services in the Province of Buenos Aires (PBA), including the adoption of new quality standards at the municipal level, reduced wait times for care, and increased availability of oncology medications. At the national level, in addition to providing support to address the pandemic comprehensively, the program enabled an increase in lending capacity to deliver care services for conditions other than COVID-19. This care had been postponed during the pandemic, when digital platforms were used to deliver telehealth services and provide prescriptions. In childhood development, the program helped expand access and improve quality in early childhood centers. With respect to education, the program helped improve the indicators for access and retention in the education system by increasing coverage and reducing school dropout rates. In contrast, there were lower contributions toward the remaining objectives of this priority area, which sought to *improve the population's employability; improve habitat and mobility conditions of the population; strengthen citizen security; and expand financial inclusion*. The low-level contributions were due to a variety of factors; namely, operations that did not meet their planned targets, execution delays, a rather young portfolio from which results could not yet be expected, the program's limited scope to make progress toward very broad objectives, and a widespread lack of evidence about the contributions due to limited information on results.

**In the area of economic recovery and productive development 4.0,** the program supported various elements. With respect to innovation, there were high-level contributions to *greater entrepreneurship and greater innovation and increased investment in research and development (R&D)*. No contributions were made to *simplify processes of opening and closing businesses*. In terms of foreign trade, low-level contributions were made to *promote engagement in foreign trade with products and services of value, increase diversification of exports, and reduce costs in international trade*. With respect to infrastructure, the most significant contribution was made to increase the installed capacity of *renewable energy*; meanwhile, the contributions made to reduce cargo transport and logistics costs, improve electricity services, increase energy efficiency, and facilitate access to *credit for investments that reduce emissions and create resilience* were low. In terms of environmental sustainability, high-level contributions were made to reduce emissions, while the contributions to *improve management of natural disasters, treatment and final disposal of household wastewater, and disposal of solid waste* were low. Many factors affected the contributions to this priority area, particularly the limited scope of the program to achieve country strategy objectives, execution delays, lack of information on results, and a rather young portfolio in some cases.

**In the priority area of macroeconomic stability and effectiveness of public policies,** progress was made in certain specific matters such as strengthening public investment management, and in the regulatory framework for responsible and sustainable development of the mining sector in certain provinces. The Bank also supported macroeconomic stabilization efforts under the agreement with the IMF, by meeting fiscal management requirements for the disbursement of an emergency loan. However, low-level contributions were made to the objectives of *stability and fiscal sustainability; economic growth; improve the technical efficiency of public spending; improve the tax structure to boost investment and employment; improve the regulatory framework*. This was due to factors such as the country program's low feasibility in contributing to the objectives (due to the limited scope of the program or the broadness of some objectives established), lack of evidence of results, execution delays, and limited results to date in certain specific areas (e.g., tax structure).

**In the priority area of digital transformation,** the program's most significant contributions were made to *increase public and private investment in network infrastructure and to ensure access to digital tools, particularly in vulnerable sectors*. The program helped increase the coverage and quality of mobile phone service nationwide, with a strong emphasis on areas with low population density. The program also contributed to the *digital transformation of public services* such as health care, as well as to *facilitate government procedures*, mainly

in the PBA. However, the contributions to improve governmental transparency with digital tools and *improve the regulatory and legal framework to protect the expansion of the digital sector* were low, mainly due to execution delays, mostly related to the pandemic.

**Program contributions.** In summary, the country program's contributions to the majority of the objectives set in the country strategy were low. The analysis by OVE identified a number of factors that affected the program's contributions to these objectives. The program's low-level contributions reflect the predominance of situations where the country program dimension lacked correspondence with the scope of the country strategy objectives. The breadth of the objectives and general nature of many of them amplified this issue. Progress was made with respect to outputs in various areas; however, the lack of evidence of results was another significant factor that limited the program's contributions. While a significant number of the operations are still rather young to expect results, several projects (mainly legacy operations) show significant execution delays, which to date has limited their contributions. In contrast, the country program made high-level contributions when there was correspondence between the scope of the objectives set in the country strategy and the country program dimension that supported these objectives. This included having clearly defined, focused objectives, as well as effective execution of the operations under the country program, which helped achieve the targets.



# 01

## Introduction

- 1.1 This Independent Country Program Review (ICPR) analyzes the IDB Group's country strategy and country program with Argentina during the 2021-2023 period. ICPRs are independent reviews of the most recent IDB Group country strategy and its corresponding country program. According to the Office of Evaluation and Oversight's (OVE) Country Product Protocol (document [RE-348-8](#)), ICPRs focus on accountability. In line with this, ICPRs do not make recommendations, but rather draw conclusions to inform the Board's consideration of the future country strategy, and to be considered by Management if it finds them useful in the design and implementation of the future country strategy and program.
- 1.2 The ICPR is based on an exhaustive documentary review and the triangulation of information with IDB Group personnel and key external stakeholders. The ICPR summarizes the country context, based on the most recent assessments from the IDB Group and other donors. In addition, the ICPR assesses the relevance of the objectives set out in the 2021-2023 country strategy, describes the country program, analyzes its alignment with the country strategy, and examines its implementation and contributions to the objectives set, to the extent that available information allows. The ICPR is based on a systematic review of documentation on the operations of the country program, as well as input provided by 70 respondents participating in semi-structured interviews, including both IDB Group personnel and counterparts in the country.



# 02

Country  
Context



2.1 Although Argentina has great potential regionally, it has been in the midst of a complex economic and social context in recent years. Argentina, with a population of about 46 million and gross domestic product (GDP) in 2022 of approximately US\$633 billion at the current exchange rate, is the third-largest economy in Latin America and the Caribbean, after Brazil and Mexico. The country has a vast territory with important natural resources, including fertile lands for agriculture as well as gas and lithium reserves. Argentina is a leading food producer with large-scale agricultural and livestock industries (World Bank, 2023). In 2022, the manufacturing industry accounted for 32% of GDP, while agriculture and livestock activities accounted for 8.2% (National Institute of Statistics and Census (INDEC), 2023). In recent years, the country has faced major challenges, including droughts, a large public debt, persistent high inflation, a balance of payments deficit, and limited access to international financial markets, as well as high poverty rates.

## **A. Macroeconomic situation**

2.2 The Argentine economy has shown an unstable growth pattern in recent years. After the GDP contracted by 9.9% in 2020 in the context of the COVID-19 pandemic,<sup>1</sup> economic activity began to recover, with GDP increases of 10.4% in 2021 and 5.2% in 2022. However, Argentina experienced an unprecedented drought in 2023 that resulted in a strong decline in trade flows, causing estimated losses of approximately US\$20 billion. This also had an indirect effect on economic activity, due to a greater adjustment in capital and current account controls in order to maintain international reserves. Moreover, export tax revenue fell by the equivalent of 0.6% of GDP (Central Bank of Argentina, Monetary Policy Report, 2023). In this context, a 2.5% decline in real GDP is forecasted for 2023 (IMF).

2.3 Argentina also faces significant challenges to reduce the fiscal deficit and inflation. In 2020, due to the impact of COVID-19 on economic activity, revenue, and compensatory fiscal measures, there was a deficit of 6.4% of GDP. In 2021, the primary balance was reduced to -2.5% of GDP; in 2022, it was further reduced to

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<sup>1</sup> Between 2018 and 2020, economic activity decreased by 14%; the COVID-19 pandemic exacerbated this situation. Argentina experienced a new economic crisis between 2018 and 2019. The higher exchange rate risk of emerging economies, perception that the sovereign debt was unsustainable, and consequences of the drought for exports limited the country's ability to obtain external financing. This led Argentina to request a financing arrangement from the IMF in 2018. The COVID-19 pandemic and an unprecedented drought exacerbated an already fragile economic situation. At year-end 2019, the government began to restructure debt payments to domestic and foreign creditors. As a result, the country lost access to international debt markets and could only resort to domestic capital markets. In addition, the pandemic-driven crisis resulted in an increase in the fiscal deficit and the debt.

-1.8% of GDP. According to the IMF Fiscal Monitor, the primary balance in 2023 is expected to be 1.6% of GDP. Although as a result of the disruption in worldwide demand, annual inflation fell to 36.1% at year-end 2020, it has been rising ever since. Annual inflation rose to 50.9% in 2021 and 94.8% in 2022 in the context of strong monetary issuance to finance the Treasury, as well as other external and internal factors.<sup>2</sup> At year-end 2023, annual inflation was 214.4% (INDEC). Within a complex macroeconomic context, a new agreement with the IMF was signed in March 2022 to refinance debt payments falling due between 2022 and 2024 (Box 2.1).

### *Box 2.1. Argentina and the IMF*

After a sudden stop episode in early 2018, Argentina lost access to voluntary financing. In this context, the country signed a three-year, US\$50.7 billion Stand-By Arrangement (SBA) with the International Monetary Fund (IMF) in June 2018, the largest in IMF history, which was later expanded by another US\$6.3 billion in August of that year. Drawdowns totaled US\$44 billion. The SBA program derailed in August 2019, after the completion of 4 of its 12 planned reviews and without achieving its objectives of reestablishing market confidence, reducing external and fiscal imbalances, reducing inflation, and protecting the most vulnerable population segments. The program was suspended after the 2019 elections, and canceled in mid-2020.

In March 2022, the government signed a new, 30-month agreement with the IMF, to refinance US\$44 billion in debt payments falling due between 2022 and 2024. The main aspects of the agreement include reducing inflation with a strategy to gradually eliminate the Central Bank's financing of the Treasury, embarking on a fiscal adjustment path to reach zero balance by 2025, strengthening the monetary policy framework, increasing interest rates, and reducing energy subsidies. As of January 2024, the country has drawn down US\$40.6 billion under this agreement. In its latest review, the IMF indicated that at year-end 2023, the agreement's key objectives had not been met due to severe policy slippages.

## **B. Social development**

2.4 Argentina's social context in recent years has been complex. Argentina is among the countries with the lowest inequality in the region, with a Gini coefficient of 42 in 2021. However, the percentage of the population below the poverty line has trended upward since 2017, reaching 40.1% in the first half of 2023 (INDEC, 2023). There are also major disparities on a regional level with respect to the prevalence of poverty. According to the Economic Commission for Latin America and the Caribbean (ECLAC), on average, the Centro region has lower poverty rates than the Norte. However, the Centro's high demographic density made

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2 Externally, inflationary pressures were associated with logistics issues and bottlenecks in worldwide production after emerging from the pandemic, coupled with rising international prices for food and energy. Domestically, these pressures were due to shifting consumption patterns and realignment of prices after the post-pandemic reopening of the economy; monetary financing of the fiscal deficit; and creation of endogenous currency due to the Central Bank's interest-bearing liabilities falling due (IMF 2022 Article IV).

it an epicenter, home to more than 80% of the country's poor population. Unemployment rates began falling after rising to 11.6% in 2020; in 2022, unemployment was 6.5%.

- 2.5 The pandemic-driven crisis exacerbated existing challenges in education, health, and provision of basic infrastructure. Argentina has made significant progress toward enrollment in compulsory school grades. However, challenges remain with respect to learning quality, retention, and completion of educational cycles. These issues disproportionately affect the most vulnerable population.<sup>3</sup> In addition, during the pandemic, disparities in access and connectivity to digital education services mostly affected students living in vulnerable environments. While Argentina spends more than 10% of GDP on health care, this is not reflected in its health outcomes. There are also regional differences with respect to coverage and effective access to health care services. This is due to three coexisting coverage subsystems, which results in financial overlap and variability in the quality of health care services delivered.<sup>4</sup> Care provided to patients with COVID-19 disrupted health care services for patients with chronic diseases and increased the demand for treatment of mental health disorders. Moreover, 85.4% of the population has access to drinking water and 62.6% to adequate sanitation services. In addition, only 40% of the wastewater treatment is adequate (INDEC, 2022). The gaps are wider among populations with high social vulnerability, as well as in the provinces of the Norte Grande and the Greater Buenos Aires conurbation.

## C. Productive development

- 2.6 The business environment has not been favorable for private sector growth. Structural reforms that have been postponed for years still need to be prioritized in order to boost the country's competitiveness. Barriers to foreign trade, including high tariffs and subsidies, affect domestic productivity and the country's global competitiveness. The private sector tax burden is among the highest in the region, distorting investment decisions. Meanwhile, the lack of policies to strengthen the labor market, high levels of informal labor, and some cash transfer programs

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<sup>3</sup> While the 2022 Aprender test for primary school showed improved scores in language and mathematics compared to 2021, findings show that factors such as attending a public school in a rural area and being from the lowest income quintiles negatively impact student test scores.

<sup>4</sup> Specifically for public health services, since subnational entities are responsible for their funding, which depends on the capacity of the jurisdictions, causing regional inequalities. Along these lines, the fragmentation among health care and utilities providers impacts people's health. Although health care protocols and mechanisms are in place, health care providers lack standardized mechanisms for service delivery and record-keeping.

that disincentivize formal employment have resulted in lower worker productivity than expected (Organisation for Economic Co-operation and Development (OECD), 2023). The private sector is characterized by the low density of new businesses and lack of competition, as well as being mainly comprised of small and medium-sized enterprises (SMEs) that have low productivity (Enterprise Surveys, World Bank). Another significant obstacle for private sector development is limited access to finance due to a poorly developed financial system. The volume of domestic credit to the private sector as a percentage of GDP is 12%, well below the 60% average for Latin America and the Caribbean (World Bank, 2022), with SMEs facing the most constraints (40% reported having access to credit). In addition to the country's macroeconomic context, there are several disincentives to credit expansion. These include interest rate limits, low rates of confidence in the financial system, and the crowding out of credit through the issuance of debt denominated in Argentine pesos to finance the Treasury (IMF, 2022).

- 2.7 Investment in infrastructure remains insufficient, with persistent problems in electricity supply and quality of the transportation network. Economic instability and the scarcity of sources of long-term financing have restricted private sector investment in infrastructure. Moreover, this gap has not been narrowed through public investment because of limited fiscal headroom. In addition, the high level of public spending on poorly targeted subsidies for electricity and transportation has generated distortions and further limited the public sector's ability to invest in infrastructure. According to the World Economic Forum's Global Competitiveness Index, Argentina's ranking in the infrastructure area worsened, falling from 51st in 2019 to 56th in 2022 (out of 64 countries). This situation is largely attributable to the poor quality of energy infrastructure (61st out of 64 countries). In this context, the growing demand for energy has exceeded the supply, even though the country has significant energy resources. Meanwhile, while approximately 90% of goods are transported by road, which is essential for regional integration and access to markets, more than 60% of the national and provincial road network is in fair or poor condition.
- 2.8 Argentina faces a number of challenges arising from climate change and extreme natural events that have generated issues for all sectors of the economy. Weather events such as floods, droughts, and heat waves have increased in both frequency and intensity, with significant consequences for sectors essential to the economy, such as agriculture (Intergovernmental Panel on Climate Change (IPCC), 2022). Argentina ranks 34th worldwide in terms of greenhouse gas emissions, with a total of less than 1% of

emissions globally (Central Intelligence Agency, 2019). Argentina has committed to a 19% reduction in greenhouse gas emissions by 2030, pursuant to its Nationally Determined Contributions under the Paris Agreement. In 2022, the country adopted the National Plan for Climate Change Adaptation and Mitigation by 2030, which encompasses policies to limit greenhouse gas emissions and generate coordinated responses for adaptation to climate change effects across territories, ecosystems, sectors, and vulnerable communities. This plan includes six strategic approaches: energy transition; productive transition; sustainable mobility; sustainable and resilient territories; conservation of biodiversity and collective heritage; and sustainable management of food and forest systems.



# 03

## IDB Group Country Strategy

3.1 The IDB Group Country Strategy with Argentina 2021-2023 was the first country strategy that the IDB Group approved in the context of the COVID 19 pandemic. Following the recommendation of OVE and upon request from the Argentine government, the effective duration of the previous country strategy (2016-2019) (document [GN-2870-1](#)) was extended in order to focus on addressing the effects of the pandemic. In this context, the IDB Group implemented a broad operational response to the COVID-19 crisis (Box 3.1). The various counterparts interviewed throughout Argentina really appreciated the flexibility that the IDB Group showed in tackling the crisis in a timely manner. Therefore, the current country strategy with Argentina was approved in June 2021, becoming the first IDB Group strategy approved after the end of the pause in country strategy approvals due to the pandemic. This involved updating some diagnostic assessments that had started in 2019. According to Management, that in turn resulted in the need to incorporate new priorities and objectives into the country strategy that was originally prepared and agreed upon prior to the pandemic. Given this outlook, the country strategy sought to assist “the most vulnerable sectors affected by the economic crisis and the COVID-19 pandemic, stabilizing the macroeconomic situation, and promoting an agenda of sustainable economic recovery and sustained poverty reduction.”

*Box 3.1. The IDB Group's operational support in response to COVID-19*

The operational response of the IDB Group to the health and economic crisis caused by COVID-19 in Argentina included the approval of prototype loan operations, restructuring of the portfolio, inclusion of components or outputs in different operations in response to the crisis, and increased limits under the Trade Finance Facilitation Program (TFFP).

Three prototype investment loan (INV) operations were approved for a total of US\$1.17 billion for social transfers, intended to guarantee food security and minimum income levels for vulnerable families (AR-L1331/2021); strengthen the health system (AR-L1326/2020); and support employment by providing financing to micro, small, and medium-size enterprises (MSMEs) (AR-L1328/2020). The Bank's operational response was also based on significantly restructuring the existing portfolio in 2020. This included redirecting US\$470 million in resources from active operations to the new public health response program and US\$500 million to the productive and employment support program. For the latter operation, resources were redirected from nine operations (six INVs in the disbursement stage at the time of reformulation and three INVs that had not yet achieved eligibility). These INVs were officially reformulated. In addition, five investment loans (INVs) and two technical cooperation operations (TCPs) that were approved included activities or outputs focused on crisis response.

In this context, disbursements from the IDB Group increased in 2020 and 2021. The various counterparts interviewed throughout Argentina really appreciated the flexibility that the IDB Group showed in tackling the crisis in a timely manner. To date, three prototype INV operations have completed disbursement and two have already reported results. The loan for vulnerable populations (AR-L1331/2021) made it possible for 3.67 million beneficiaries to receive cash transfers through the program *Tarjeta Alimentar* in July and August 2021, reaching 95.3% of households below the poverty line. Meanwhile, the loan for

an immediate public health response (AR-L1326/2020) reports it achieved the majority of its targets related to strengthening response leadership, improving case detection and monitoring, and breaking the chain of transmission of the virus. The latter included procuring personal protective equipment for health care personnel, obtaining vaccines, and building diagnostic capacity. Lastly, the operation to support the productive sector and employment (AR L1328/2020) reports progress in MSME financing, although measurements of results are not yet available.

The operations that redirected resources to address the emergency sought to strengthen the response capacity of the national government (AR-L1327/2020, AR-T1253/2020) and of subnational governments (AR-T1258/2020); and the delivery capacity of health care services (AR-L1312/2019, AR-L1340/2021) to address the emergency resulting from the pandemic. They also offered support to vulnerable populations as part of the execution of the operation (AR-L1306/2019).

Source: OVE, based on data from the IDB Group and interviews with counterparts.

3.2 The 2021-2023 country strategy established four priority areas: (i) poverty reduction and social protection of the most vulnerable; (ii) economic recovery and productive development 4.0; (iii) macroeconomic stability and effectiveness of public policies; and (iv) digital transformation.<sup>5</sup> The country strategy established 21 strategic objectives (OE) and 43 expected outcomes (RE) in four priority areas, as well as indicators to facilitate monitoring of their progress. The priority areas, strategic objectives, and expected outcomes appear in Table 3.1. The country strategy also establishes crosscutting issues; these are not associated with objectives and relate to environmental sustainability and gender and diversity.

**Table 3.1. Priority areas, strategic objectives, and expected outcomes of the 2021-2023 country strategy**

Strategic objectives	Expected outcomes
<b>Poverty reduction and social protection of the most vulnerable</b>	
OE1. Poverty reduction	RE1.1. Reduction of the population living below the poverty line
OE2. Strengthen the health system	RE2.1. Expand access to quality and preventive health services
OE3. Prioritize early childhood development, especially within vulnerable groups	RE3.1. Expand access and enhance quality of early childhood centers and education
OE4. Move forward on greater inclusion, quality, and retention in the education system	RE4.1. Improve student levels of learning, with a focus on the most vulnerable sectors
	RE4.2. Improve the indicators for access and retention in the education system

5 In the country strategy's initial design, digital transformation was identified as a crosscutting issue. However, because of the effects of the pandemic, it eventually became the fourth priority area, with associated strategic objectives and expected outcomes.



OE5. Improve the population's employability	RE5.1. Improve the skills plan based on current and future labor demand
	RE5.2. Reduction of informality
	RE5.3. Increase women's workforce participation
OE6. Improve habitat and mobility conditions of the population	RE6.1. Improve housing conditions
	RE6.2. Reduce the risk of floods in urban areas
	RE6.3. Improve access and delivery of basic services
	RE6.4. Improve urban mobility services
OE7. Strengthen citizen security	RE7.1. Reduce crime
	RE7.2. Reduce levels of gender-based violence
OE8. Expand financial inclusion	RE8.1. Expand financial inclusion of the most vulnerable
<b>Recuperación económica y desarrollo productivo 4.0</b>	
OE9. Promote entrepreneurship, innovation, and the development of competitive business clusters	RE9.1. Greater entrepreneurship
	RE9.2. Simplify processes of opening and closing businesses
	RE9.3. Greater innovation and increased investment in R&D
OE10. Promote engagement in foreign trade with products and services of value	RE10.1. Increase the country's trade flow
	RE10.2. Increase diversification of exports
	RE10.3. Reduce costs in international trade
OE11. Reduce infrastructure gaps	RE11.1. Improve the quality of infrastructure
	RE11.2. Reduce cargo transport and logistics costs
	RE11.3. Improve electricity services
	RE11.4. Increase the share of renewable energies in the energy matrix
OE12. Expand coverage and access to financing for the sustainable productive sector	RE12.1. Facilitate access to credit (considering in particular investments that reduce emissions and create resilience)
OE13. Move toward environmental sustainability	RE13.1. Reduce greenhouse gas (GHG) emissions
	RE13.2. Improve management of natural disaster risks
	RE13.3. Improve management in the treatment and final disposal of household wastewater
	RE13.4. Improve the management of final disposal of urban solid waste
<b>Macroeconomic stability and effectiveness of public policies</b>	
OE14. Move toward greater macroeconomic stability	RE14.1. Stability and fiscal sustainability
	RE14.2. Economic growth
OE15. Improve the technical and allocative efficiency of public spending	RE15.1. Improve the technical efficiency of public spending
OE16. Improve the tax structure to boost investment and employment	RE16.1. Improve the tax structure to encourage job creation
OE17. Improve the regulatory framework	RE17.1. Make the regulatory framework more efficient to facilitate investment and private sector dynamics

Digital transformation	
OE18. Increase digital inclusion	RE18.1. More training in digital technologies at the various levels of education
	RE18.2. Ensure access to digital tools, particularly in vulnerable sectors
OE19. Promote the adoption and effective use of digital technologies and innovation by companies	RE19.1. Greater digitalization of businesses
OE20. Increase public and private investment in network infrastructure	RE20.1. Expansion of high-speed network infrastructure and national coverage
OE21. Digital government	RE21.1. Facilitate government procedures
	RE21.2. Improve governmental transparency with digital tools
	RE21.3. Improve the regulatory and legal framework to enable and protect the expansion of the digital sector

Source: IDB Group Country Strategy with Argentina 2021-2023 (document [GN-3051](#)).

3.3 The country strategy identified macroeconomic and portfolio execution risks, many of which materialized during the review period. The main *macroeconomic risks* identified in the country strategy relate to fiscal sustainability, price stability, and potential exogenous shocks in the advanced economies that could lead to a decline in capital flows to emerging countries and falling commodity prices for Argentina’s exports. The main *execution risks* include potential fiscal constraints associated with macroeconomic uncertainty, which could affect the budgetary allocations available for loan execution; possible changes in the structure of the federal government administration; and exchange rate volatility, which could create execution issues, particularly for infrastructure projects. In this context, the country strategy identified mitigation measures of a general nature, such as “programming and portfolio management will take into consideration the current context, with the Bank working closely alongside the government to monitor these risks and address them in a timely manner.” This would be “accompanied by the necessary technical assistance and the strengthening of institutional capacities in counterpart agencies and project execution teams.” The country strategy did not identify specific measures to mitigate the impact of aspects such as exchange rate volatility on project execution. Despite the general nature of the country strategy’s mitigation measures, during implementation of the country program, the Bank addressed several execution risks, using more specific measures to monitor portfolio risks and support the strengthening of execution units (see section V). With respect to exchange rate volatility, during program implementation, the Bank sought to address this issue

in the design of operations through existing instruments such as repricing, as well as revising aspects related to contracts and bidding documents in coordination with the government.

- 3.4 In general, the country strategy's objectives were aligned with Argentina's development challenges and government priorities. In formulating the country strategy, the IDB Group prepared a Country Development Challenges analysis, identifying the main short- and medium-term challenges that have prevented the country from achieving a sustainable path toward growth and equity. For the short term, the analysis identified the need to stabilize the economy while protecting the most vulnerable population as the main challenge. For the medium term, the analysis identified revitalizing productivity as fundamental in order to boost economic growth, create quality jobs, promote an increase in real wages, reduce poverty, and make progress toward a more egalitarian society. To address these long-term challenges, the analysis identified reaching a consensus around a reform agenda as an imperative. Given the lack of a development plan at the national level, the Bank sought to align its country strategy objectives with the Argentine government's priorities reflected in the 2021 budget document ("*Hacia una Argentina con crecimiento inclusivo y estabilidad económica*"). The latter document highlights as an important condition the need to move toward a fiscal stability path that is consistent with the economic recovery. It also identifies as priorities the pillars of productive infrastructure and housing; innovation and development; health; education and connectivity; social inclusion; and gender and diversity.
- 3.5 However, the country strategy's relevance was impacted by its limited strategic selectivity. Despite its relatively brief duration, the 2021-2023 country strategy established broader strategic objectives and expected outcomes than the previous country strategy (Box 3.2).<sup>6</sup> Moreover, unlike the previous strategy, the 2021-2023 country strategy did not explicitly include any focusing criteria for the Bank's program based on geographical location, despite the IDB Group's limitations to provide support on a nationwide basis in several sectors.<sup>7</sup> There is also no evidence that the IDB Group selected the strategic objectives and expected outcomes based on an analysis of its own comparative advantages. In this context and considering the country strategy's relatively short validity period and execution

6 Thus, the 2021-2023 country strategy with Argentina became the IDB Group strategy in effect with its borrowing member countries with the largest number of strategic objectives and expected outcomes.

7 The 2016-2019 country strategy explicitly established a regional focus for the Bank's interventions. It included disaggregated indicators in the Norte Grande region and the Buenos Aires conurbation, areas with the highest poverty levels and widest gaps in access to basic services.

times for the operations (see section V), as well as the IDB Group's limited financing in relation to Argentina's financing requirements in most sectors, there is a question of how realistic the expectations were that the IDB Group would be able to substantially contribute to the various objectives established. The country strategy did not refer to these aspects.

*Box 3.2. Comparison between the 2021-2023 and 2016-2019 country strategies*

The 2016-2019 country strategy focused on realigning the economy, and prioritized strengthening the private sector as a driver of economic development. In this context, it identified three strategic priorities—business climate improvement; strengthening of private-sector integration and insertion into value chains; and poverty and inequality reduction—with interventions focused on the Norte Grande and the Buenos Aires conurbation. Therefore, the strategy defined 12 strategic objectives and 27 expected outcomes. The 2021-2023 country strategy significantly expanded these, to 21 strategic objectives and 43 expected outcomes, with an emphasis on assisting the most vulnerable sectors affected by the economic crisis and the pandemic, stabilizing the macroeconomic situation, and making progress toward sustained poverty reduction. The 2021-2023 country strategy gave continuity to several objectives of the previous strategy. It also added new objectives, mainly in areas such as environmental sustainability, digitalization, financial inclusion, and macroeconomic stability (including tax structure and efficiency of public spending).

- 3.6 In addition, there were some problems related to the evaluability and monitoring of country strategy outcome indicators. Other factors impacted the country strategy, in addition to the large number of strategic objectives and expected outcomes. Several expected outcomes were defined very broadly or generically (e.g., RE1.1, RE9.1, RE11.1, RE14.1), limiting the country strategy's capacity to guide the Bank program during its effective period. Some of the strategic objectives were defined unclearly (OE4, OE13, OE14, OE19). In other cases, the expected outcomes were broader than the strategic objectives (RE3.1, RE10.1, RE20.1) or defined very similarly to the strategic objective (e.g., RE6.1, RE9.3, RE15.1, RE16.1, RE17.1, RE19.1). These weaknesses in vertical logic undermined the clarity of the theory of change with which the IDB Group expected to make progress toward these objectives. Moreover, the country strategy included 46 progress indicators (associated with 43 expected outcomes), which did not seem to have served to monitor the objectives that the IDB Group established pursuant to country strategy guidelines. For example, the updating frequency of 24 of the outcome indicators made it impossible to collect data about their progress during most of the relatively brief duration of the

country strategy;<sup>8</sup> only seven indicators could be updated as of 2023. Moreover, four of the indicators are not directly related to the associated expected outcomes.<sup>9</sup>

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8 This means that the baseline and/or the latest update available for the indicator do not reasonably include the 2021-2023 period. For example, the baseline for nine indicators is from before 2018 (and in one case, from 2012). For 24 indicators, the latest update is from 2021 or earlier (including seven indicators with values that cannot be updated). Fifteen indicators may have been updated in 2022 and seven indicators in 2023. In some specific cases, the pandemic delayed data collection (e.g., the population census was postponed to 2022; the Index of Product Market Regulation was postponed to 2023) or impacted the continuity of sources of information (e.g., Doing Business).

9 See the indicators associated with the expected outcomes: RE5.1, RE6.4, RE14.2, and RE18.2.



# 04

## Program Alignment

## A. Description

- 4.1 The country program consisted of 161 operations with the IDB and 24 with IDB Invest. In accordance with the Country Product Protocol (document [RE-348-8](#)), the ICPR considered all IDB and IDB Invest operations approved during the review period<sup>10</sup> and legacy operations from previous periods. During the period under review, the IDB approved US\$5.233 billion for 32 sovereign guaranteed loans and US\$9.7 million for 32 nonreimbursable technical cooperation operations. IDB Invest approved US\$230.2 million for non sovereign guaranteed operations. In addition to these approvals, at the start of the analysis period, there were 95 public sector operations with a total balance of US\$4.931 billion pending disbursement. The country program includes 11 non sovereign guaranteed operations for which an expanded supervision report (XSR) was prepared during the 2021-2023 period.
- 4.2 The IDB used a variety of financing instruments to respond to different needs within the country. For the sovereign guaranteed operations in the country program, 12% of the amount was channeled through budgetary support instruments: two programmatic policy-based loans (PBPs) totaling US\$850 million and one emergency special development lending (SDL) operation for US\$700 million.<sup>11</sup> The remainder was for investment loans (INVs) focused mainly at the federal level<sup>12</sup> and for infrastructure operations.<sup>13</sup> Argentina continued using conditional credit lines for investment projects (CCLIPs)<sup>14</sup>

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10 The start date for the period covered is 2 June 2021 (approval date of the 2021-2023 country strategy), and the end date is 30 June 2023 (cut-off date set by OVE according to the Protocol). Therefore and in line with the ICPR Protocol, IDB and IDB Invest operations that meet any of the following criteria were included: (i) operations approved between 2 June 2021 and 30 June 2023; and (ii) legacy operations, that is, those approved before 2 June 2021 with any amount pending disbursement on that date, or approved and fully disbursed between 31 December 2019 (cut-off date of the latest OVE evaluation for Argentina) and 2 June 2021. The information about the portfolio was shared with Management in September 2023 for its comments.

11 The total amount of the SDL included: (i) US\$500 million (new funds) from the Bank's Ordinary Capital in addition to the regular loan program approved in the Long-term Financial Projections for 2022 (document [FN-736-2](#)); and (ii) US\$200 million in redirected uncommitted resources from approved operations.

12 Of the country program's sovereign guaranteed investment loan operations, 86% of the amount corresponds to operations in which the borrower was the Republic of Argentina. The remaining 14% was for seven subnational entities, particularly the PBA (10 operations, accounting for 11% of the country program amount for INVs).

13 The water and sanitation, transportation, energy, and urban development and housing sectors accounted for 57% of the total amount of sovereign guaranteed operations under the INV modality in the country program. In addition, operations in other sectors such as health, education, and security include significant infrastructure components.

14 The CCLIP is an instrument to finance investment loans and issue guarantees to support investment projects, whether independent or interdependent. The approval of the credit line does not represent a commitment of resources by the Bank until the individual operations are approved by the Board and the corresponding agreements have entered into effect (document [GN-2246-13](#)).

frequently as the framework for approvals of INVs, seeking to give continuity to the Bank's support in some sectors such as water and sanitation, urban development, transportation, health, education, and innovation. Almost one-third of the INVs under the country program were approved under a CCLIP; in addition, six of the INVs were approved under the loan based on results (LBR) modality. The country program also includes one contingent loan under the Contingent Credit Facility for Natural Disaster Emergencies (CCF). Although this loan had been active since 2019, it was reformulated in 2021 in order to include public health emergencies. In addition, the country program includes five regional loans.<sup>15</sup> The counterparts interviewed throughout Argentina pointed out that the financing instruments offered are a key element of the Bank's value proposition.

- 4.3 The IDB actively used technical assistance, mainly to develop new lines of work. Of the 68 technical cooperation operations (TCPs) in the country program, 58.8% (40 TCPs) were for *client support* aimed at developing new lines of work, mainly in the social area (18 TCPs). Meanwhile, 27 TCPs were for *operational support* (39.7%) and one for *research and dissemination* (1.5%). In a context of major challenges in executing INV operations (see section V), the Bank has directly executed almost all of the TCPs (94%), assuming the resulting transaction costs. For example, the Bank has prepared terms of reference and managed procurement for the TCPs. In some cases, the Bank has even hired consultants to administer these operations. The personnel interviewed mentioned that, while this facilitates the execution of TCPs, it entails a significant operational burden. In addition, many times the Bank's internal processes and requirements for TCPs are similar to those for INVs. The Bank has also prepared knowledge products with budgetary resources in fields such as nearshoring, the cost of living in popular areas, and the analysis of sector gaps in development and investment at a regional level.
- 4.4 In an environment of economic instability, IDB Invest significantly curtailed its approvals compared to the previous period. Argentina has been experiencing a complex economic scenario since the 2018-2019 period, including macroeconomic imbalances, high inflation, exchange rate volatility, high interest rates, and risk perception. This drastically reduced the supply and demand for long-term private financing throughout the country. In addition, the administration that took office in 2019 prioritized the financing of infrastructure through the public sector in several areas. Coupled with this, IDB Invest has internal constraints such as the size of its balance sheet, availability of financing in local currency, and financial requirements

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<sup>15</sup> Regional operations that may be identified as country-specific and managed by Argentina, and were approved under a regional or multicountry framework (Protocol, criterion (c), paragraph 2.2).



associated with its risk appetite policy.<sup>16</sup> Given this scenario, the approvals of IDB Invest fell from an annual average of US\$556.3 million during the 2016-2020 period to US\$126.1 million per year in the 2021-2023 period. Of the amounts approved during the analysis period, 60% were channeled through the TFFP, which has been extremely relevant due to the context of the pandemic and the significant constraints that businesses have faced in their foreign trade operations. The remaining approvals during the review period were channeled through four senior loans.<sup>17</sup> These were mainly for companies with other operations abroad, which therefore can better diversify the risks inherent to operating in Argentina.

- 4.5 The IDB Group also supported the country through other modalities. The clients interviewed systematically mentioned the support and close monitoring provided by IDB Group specialists, including sector, fiduciary, and procurement specialists. Clients also indicated that a significant value added that the IDB Group offers is sector knowledge, including experience from work with other countries and its multisector vision. The Country Office in Argentina has resident specialists in virtually all sectors. In addition to the TCPs, the IDB approved two operations under the fee-based financial advisory service (FFS) modality with the province of Mendoza.<sup>18</sup> Meanwhile, during the review period IDB Invest approved two operations for advisory support services (US\$157,000) to support clients with active operations. IDB Invest also mobilized US\$546.9 million during the 2021-2023 period, including US\$520 million (95%) in 2023. While the lower volume of business for IDB Invest in the country has limited the opportunities to cooperate with the IDB at the operations level, several joint actions have been implemented, mainly in the financial markets area (e.g., sustainable finance, financial education). More recently, this took place for a mining operation of IDB Invest, which benefited from the IDB's knowledge and work in the sector. During the review period, the IDB obtained cofinancing from the European Investment Bank (EIB) and the Agence Française de Développement (AFD) for a total of US\$202 million for two operations

<sup>16</sup> IDB Invest has financial constraints that largely determine the type of client with which it can work. IDB Invest must maintain a minimum risk rating ("A"). This means that IDB Invest has to ensure that the underlying risk of its portfolio of investments is at least "B+," which it has taken care to maintain during the 2021-2023 period. With respect to Argentina, its sovereign risk rating has limited the number of businesses with which IDB Invest could work.

<sup>17</sup> More recently, in October 2023, IDB Invest approved a US\$50 million loan for the development, construction, and operation of a lithium facility in the province of Catamarca. The project, which has an estimated total amount of US\$435.7 million, is one of the main private investments in the history of the province. The borrower, incorporated in Argentina, is a wholly owned subsidiary of a sponsor based in Argentina and listed on the stock exchanges of Australia and Toronto.

<sup>18</sup> An FFS approved in 2022 is supporting the process to repurpose a former airport in the province that became obsolete. Another FFS, to support the provincial government in developing actions for institutional and operational strengthening in order to create conditions for sustainable mining investment and operations, was not a priority for the current provincial government. Its contract has not been signed.

approved in 2022, focused on solid waste and energy. In addition, a telecommunications sector operation approved in 2022 includes cofinancing from Proparco (US\$75 million).

## B. Program alignment with the objectives and mainstreaming of crosscutting issues

4.6 The country program strongly aligned with 11 of the 21 strategic objectives in the country strategy.<sup>19</sup> Table 4.1 (and with further details, Chapter VII of the Annex) describes the country program’s alignment with the strategic objectives and expected outcomes. Considering the broad scope of the country strategy, all of the operations reviewed were aligned with at least one strategy objective (see section II).

**Table 4.1. Program alignment by objective of the 2021-2023 country strategy**

Strategic objective Strong Weak	Expected outcome ● = Strong ● = Weak ● = No coverage	Legacy portfolio			Aprobaciones 2021-2023			Total	
		SG	NSG	NR <sup>a</sup>	SG	NSG	NR <sup>a</sup>		
<b>Inclusion:</b> Poverty reduction and social protection of the most vulnerable									
OE1. Poverty reduction	●	#	2	0	1	2	0	0	5
		US\$M	212.1	0	0.35	465	0	0	677.46
OE2. Strengthen the health system	●	#	2	0	4	4	0	3	13
		US\$M	321.1	0	0.82	1,165	0	0.62	1,487.5
OE3. Prioritize early childhood development, especially within vulnerable groups	●	#	3	0	1	1	0	0	5
		US\$M	201.3	0	0.17	200	0	0	401.45
OE4. Move forward on greater inclusion, quality, and retention in the education system	●●	#	4	0	3	2	0	3	12
		US\$M	405.9	0	0.32	565	0	0.40	971.66
OE5. Improve the population’s employability	●●●	#	5	0	9	7	0	2	23
		US\$M	349.5	0	1.83	1,070	0	0.70	1,422
OE6. Improve habitat and mobility conditions of the population	●●●●	#	18	0	4	9	0	4	35
		US\$M	2,843.9	0	0.93	1,415	0	1.45	4,261.3
OE7. Strengthen citizen security	●●	#	1	0	3	0	0	0	4
		US\$M	42.67	0	0.54	0	0	0	43.21
OE8. Expand financial inclusion	●	#	2	0	1	2	0	0	5
		US\$M	319.8	0	0.17	850	0	0	1,170

<sup>19</sup> Alignment was “strong” if the country program had sufficient coverage (relevant operations were deployed for all expected outcomes of the strategy objective) and feasibility (progress could be made in all expected outcomes of the strategy objective if these operations were implemented as designed). In contrast, alignment was “weak” if the country program had some weakness in coverage or feasibility in at least one of the strategy objective’s expected outcomes. The “no coverage” category applies if the country program did not deploy relevant operations for any of the expected outcomes of the strategy objective.

Strategic objective Strong Weak	Expected outcome ● = Strong ● = Weak ● = No coverage	Legacy portfolio			Aprobaciones 2021-2023			Total	
		SG	NSG	NR <sup>a</sup>	SG	NSG	NR <sup>a</sup>		
<b>Productive dynamism:</b> Economic recovery and productive development 4.0									
OE9. Promote entrepreneurship, innovation, and the development of competitive business clusters	● ● ●	#	11	0	2	4	0	6	23
		US\$M	205.5	0	0.42	693	0	1.85	900.73
OE10. Promote engagement in foreign trade with products and services of value	● ● ●	#	8	2	4	3	8	3	28
		US\$M	444.4	0	1,08	200	2	0.55	791.19
OE11. Reduce infrastructure gaps	● ● ● ● ●	#	18	7	6	9	1	4	45
		US\$M	3,479	0	6.18	3,663	15	1.82	7,165.1
OE12. Expand coverage and access to financing for the sustainable productive sector	●	#	1	1	1	3	5	2	13
		US\$M	88.34	0	2.42	131	84.16	0.48	306.40
OE13. Move toward environmental sustainability	● ● ● ● ●	#	25	5	5	17	2	15	69
		US\$M	3,579	0	4,5	3,078	15.12	5.86	6,682.1
<b>Stability:</b> Macroeconomic stability and effectiveness of public policies									
OE14. Move toward greater macroeconomic stability	● ●	#	4	0	1	1	0	0	6
		US\$M	683	0	0,3	1000	0	0	1,683.1
OE15. Improve the technical efficiency of public spending	●	#	10	0	6	3	0	3	22
		US\$M	550	0	1.87	500	0	0.60	1,052.5
OE16. Improve the tax structure to boost investment and employment	●	#	1	0	0	1	0	0	2
		US\$M	76.13	0	0	500	0	0	576.13
OE17. Make the regulatory framework more efficient to facilitate investment and private sector dynamics	●	#	0	0	3	3	0	4	10
		US\$M	0	0	1.40	850	0	0.69	852.09
<b>Inclusion and productive dynamism:</b> Digital transformation									
OE18. Increase digital inclusion	● ●	#	1	1	3	4	1	1	11
		US\$M	23.83	0	0.46	885	0	0.20	959.49
OE19. Promote the adoption and effective use of digital technologies and innovation by companies	●	#	4	0	3	9	1	5	22
		US\$M	638	0	1.42	1,060	20	1.60	1,720.4
OE20. Increase public and private investment in network infrastructure	●	#	0	1	0	1	1	1	4
		US\$M	0	0	0	100	50	0.60	150.60
OE21. Digital government	● ● ●	#	6	0	6	2	0	3	17
		US\$M	258.9	0	1.45	30.04	0	0.60	290.98
Total <sup>b, c, d</sup>		#	58	13	37	32	11	34	185
		US\$M	4,907.5	0	24.5	5,233	230.2	9.7	10,404.9

Source: OVE, with data from the IDB (2022) and IDB Invest (2016a, 2022).

Notes: <sup>a</sup> NR Includes all nonreimbursable operations (technical cooperation operations and investment grants). <sup>b</sup> Includes legacy non-sovereign guaranteed operations with expanded supervision reports (XSRs) prepared during the period, even those without disbursement. <sup>c</sup> Includes some operations more than once, when they align with more than one strategic objective (this duplication was eliminated in calculating overall totals).

- 4.7 The country program's weaknesses in terms of alignment were mainly due to its low feasibility in contributing to the strategy's expected outcomes. The country program covered almost all expected outcomes (42 of 43) but had low feasibility in contributing to several of them. This occurred, for example, when not enough operations were designed to directly address some of the strategic objectives and expected outcomes, or the country program had a limited scope with respect to the ambition or geographic scope of the objective. Moreover, while the entire country program could have had an indirect effect for some strategic objectives and expected outcomes that are defined broadly, such as poverty reduction and economic growth, only some operations addressed this directly. Lastly, some operations aligned with a strategic objective, but not with its respective expected outcome(s). This generated weaknesses in the theory of change with which the IDB Group expected to make progress toward these objectives.
- 4.8 The country strategy's crosscutting issues were mainstreamed in various support areas.<sup>20</sup> *Gender and diversity* were mainstreamed in 55% of country program operations. This approach was mainstreamed mainly in social areas through training programs targeting women, empowerment actions (e.g., land titling), and expansion of social services with a gender perspective and an emphasis on persons with disabilities; in the productive area, by financing women-led enterprises; and in the infrastructure area, with actions to promote women's workforce participation in nontraditional sectors (e.g., energy). Meanwhile, *environmental sustainability* was mainstreamed in 67% of country program operations. Pursuant to the country strategy, this focus was mainstreamed mostly through actions and investments to reduce emissions and create resilience. This includes actions to promote investment to decarbonize the energy matrix, sustainable management of water resources, effective management of solid waste and wastewater, and mainstreaming of sustainable agricultural practices.

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<sup>20</sup> For the purposes of this review, a crosscutting issue is considered to be mainstreamed in an operation if any of these elements were considered in its design: (i) diagnostic assessment, (ii) general or specific objectives, (iii) components and/or activities, or (iv) indicators of the results matrix.





# 05

## Implementation and Results

## A. Program implementation

- 5.1 The predictability of the program implemented was high, reflecting the Bank's close dialogue with country counterparts, which began in 2021. Of the 35 loan operations identified in the Bank's Country Program Document (CPD) between 2021 and 2023,<sup>21</sup> 32 (91%) were approved. Meanwhile, there were three operations (two INVs and one PBP) that, although they were approved during the 2021-2023 period, were not included in the CPDs between 2021 and 2023. The program's high degree of predictability in these recent years is largely attributable to the close dialogue with respect to programming that the Country Office Representative had with the Ministry of Economy, including implementing two-year programming with the country. However, the group of technical cooperation operations (TCPs) implemented was less predictable. Of the 48 TCPs included in the CPDs between 2021 and 2023, 60% were approved, but in most cases for amounts different than those planned. Moreover, 10 TCPs that had not been included in the CPDs were approved. The counterparts interviewed in the country repeatedly mentioned that the majority of the TCPs had been pre-identified by the Bank, even though all of them require the country's no objection.
- 5.2 Sovereign guaranteed operation disbursements were well above those for the previous period, while non-sovereign guaranteed disbursements were substantially lower. Disbursements from the IDB during the 2021-2023 period totaled US\$5.032 billion (Figure 5.1), in line with the high-financing scenario included in the country strategy (US\$4.909 billion).<sup>22</sup> In this context, disbursements went from an annual average of US\$1.3 billion during the 2016-2020 period to US\$1.889 billion in the 2021-2023 period. Disbursements for budgetary support instruments (one SDL and two PBPs) accounted for 27.3% of total disbursements during the 2021-2023 period, and largely explain the high disbursement levels reached in 2022 (Figure 5.1). The remaining disbursements (72.7%) were associated with INVs, with disbursements for loans based on results (LBRs) growing

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21 In line with current guidelines, the IDB Group prepares a CPD for each year of the review period, seeking to anticipate the operations that will be approved in the next calendar year. In Argentina, the IDB also had multiyear programming to facilitate the dialogue with the country.

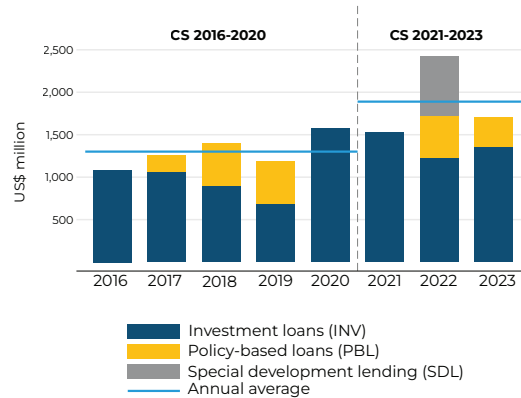
22 The country strategy included two scenarios for the financing framework. In the base-case scenario, during the 2021-2023 period, the approvals projected were an annual average of US\$1.479 billion, with annual disbursements projected at US\$1.394 billion. The country strategy also identified an alternative financing scenario, which considered as triggers a change in the macroeconomic context and a new agreement with the IMF, which materialized in 2022. Under this scenario, for the same period, the approvals projected were an annual average of US\$1.846 billion, with average annual disbursements of US\$1.636 billion.

in importance.<sup>23</sup> In contrast, disbursements from IDB Invest amounted to US\$240.4 million in the 2021-2023 period (Figure 5.2). Therefore, disbursements for non-sovereign guaranteed operations fell from an annual average of US\$268.8 million during the 2016-2020 period to US\$80.1 million in the 2021-2023 period—reflecting the lower volume of business that IDB Invest has had in recent years. Short-term financing through the TFFP played an important role, accounting for 77% of non-sovereign guaranteed disbursements during the 2021-2023 period.

**Figure 5.1 (Left)**

**Sovereign guaranteed operation disbursements**

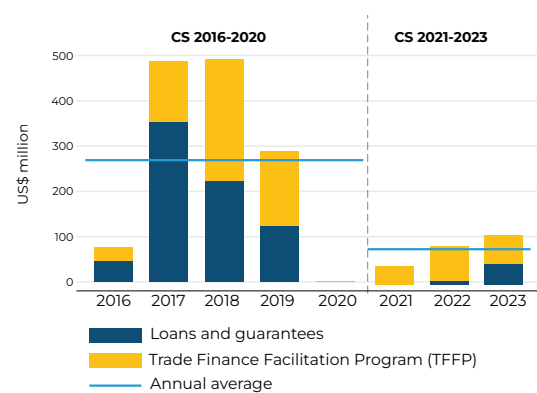
Source: OVE, with data from the IDB (2023).



**Figure 5.2 (Right)**

**Non-sovereign guaranteed operation disbursements and guarantees**

Source: OVE, with data from IDB Invest (2016, 2023).



Note: Sovereign guaranteed operation disbursements are only validated by the Finance Department as of 2017.

5.3 In a complex macroeconomic scenario, the disbursements for the SDL operation combined with support from other international organizations to address the financing commitments under the agreement with the IMF. Argentina signed a new agreement with the IMF in March 2022 to refinance short-term debt payments falling due (see section I). The SDL operation (AR-L1347) was developed in May 2022. While the country met the eligibility requirements to use that type of instrument,<sup>24</sup> the loan was not approved until October 2022,<sup>25</sup> and the resources were disbursed that month (US\$700 million).<sup>26</sup> These resources were part of a budgetary support package aimed at stabilizing the economy, which totaled more than US\$25 billion. In addition to financing from the IMF, this package included resources from

23 As a percentage of total INV disbursements, those for LBRs have increased consistently, from 5% in 2020 to 27% in 2023.

24 Pursuant to the Proposal to Create a Special Development Lending Category (document [AB-3134](#)), a country needs to be facing the effects of a macroeconomic crisis and have an IMF-supported program arrangement in place.

25 The period between approval of the Proposal for Operation Development and the loan approval by the Bank's Board of Executive Directors was 4.6 months. In contrast, for three additional SDLs approved between 2021 and 2023, the average period was 1.3 months.

26 Initially it was programmed for US\$500 million (CPD, 2022). The final amount of the SDL included: (i) US\$500 million (new funds) from the Bank's Ordinary Capital in addition to the regular loan program approved in the Long-term Financial Projections for 2022 (document [FN-736-2](#)); and (ii) US\$200 million in redirected uncommitted resources from approved operations.



the World Bank, the Andean Development Corporation (CAF), the Central American Bank for Economic Integration (CABEI), and the European Investment Bank (EIB).

- 5.4 Disbursements for the programmatic policy-based loans (PBP) complemented the Bank's budgetary support, contributing to multisector policy measures for sustainable, resilient growth. In parallel with the SDL, in November 2021 the Bank also began preparing the first operation of a programmatic series (AR-L1351, US\$500 million) that was not included in the programming for 2021 (CPD, 2021). This PBP was approved in November 2022 and disbursed the following month, since its conditions had already been met at the time of its approval.<sup>27</sup> The second operation under the PBP (AR-L1370, US\$350 million)<sup>28</sup> received approval in June 2023, with resources disbursed the following month. The PBPs focused on policy actions related to the institutional framework for climate change, the circular economy, decarbonization, and sustainable finance—all areas where the Bank had been supporting the country. In general, the policy actions were of medium depth, and need to be followed by other measures with monitored implementation in order to have a significant, lasting impact.<sup>29</sup> The Bank provided technical support for both PBPs; this was mainly through TCPs, facilitating the fulfillment of several policy conditions (e.g., draft legislation for energy efficiency).
- 5.5 Fewer operations were canceled during the 2021-2023 period, partly because of the portfolio's significant restructuring in 2020 in the context of the pandemic,<sup>30</sup> as well as due to the Bank's flexibility in adjusting its operations. During the review period, for two transportation INVs originally approved for a total of US\$430 million, US\$200 million that remained uncommitted were canceled.<sup>31</sup> These resources were redirected to the SDL approved in 2022 to increase its total amount, given the country's

27 Of the 20 policy conditions under this first tranche, 10 had already been met before the PBP's formal preparation began (November 2021). The remaining 10 conditions were met between the preparation of the PBP and its approval (November 2022).

28 Initially it was programmed for US\$300 million (CPD, 2023).

29 Since 2014, OVE has used an assessment methodology to analyze the depth of policy conditions, which are ranked as having high, medium, or low depth (see the Approach Paper: Policy-Based Lending at the IDB, document [RE-582-1](#)). Terms that can have immediate (but not lasting) impact are usually considered of medium depth. This category includes conditions expected to have an immediate and possibly significant effect, but that would need to be followed by other measures in order for this effect to be lasting. An example of these types of measures is submitting draft legislation to Congress, which needs to be approved and implemented to have a lasting impact.

30 The portfolio restructuring in 2020 included the reallocation of US\$970 million to new programs to address the pandemic, and reformulation of operations in several sectors for approximately US\$600 million (see section II).

31 These US\$200 million correspond to: (i) the entire amount of the contract approved for Argentina (US\$130 million) for the first operation for construction of the Agua Negra tunnel between Argentina and Chile (RG-L1116), a regional operation approved in 2017; and (ii) US\$70 million (23.3%) from the Federal Program for Regional Transportation Infrastructure (AR-L1307), originally approved for US\$300 million in 2019.

liquidity needs. Meanwhile, four INVs had smaller cancellations, which totaled US\$15.3 million (between 1% and 14% of the original amount approved). The reasons for these cancellations included low implementation rates, the effect of exchange rate fluctuations and devaluations, and legal requirements. Many of the counterparts interviewed pointed out the Bank's flexibility to adjust its operations. Adjustments include changes in execution mechanisms; reallocation of resources between components and projects; modifications in the scope of outputs; and technical specifications. This flexibility was in response to government requests and made it possible to maintain sector presence. However, in some cases these modifications impacted the implementation and achievement of the expected results of operations, such as citizen security and innovation.

- 5.6 With respect to INVs, preparation times increased, and while execution times showed some improvement, portfolio execution extensions pose a significant challenge. In line with a trend for the Bank after the pandemic, average preparation times for INVs in Argentina increased. They rose from 8.9 months for the 2016-2020 period to 12.8 months for the 2021-2023 period, but remained below other averages: 15.2 months for the Country Department Southern Cone (CSC) and 15.6 months for the Bank. With respect to execution, the average time from approval to the first disbursement decreased from 15.5 months to 9.3 months. However, at year-end 2023, 51% of the active INV portfolio received extensions of planned execution periods (three years on average), with 18% of these operations having extensions of four years or more.
- 5.7 INV preparation costs increased compared to the previous period, while execution costs decreased. INV preparation costs per million approved rose by 64%, from US\$1,310 in the 2016-2020 period to US\$2,152 in the 2021-2023 period. This was largely due to a decrease in the average size of the operations approved with Argentina. However, these costs were lower than the average for the comparators, equivalent to 68% of the average for CSC and 30% for the Bank. INV execution costs decreased by 20%, from US\$4,780 to US\$3,818 per million disbursed, equivalent to 45% of average costs for the CSC and 19% for the IDB.
- 5.8 Execution issues have been varied, significantly those related to Argentina's macroeconomic context. Of the country program's sovereign guaranteed investment loan operations, 45% were impacted by factors related to the country's economic situation in recent years. While the issues associated with the limited fiscal headroom for operations with external financing in 2018 and 2019 were resolved after the economic crisis ended, factors such as persistent high inflation and exchange rate fluctuations

have impacted portfolio execution, particularly for tendering processes, contracts, and implementation of infrastructure works.<sup>32</sup> Meanwhile, 32% of the country program INVs were impacted by the pandemic, which brought infrastructure works and supply chains to a standstill. Given Argentina's execution times in the past, shifting government priorities and staff turnover in execution units have affected project execution in sectors such as citizen security, education, and solid waste. Moreover, there are weaknesses in the execution capacities of some counterparts. This includes weaknesses in project planning and management capacities, as well as limited personnel to review proposals and monitor works in operations that are mainly decentralized at the subnational level. Meanwhile, the country and the Bank implemented additional procedures for control and authorization of procurement as a result of increased integrity risks associated with the emergence of the Notebooks case ("causa de los cuadernos") in 2018,<sup>33</sup> which have prolonged the execution of projects. IDB Invest operations also faced challenges associated with macroeconomic instability, increased country risk, and high interest rates. However, to date this has not resulted in cancellations or a significant deterioration of the portfolio.<sup>34</sup>

- 5.9 In this context, because the Bank has made significant efforts to improve portfolio execution, this reduced the number of projects identified as on alert or problematic. The Bank has implemented comprehensive biannual portfolio reviews, including monitoring of the commitments and actions agreed upon at the operation level. Specific criteria have been established for granting execution period extensions. In addition to flexibility and the close support that the Bank's specialists provide, which the counterparts interviewed consistently mentioned, the Bank has also implemented several training activities for executing agencies (e.g., financial management and procurement, planning, and project management). In parallel, the Bank has

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<sup>32</sup> The portfolio of operations in Argentina is highly concentrated in infrastructure. The water and sanitation, transportation, energy, and urban development and housing sectors accounted for 57% of the total amount of sovereign guaranteed investment loan operations in the country program. In addition, operations in other sectors such as health, education, and security include significant infrastructure components.

<sup>33</sup> The Notebooks case in 2018 implicated public sector officials from past administrations and a large number of Argentine construction companies, among them the sponsors of the road projects awarded under the first public-private partnership round, in an extensive bribery scheme. The case not only caused delays in the preparation and execution of IDB Group operations, but also delays during the review period because of the introduction of additional monitoring of countrywide procurement processes. During the 2021-2023 country strategy period, the Bank's Office of Institutional Integrity (OI) continued providing support and advice to the Country Office in Argentina with respect to preventive work and integrity risk management in operations.

<sup>34</sup> At the end of the third quarter of 2023, IDB Invest had net exposure of US\$456 million, equivalent to 3.5% of its portfolio. No operations in the country program have deteriorated or experienced losses.

been developing internal capacities to provide more effective support, including certifying operations analysts on project management and planning. Significant strides have been made in the use and strengthening of country systems (see Annex I, Supporting information). In addition, loans based on results (LBRs) are being used actively in order to streamline portfolio execution. Early experiences with this instrument to date suggest that progress is being made in execution as planned. But it is too soon to draw conclusions about the effectiveness of these operations in attaining their development objectives (Box 5.1). In general, with respect to portfolio performance, the percentage of projects categorized as on “alert” or “problematic” decreased from 23% at year-end 2020 to 15% at year-end 2022.

#### *Box 5.1. Early experience with LBRs in Argentina*

The country program included six INVs under the LBR modality, five of which were approved during the effective period of the current country strategy. These loans support improvements in the quality of health care services in the Province of Buenos Aires (PBA) (AR-L1312/2019, AR-L1340/2021) and nationwide (AR-L1358/2023); socio-urban integration and neighborhood improvement for vulnerable households (AR-L1361/2023); social inclusion for persons with disabilities (AR L1366/2023); and strengthening of educational trajectories in the PBA (AR-L1367/2023).

The clients executing these loans have experience working with the Bank and a good track record as executing agencies. To date, these operations have been executed as planned. In this context, as a percentage of total INV disbursements, those for LBRs have risen consistently, from 5% in 2020 to 27% in 2023. With respect to effectiveness, there is still limited evidence about the operations having met their development objectives, given that only one of them has ended. In the PBA, the program completion report for a health care services loan (AR-L1312/2019) shows evidence that the majority of targets under its objective of improving the accessibility and effective coverage of public health services were met.<sup>a</sup> The remaining five loans in the country program are still in execution.

The Bank’s specialists and clients interviewed reported that so far, they are satisfied using this instrument. For example, its use has streamlined execution, fostered more communication, and promoted a focus on the expected outcomes of operations during the project lifecycle. This includes establishing intermediate and final targets, as well as clear verification methods<sup>b</sup> during preparation. In other cases, this modality also strengthened internal coordination at the executing agency, according to the counterparts interviewed. For operations at the subnational level, interviewees reported that this modality helped reduce the risk of delays in the availability of financing as a result of the time elapsed between an operation’s approval, the Republic of Argentina obtaining the guarantee, and the loan being signed. LBRs make it possible to move forward with contracting and begin program execution prior to the first disbursement.

As for the challenges identified, the counterparts interviewed mentioned the steep learning curve and administrative cost associated with verifying expenditures to prepare for financial audits. In this context, the Bank has provided support for financial management of projects. Another disadvantage identified are the challenges of procurement according to local regulations, due to unfavorable conditions in local contracting and long timelines for contracting processes.

Notes: <sup>a</sup> The Guidelines to Process Sovereign Guaranteed Bank Loans Based on Results (document GN 2869 11) indicate that disbursement-linked indicators *represent critical indicators that contribute to the achievement of the final results. Therefore, the set of disbursement-linked indicators must be defined and explained in relation to the results chain and must be linked to the specific objectives of the program.* <sup>b</sup> During the interviews, clients indicated that it is during project preparation that they have discussions and reach agreements on verification methods and clarify the operation's milestones as well as their implications. An outside firm verifies the results of these operations. In this regard, the program completion report for loan AR-L1312 identified as a finding that "establishing a specific team to prepare the supporting documentation for external verification of outcomes was essential to correctly execute this program structured as an LBR."

5.10 The recommendations in the previous Country Program Evaluation (CPE) remain extremely relevant (see Chapter IV of the Annex).<sup>35</sup> The CPE called for continuing work on the reforms that began during the 2016-2019 period (recommendation 2) through PBPs in areas such as transparency, fiscal reforms, and gender policies. Management proposed fostering dialogue and providing support to the government in implementing policies in these areas. During the review period, timely actions were implemented to continue with the reforms that began in the previous strategy period, which included diagnostic assessments and evaluations (e.g., tax system, risk of money laundering). However, there is limited evidence of the continuity of these policies as well as the Bank's role in critical areas such as fiscal reform. The CPE also called for the IDB's support to focus on a limited number of areas in which the Bank can add most value, given the limited fiscal space (recommendation 3). The actions include implementing two-year programming with the country. However, the current country strategy was even broader than the previous strategy, and OVE did not find substantial differences with respect to the targeting of the program. While significant efforts took place in training counterpart agencies to address gaps in institutional capacity more effectively (recommendation 4), this remains an important challenge. Several operations faced challenges similar to those identified in the CPE for the previous period. With respect to implementing a comprehensive action plan to address the lack of maintenance of IDB-financed infrastructure (recommendation 5) more systematically, progress was made in implementing design-build-operate (DBO) contracts for water and sanitation works. A proposal to manage public assets has not yet been adopted. In general, the need to systematically address challenges in the maintenance of works persists, particularly at the subnational level.

<sup>35</sup> OVE also recommended a delay adopting a new country strategy until the effects of the COVID-19 pandemic were better understood (recommendation 1). In this context, the previous country strategy was extended until June 2021, the approval date of the current country strategy (see section II).

## B. Program contribution to the objectives

5.11 This section summarizes country program results and their contribution to the country strategy's strategic objectives and expected outcomes. During the review period, 21 sovereign guaranteed loans and 26 technical cooperation operations completed disbursement, as well as 4 non-sovereign guaranteed operations. For nine non-sovereign guaranteed operations, an XSR was prepared during the period. Except for the two PBPs and one SDL approved between 2022 and 2023, all of the INVs that concluded during the period under review were legacy projects. While the ICPR considers the entire program, the contributions observed came primarily from these more mature operations. To date, the IDB Group has mainly made low contributions to the country strategy objectives. Table 5.1 summarizes the program's contributions to each strategic objective.

**Table 5.1. Country program contributions to the strategic objectives and expected outcomes**

Strategic objective	Contribution	Expected outcomes
		● = High ● = Medium ● = Low ● = No information
OE1. Poverty reduction	Medium	●
OE2. Strengthen the health system	Medium	●
OE3. Prioritize early childhood development, especially within vulnerable groups	Medium	●
OE4. Move forward on greater inclusion, quality, and retention in the education system	Medium	● ●
OE5. Improve the population's employability	Low	● ● ● ●
OE6. Improve habitat and mobility conditions of the population	Low	● ● ● ● ●
OE7. Strengthen citizen security	Low	● ●
OE8. Expand financial inclusion	Low	●
OE9. Promote entrepreneurship, innovation, and the development of competitive business clusters	Medium	● ● ●
OE10. Promote engagement in foreign trade with products and services of value	Low	● ● ●
OE11. Reduce infrastructure gaps	Low	● ● ● ● ● ●
OE12. Expand coverage and access to financing for the sustainable productive sector	Low	●
OE13. Move toward environmental sustainability	Low	● ● ● ● ●
OE14. Move toward greater macroeconomic stability	Low	● ●
OE15. Improve the technical efficiency of public spending	Low	●
OE16. Improve the tax structure to boost investment and employment	Low	●
OE17. Improve the regulatory framework	Low	●

Strategic objective	Contribution	Expected outcomes
		= High = Medium = Low = No information
OE18. Increase digital inclusion	Medium	● ●
OE19. Promote the adoption and effective use of digital technologies and innovation by companies	Medium	●
OE20. Increase public and private investment in network infrastructure	High	●
OE21. Digital government	Low	● ● ●

Source: OVE, based on the analysis from Chapter VII of the Annex.

### Strategic objective 1: Poverty reduction

5.12 The country program made medium-level contributions to the *reduction of the population living below the poverty line (RE1.1)*, largely because of the short duration of the Bank's support and not meeting all of the objectives of the operations. While the entire country program could contribute to poverty reduction, three of the operations addressed this directly through cash transfers. The Bank's support was largely provided for a few months between 2018 and 2019, and one quarter in 2021. The aligned country program focused on ensuring the continuity of social programs that were already operating, and improving their targeting and technical efficiency. The program achieved partial outcomes, meeting targets with respect to the beneficiary populations of the *Hacemos Futuro*, *Becas Progresar* and *Tarjeta Alimentar* programs (AR-L1302/2018, AR-L1309/2019, AR-L1331/2021). However, it did not meet the targets regarding public transportation subsidies, since that was no longer a policy priority (AR-L1302/2018, AR-L1309/2019). The generality with which this expected outcome was defined also affected the country program's contributions.

### Strategic objective 2: Strengthen the health system

5.13 The country program made medium-level contributions to *expand access to quality and preventive health services (RE2.1)*. During the period, addressing the pandemic emergency was prioritized over the rest of the health care services, impacting the scope of the country program. The country program consisted of five INVs, one CCF, and six technical cooperation operations aimed at improving access to health care services. The program was largely implemented under a conditional credit line for investment projects (CCLIP), both in the PBA and nationwide. In the PBA, one INV (AR-L1312/2019) improved the quality of basic health care services offered in approximately 2% of the primary health care centers located in 12% of the

municipios, increased by 20% the number of municipios with an operational Emergency Medical Care System that meets quality standards, reduced by 85% the wait times to receive emergency care, and increased by 5 percentage points the availability of the oncology medications requested. However, due to constraints in service delivery in primary health care centers, the outcome of effective basic coverage was not met. The second phase (AR-L1340/2019), which is in execution, shows some results regarding the availability of oncology medications. At the national level, in addition to helping address the pandemic comprehensively (see Box 3.1), the country program, through close support, enabled an increase in lending capacity to deliver care services for conditions other than COVID-19 (AR-L1326/2020). This care was disrupted during the pandemic, when digital platforms were used to deliver telehealth services and provide medications, but to date has been unable to meet its targets in terms of digital diagnostic imaging. The other two INVs are in initial stages of execution, and the CCF has not been activated.

### **Strategic objective 3: Prioritize early childhood development, especially within vulnerable groups**

5.14 The country program made medium-level contributions to *expand access and enhance quality of early childhood centers and education* (RE3.1). This was largely attributable to the pandemic response and lower priority of activities aimed at improving service quality in favor of expanding access. The country program met the majority of the targets for early childhood education coverage (AR-L1180/2015, AR-L1254/2017, AR-L1260/2017). While progress was made, the target for early childhood centers was not met (AR-L1254/2017), largely due to more substantial infrastructure repairs in the early childhood facilities targeted and reformulation of the project to address the COVID-19 emergency. Likewise, although progress was made in training professionals to manage comprehensive strategies for early childhood education, the targets were not met. In addition, since improving the quality of education services became a lower priority at the Ministry of Education, lines of action that prioritized science learning were canceled (AR-L1180/2015).

### **Strategic objective 4: Move forward on greater inclusion, quality, and retention in the education system**

5.15 The country program made low-level contributions to *improve student levels of learning, with a focus on the most vulnerable sectors*, mainly because it did not achieve several planned targets (RE4.1). It also made high-level contributions to *improve the indicators for access and retention in the education system* as a result of increasing coverage and reducing dropout rates in



school districts (RE4.2). Two INVs (AR-L1180/2015, AR-L1260/2017) were aimed at improving language and mathematics learning, as well as improving pedagogical management. Nationwide, the average score of sixth-grade students improved in language, but not in mathematics. This was due to the cancellation of the math program when it stopped being a priority for the Ministry of Education. Moreover, pedagogical and infrastructure improvements were achieved in secondary schools but not in primary schools. For the INV focused on Barrio 31 of the Autonomous City of Buenos Aires (AR-L1260/2017), since the mathematics learning platform was not available, it was not possible to train teachers on its use. In addition, the certification of technical professionals on education management and innovation was not achieved (RE4.1). The indicators for access and retention did improve. With support from PROMEDU (AR-L1180/2015), jurisdictions in the Norte Grande increased coverage by 6.4 percentage points, 23 of Argentina's 24 jurisdictions reduced their annual dropout rates by at least 1 percentage point, and all the jurisdictions increased their effective promotion rates by at least 1 percentage point. Another noteworthy achievement was made in Barrio 31 of the Autonomous City of Buenos Aires, which increased student enrollment in primary school (RE4.2).

### **Strategic objective 5: Improve the population's employability**

- 5.16 The country program made high-level contributions to *improve the skills plan based on current and future labor demand* (RE5.1). In addition, it made low-level contributions to both *reduce informality* (RE5.2) and *increase women's workforce participation* (RE5.3), largely due to the lack of evidence about contributions and a rather young portfolio aligned with these expected outcomes. The support for job placement among vulnerable populations through the *Hacemos Futuro* (Forging Our Future) program increased the number of beneficiaries completing comprehensive job training courses; however, there is no information about the use of the predictive labor demand model (AR-L1302/2018, AR-L1309/2019). Meanwhile, the BEC.AR program (AR-L1156/2013) exceeded its workforce reintegration target for recipients of scholarships for master's degrees in science and technology. These beneficiaries also increased their income, although not as much as expected. Seven of 10 scholarship recipients have found jobs in the productive sector, which shows improvement compared to the start of the program. Since the country program operations aligned with RE5.2 and RE5.3 are still in execution, information about their results is not yet available with respect to contributions to reduce informality and increase women's workforce participation.

## **Strategic objective 6: Improve habitat and mobility conditions of the population**

- 5.17 The country program's contributions to *improve habitat conditions* (RE6.1) were low, largely due to the lack of results reported for most of the operations. Four INVs (AR-L1148/2013, AR-L1179/2015, AR-L1260/2017, AR-L1306/2019) supported measures to improve basic sanitation in neighborhoods through access to drinking water supply systems, safe wastewater disposal, access to transportation and paving, and electrification. Progress has been reported for these outputs, although information is not yet available with respect to outcomes. These loans have also supported social and community integration activities. For example, by creating public spaces near a new education hub in Barrio 31 (AR-L1260/2017) and by rehabilitating public spaces so that neighborhood residents can use them for recreational, sports, and cultural activities (AR-L1148/2013, AR-L1179/2015, AR-L1306/2019). For the development of public spaces connected to the education hub, the progress made in expanding their use could not be measured, since the survey to measure this use was not conducted. Operations for the PROMEBA (AR-L1179/2015) and PISU (AR-L1306/2019) programs also supported actions to regularize urban layouts and land titling. No results are currently available with respect to property titles issued or legal certainty attained in land tenure. In addition, one INV (AR-L1243/2016) supported the strengthening of governance in metropolitan areas. This INV conducted diagnostic assessments of the issues that metropolitan areas face and training workshops, although results have not yet been reported. To date, the only progress reported was in the formulation of institutional development projects and metropolitan sector plans for Mendoza, Rosario, and the Autonomous City of Buenos Aires.
- 5.18 The country program made low-level contributions to *reduce the risk of floods in urban areas* (RE6.2) because of the slow rate of execution of related operations. Two INVs in the PBA approved prior to the review period directly addressed this expected outcome. A project to restore the environmental quality of the Reconquista River Basin (AR-L1121/2014), with 64% of resources disbursed, has been extended by three years due to a variety of issues such as COVID-19, the macroeconomic context, and changes in the execution unit. Since the project has several works in execution (e.g., storm drainage), information is not yet available about the percentage of the population affected by flooding in the areas of intervention. Another operation (AR-L1273/2017) focused on drainage and flood control, which was approved in 2017, had disbursed 8% of resources as of 2023. This

is due to a prolonged interruption of the main works because of the pandemic and a lack of agreement about the compensation amounts for the population affected by the works.

- 5.19 Through operations targeting different geographical areas, the country program made medium-level contributions to *improve access and delivery of basic services* (RE6.3). The country program includes operations focused on the PBA, provinces of the Norte Grande, and countrywide for smaller communities and urban centers. In the PBA, the Bank has supported the main water and sanitation service providers. The targets for drinking water services in the projects showing the most progress were exceeded (AR-L195/2016), or progress is being made as planned (AR-L1257/2017). This contrasts with the targets for sanitation services, where there are wider gaps compared to the plans. The operations in the provinces of the Norte Grande also show mixed results. One INV that is completing execution (AR-L1136/2012) exceeded the number of households with new connections to sanitation systems, although not as many households as planned have connections to drinking water services. The other INV (AR-L1258/2017) is making progress as planned with respect to households with new access to sewer systems; however, measurements of the outcomes for drinking water services are not yet available. For operations with a nationwide scope, one focused on communities with populations of less than 50,000 (AR-L1289/2021) made progress with respect to outputs but there is no updated data on its outcome indicators; therefore, it is difficult to analyze its contributions. Meanwhile, an operation focused on urban centers (AR-L1162/2015) exceeded the planned target for households with access to drinking water services. However, it did not meet the target for households with potential access to sanitation network built and/or improved. With the country program, the Bank is supporting the capacities of drinking water and sanitation service providers. The AquaRating tool is being used to identify priority needs for institutional strengthening to improve the delivery of services. Information is not yet available about the results of these efforts. In general, there is limited information on the results associated with the institutional strengthening components of country program operations.
- 5.20 The country program's contribution to *improve urban mobility services* (RE6.4) was low, mainly due to significant delays in the operations aligned with this expected outcome and lack of measurement of some outcome indicators. One non-sovereign guaranteed project that supported road safety, mobility, and urban integration in the Buenos Aires Metropolitan Area network reports progress in its outcome indicators. The project showed favorable results with respect to traffic in the new infrastructure

built but did not report results related to savings in travel times. Operations for railway services report few advances at the results level, despite the time elapsed during their execution. Under the loans for the General Roca railway (AR-L1158/2013, AR-L1337/2021), 11 kilometers of tracks were renovated and the electrification system to power the trains was completed. The railway project is in execution. Although no information is available about fulfillment of the outcome indicators associated with reducing accident rates and travel times, a midterm evaluation prepared in 2017 (when the electrical works were completed and the electric cars went into service) identified improvements in service reliability and accident reduction, as well as travel times between Plaza Constitución and La Plata. Another operation to support improvements for the General San Martín railroad (AR-L1267), although approved in 2017, has not disbursed resources. Lastly, loan AR-L1307/2019 did not report progress in terms of improved quality of service on the Provincial Road Network or the Municipal Road Network, since it only made progress in some outputs. Five kilometers (out of 72 kilometers) on the Provincial Network have been paved. No progress has been reported with respect to institutional strengthening activities for the Provincial Highway Administration (DPV).

### **Strategic objective 7: Strengthen citizen security**

- 5.21 The country program made low-level contributions to *reduce crime* (RE7.1) and *reduce levels of gender-based violence* (RE7.2). This was mainly due to the low feasibility that a limited program would make progress in overly broad expected outcomes, and the lack of evidence about the contributions to expected outcomes. One INV and three TCPs supported the strengthening of citizen security policies. The INV (AR-L1255/2017) focused its actions on reducing robberies and homicides in six departments (and was later expanded to additional departments). Changes in government officials at the Ministry of Security, the lower priority of some outputs, and the pandemic delayed loan execution. To date, results have not been reported. However, key outputs were achieved with respect to improvements in the quality of crime data, training of federal forces, and several strengthening activities for local management of security (*Barrios Seguros*, or Safe Neighborhoods, program). With respect to reducing violence against women, the Línea 144 and SICVG platforms and URGE system were implemented. These tools to report and monitor cases of violence against women support data generation aimed at informing the design of strategies to prevent violence against women. Because the programs are still in execution, there is currently insufficient information to determine their contributions.

### Strategic objective 8: Expand financial inclusion

5.22 The country program made low-level contributions to *expand financial inclusion of the most vulnerable* (RE8.1), with partial cancellations and low regional coverage. Two INVs (AR-L1249/2017, AR-L1328/2020) sought to expand the availability of credit for micro, small, and medium-sized enterprises (MSMEs). The first is experiencing considerable delays, with disbursements close to zero as a result of changes in personnel and the executing agency. The second, a prototype loan to address COVID-19, already disbursed 100% of its funds. Progress has been reported with respect to MSME financing but there is not yet evidence of results. One TCP (AR-T1164/2016) was intended to strengthen the Social Capital Fund (FONCAP), which provides financing to microfinance institutions that lack access to formal banking. However, its objectives were impacted by the non-disbursement of resources for the associated INV (AR L1249).

### Strategic objective 9: Promote entrepreneurship, innovation, and the development of competitive business clusters

5.23 There were medium-level contributions to *greater entrepreneurship* (RE9.1), supported by tourism, agriculture, and SME development operations. Five INVs were aligned with this expected outcome. A study about the calls for proposals under the competitiveness support program for enterprises (*PAC Empresas*) in 2016 and 2017, as part of investment loan AR-L1145/2013, identified significant impacts on the business performance of beneficiary MSMEs, particularly for employment and wages. Positive effects were reported for the competitiveness support program for conglomerates (*PAC Conglomerados*), including improvements in employment, wages, and the likelihood of business survival. One INV (AR-L1071/2011) for the tourism sector helped strengthen the human capital associated with tourism activities and motivate tourism service providers to offer value-added products in protected areas. The other three INVs prepared outputs related to the expected outcome, but lack sufficient information to determine their contributions.

5.24 The country program made no contributions to *simplify processes of opening and closing businesses* (RE9.2), and medium-level contributions to *greater innovation and increased investment in R&D* (RE9.3), backed by innovation programs and mainstreaming of technology in the productive sector. The country program did not have any operations aligned with RE9.2. With respect to RE9.3, the Technological Innovation Programs IV and V (AR L1181/2015 and AR L1252/2017, respectively) increased the scientific knowledge that their beneficiaries produce and fostered collaboration between researchers. At the

business level, beneficiary companies increased investments in innovation by 58% compared to the control group, with innovation costs rising from 5% to 7.9% of sales, exceeding the internal target of 6%. The INV (AR L1145/2013), while not reporting results, identified contributions to this expected outcome under the competitiveness support programs for enterprises and conglomerates. The impacts on the performance of beneficiary companies have been documented (improved employment, wages, and likelihood of survival). With the addition of two research vessels financed under an agriculture INV (AR L1159/2014), significant contributions were made to expand the array of scientific research programs and activities in four gulfs in Patagonia: San Jorge, Nuevo, San José, and San Matías. Meanwhile, four INVs aligned with RE9.3 had disbursements above 94%; however, they made low contributions because of execution delays caused by frequent changes in government authorities and challenges related to the local macroeconomic context and the health crisis. Lastly, one TCP in agriculture (AR-T1194/2017) delivered a master plan to consolidate the organizational capacities for research, extension, and innovation at the National Institute of Agricultural Technology (INTA). However, there is no information about the use and impact of this plan to date.

### **Strategic objective 10: Promote engagement in foreign trade with products and services of value**

5.25 The country program made low-level contributions to *increase the country's trade flow* (RE10.1) due to its low feasibility for contributing to foreign trade programs. Given that the operations focused on improving productivity, business capacities, institutional development, and infrastructure, they were unlikely to make contributions to this expected outcome. Programs for the development of agriculture (AR-L1198/2016, AR-L1352/2022), forestry (AR-L1067/2012), and aquaculture and fisheries (AR-L1159/2014, AR-L1352/2022) sought to increase productivity in these sectors but did not include specific activities to increase trade flows. Operation AR-L1157 supported the trade promotion initiatives of the ProMendoza program. Beneficiary companies reported increases of 24.5% in exports compared to the control group. Moreover, these companies exported products more frequently compared to non-beneficiary companies. Activities in programs with a nationwide scope such as PROSAP (AR-L1198/2016) were intended to improve the export profile; however, this program has not yet reported results for these indicators. Trade programs such as the Program for Implementation of the National System for the Argentine International Trade Single Window (AR-L1251/2016), which could have made contributions,

experienced delays and there is no evidence of results to date. Lastly, the country program provided financing to export companies under Trade Finance Facilitation Program (TFFP) lines from IDB Invest for US\$131 million.<sup>36</sup>

- 5.26 The country program made low-level contributions to *increase diversification of exports* (RE10.2), due to low coverage from a few projects and lack of evidence about the contributions from the outputs delivered. The INV to support the technological development of Mendoza (AR-L1157/2014) made progress in export and investment promotion through trade missions and participation in trade fairs, but has not yet reported results. One TCP (AR T1194/2017) built the research and development capacities of the National Institute of Agricultural Technology, in order to expand the supply of exports. The TCP with the Agency for the Promotion of Investments and Foreign Trade (GLOBA) (AR-T1219/2018) has financed informational guides, event participation, and training to support the international competitiveness of local producers. However, to date there is no information on the use of outputs from these TCPs.
- 5.27 The country program made low-level contributions to *reduce costs in international trade* (RE10.3), because its scope did not match the ambitiousness of the objective. The Program for Implementation of the National System for the Argentine International Trade Single Window (AR-L1251/2016) is supporting the implementation of a trade platform; however, it has not yet reported enough progress. The country program also included one TCP to support the construction of the Agua Negra international tunnel. However, its outputs became unnecessary because the tunnel was not built (RG-L1074 and RG-L1116) and the resources were redirected to other operations.

### **Strategic objective 11: Reduce infrastructure gaps**

- 5.28 A large number of operations in various areas sought to *improve the quality of infrastructure* (RE11.1), achieving medium-level contributions. The country program included operations to improve the quality of mobility, logistics, and transportation; improve electricity services (including generation and distribution); and increase the share of renewable energies, with the contributions discussed elsewhere in this section, since the country strategy also set specific objectives in these areas.<sup>37</sup>

<sup>36</sup> Amount approved during the 2 June 2021 to 30 June 2023 period. Historically, approvals under these lines were US\$685 million.

<sup>37</sup> Following the logic of the country strategy, improvements in the quality of infrastructure were mainly related to the productive sector. Water and sanitation operations, following this logic, are discussed largely in the context of expected outcomes 6.2, 6.3, 13.2, 13.3, and 13.4.

5.29 The country program's contributions to *reduce cargo transport and logistics costs* (RE11.2) were low, mainly due to significant delays in the operations aligned with this outcome and subsequent lack of information about the results achieved. The country program included INVs for national, provincial, and municipal roads aimed at reducing travel costs and times for targeted routes. In terms of results, some reductions in travel costs and times for highway users were reported for an INV focused on improving road infrastructure in the Centro region (AR-L1199/2016). While some progress was reported for engineering works in some INVs (AR-L1133/2012, AR-L1144/2013, AR-L1199/2016, AR-L1274/2017), information about the results indicators is not yet available. Two operations in the Norte Grande (AR-L1133/2012, AR-L1144/2013) targeted more than 2,300 kilometers through works for capacity expansion, paving, and contracts for resurfacing and maintenance. The ex post evaluations for the works are in preparation. However, preliminary data indicates improvements with respect to the International Roughness Index and reduced travel times for new paving and resurfacing works. Two other INVs did not report progress in execution (AR-L1293/2019, AR-L1307/2019). Of the loans to improve cross-border integration, only one shows some progress with the construction of bypass roads in urban areas and some safety-related works (AR-L1279/2017), while the remainder (AR-L1295/2018, RG-L1116/2017) are still in the initial stages of execution.

5.30 The country program made low-level contributions to *improve electricity services* (R11.3), since the operations focusing on this sector are very new. Through two regional INVs under a CCLIP (RG-L1124/2018, RG-L1127/2023), the Bank is supporting a long-term investment plan (2019-2034) for modernization of the Salto Grande hydropower complex, which plays a key role in integrating the electricity systems of Argentina and Uruguay, as well as in their reliability. The first operation, which is nearing completion, supported the modernization and replacement of the equipment in the poorest operating conditions, such as hydromechanical equipment and transformers, as well as communication, control, and protection equipment in substations. Meanwhile, the first INV operation of a CCLIP (AR-L1354/2022) with planned investments in electric transportation systems was approved recently; therefore, it is too soon to determine its contributions.<sup>38</sup>

5.31 Non-sovereign guaranteed and sovereign guaranteed operations sought to *increase the share of renewable energies in the energy matrix* (RE11.4), achieving medium-level contributions

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<sup>38</sup> The operations under this expected outcome also support expected outcomes 13.3 and 13.4.



by expanding installed capacity and developing planning tools. Five IDB Invest operations (approved prior to the review period)<sup>39</sup> supported wind and solar energy projects. They achieved expected outcomes for electricity generation, expanding the installed capacity of renewable energy by 373 MW (approximately 7% of Argentina's total). A sovereign guaranteed operation with a financial institution (AR-L1080/2018) exceeded its targets for financing renewable energy projects for SMEs (see RE12.1). Through TCPs, the Bank has supported the analysis of potential projects (e.g., distributed generation, small hydroelectric plants, batteries). However, no information is currently available about whether this resulted in investments. The TCPs also supported various studies for the sector, including a prospecting study of energy scenarios that was used as an input for the Plan for Energy Transition by 2030.

5.32 The country program made low-level contributions to *increase energy efficiency in the country* (RE11.5), due to its limited scope associated with this outcome and related operations being in initial stages. In addition to the operations to improve electricity services (RE11.3), the Bank supported this expected outcome through TCPs. The conditions for one PBP (AR-L1370/2022) include submitting draft legislation for energy efficiency to Congress in the second half of 2023. This proposal included inputs from TCPs, but has not been approved to date.<sup>40</sup> A completed TCP (AR-T1147/2017) supported the preparation of a streetlight inventory to serve as an input for a national replacement program.<sup>41</sup> The program was not implemented, although some municipal governments used the inventory for bid requests.

### **Strategic objective 12: Expand coverage and access to financing for the sustainable productive sector**

5.33 The contributions to *facilitate access to credit (considering in particular investments that reduce emissions and create resilience)* (RE12.1) were low, considering the country program's limited scope, with only one project showing evidence of contributions. Of the 10 sovereign guaranteed and non sovereign guaranteed loans aligned with the outcome, 6 were too new. Of the four remaining operations, one INV (AR-L1280/2018) exceeded its targets for financing MSMEs for energy efficiency projects, and its targets to mobilize financing for energy efficiency projects and renewable energy. The other

39 Operations 12063-1/2017, 12063-2/2017, 12064-1/2017, 12006-2/2017, and 11575-05-2018.

40 There is not yet information about the PBP's outcome indicators related to energy efficiency.

41 The TCP also analyzed and quantified the impact of subsidies and taxes applicable to energy efficiency measures. However, to date there is no information on the use of these studies.

three operations lack evidence of results. A TCP, AR-T1268/2021, developed three debt management products for climate action and nature conservation, creating one of Argentina's first sustainable finance frameworks. Technical cooperation operation AR T1213/2018 financed 177 SMEs for projects such as installing solar panels, and provided technical assistance to more than 40 SMEs in formulating their energy efficiency projects. This TCP also carried out training activities on energy efficiency and renewable energy, which benefited 205 SMEs in 2022. Lastly, a loan for a banking institution that supports MSMEs in Mendoza met its target for the total number of customers, but with a strong decline in volume and without meeting its objectives.

### **Strategic objective 13: Move toward environmental sustainability**

5.34 The contributions to *reduce greenhouse gas emissions* (RE.13.1) were medium, because for a part of the portfolio with investments to reduce emissions, in general, limited information is available about specific outcomes in this sphere. A large number of country program operations in areas such as renewable energy, transportation, water and sanitation, urban development, and agriculture were aligned with this expected outcome.<sup>42</sup> The only operations that systematically included emissions indicators in their design were associated with energy and transportation. In this context, five non-sovereign guaranteed projects for renewable energy met their expected targets for emissions. For transportation operations, information on results is not yet available, largely due to execution delays and projects that are in the beginning stage. Operations in other sectors, such as water and sanitation, while supporting important interventions intended to reduce emissions, did not include indicators associated with the emissions they expected to reduce; only operations approved more recently include these indicators. Therefore, it is difficult to determine the contributions from the more mature operations. The PBPs approved included a number of measures intended to strengthen the institutional framework for climate action, such as a plan for climate change adaptation and mitigation, draft legislation for new national parks, and a national plan for forest management. These PBPs also support the decarbonization of the economy, through, for example, draft legislation for electromobility and energy efficiency. While these initiatives are important, they would need to be followed by other measures with monitored implementation in order to have a significant, lasting impact. The targets for outcome indicators under the PBP are for 2024.

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<sup>42</sup> According to the Bank's estimates, Argentina was its member country with the largest volume of climate finance during the 2020-2020 period (US\$1,843,300,000, equivalent to 15% of the Bank's climate finance during the period).

- 5.35 The country program made low-level contributions to *improve management of natural disaster risks* (R13.2), due to the limited execution of operations focused on this sector. With respect to governance management and governance, two INVs with the PBA include activities to strengthen management of water resources, such as governance frameworks; capacity-building to manage and control flooding; risk mapping; and early warning systems. However, while support was provided for outputs such as a smart monitoring system for hydrometeorological risk alerts (SIMPARGH) for the PBA, the related activities planned for disaster management have shown limited progress due to significant delays in the execution of operations (AR-L1272/2017, AR-L1121/2014). Operations for management of water resources are starting implementation (AR L1346/2022) or have not yet been approved, such as loan AR-L1368, which was planned for 2023 but not prioritized. Another INV (AR-L1310/2019) supported the launch and deployment of a satellite with applications such as providing images for the agencies responsible for disaster prevention and management.<sup>43</sup> Meanwhile, under a CCF approved in 2019 and reformulated in 2022 (see paragraph 4.2), Argentina has contingent financing available to cover the costs of supporting the population in case of a natural disaster or public health emergency.
- 5.36 The country program made low-level contributions to *improve management in the treatment and final disposal of household wastewater* (RE13.3), mainly because the expected outcomes of the more mature operations were not achieved and due to execution delays. Three INVs are completing execution, although progress in their outcome indicators regarding wastewater treatment has not been as planned. Although a project in the Buenos Aires Metropolitan Area and conurbation (AR-L1195) made progress in sanitation, it did not carry out the planned expansion of the Norte purification plant, its main work for water treatment. This happened because the executing agency believed that it had sufficient operating margin left, and resources were reallocated to other works. An INV in the provinces of the Norte Grande (AR-L1236/2012) did not meet its target for the number of households with wastewater treatment, and there is no information on the progress made in the volume of wastewater treated. Another INV focused on urban centers (AR-L1162) shows delays with respect to the expected outcomes. Other operations have had execution delays (AR-L1121/2014,

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<sup>43</sup> While not directly related to governance and management of natural disaster risks, the Bank also sought to mainstream resilience elements in the design of works and activities in various sectors (e.g., urban development, transportation, rural infrastructure), in order to mitigate the effects of climate change.

AR-L1257/2017, AR-L1258/2017), or were approved more recently and have not yet measured their results (AR-L1289/2021, AR-L1344/2022).

5.37 The country program made low-level contributions to *improve the management of final disposal of urban solid waste* (RE13.4), given a lack of information on results from the associated operations. Two INVs under a CCLIP (AR-L1151/2014, AR-L1342/2022) are supporting the comprehensive management of solid waste. Despite a three-year extension in execution, largely due to not being prioritized during the 2016-2019 period and longer-than-expected times to reach social consensus with the affected residents, the first operation recently completed disbursement. It helped shut down eight open-air dumps and execute other investments (e.g., landfills), as well as comprehensive plans for solid waste management. Measurements of outcome indicators are not yet available. Two urban development operations with extensions averaging three years provided support for residential solutions (AR-L1179/2015) and a waste treatment plant in Mendoza (AR-L1343/2016). Measurements of results are not yet available.<sup>44</sup>

5.38 The country program also included 12 operations aligned with the objective to move toward environmental sustainability (OE13), but not through the expected outcomes of the country strategy. Agriculture and rural development operations contributed to this strategic objective through measures for sustainable management of fishery, aquaculture, and maritime resources (AR-L1159/2014), mainly through the deployment of research vessels to develop sustainable fisheries measures. A forest sustainability and competitiveness program (AR L1067/2012) supported certification in sustainable forestry management for lumber producers and companies. Two INVs focused on sustainable tourism contributed to this strategic objective by implementing monitoring systems for protected areas and developing municipal plans for implementation of environmental indicator systems (AR-L1071/2011) and management plans for protected areas (AR-L1140/2012). Lastly, two TCPs contributed to this strategic objective by mainstreaming Nationally Determined Contributions (NDCs) into socio-urban integration projects (AR-T1220/2019), as well as through regulatory updates for the evaluation and management of mining activities in the province of Jujuy (AR-T1218/2019).

#### **Strategic objective 14: Move toward greater macroeconomic stability**

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<sup>44</sup> A TCP approved more recently (AR-T1342/2022) to support operators of solid waste management systems is beginning execution.

5.39 The country program made low-level contributions to *stability and fiscal sustainability* (RE14.1) due to the lack of results and limited coverage. The country program sought to contribute through investments in institutional improvements, economic reactivation, and strengthening management at the provincial level; and through an SDL approved for the agreement with the IMF. Five operations were aligned with this expected outcome. Although its approval was delayed (see paragraph 5.3), an SDL to help improve fiscal management and economic recovery (AR-L1347/2022) supported macroeconomic stabilization efforts related to the agreement with the IMF, fulfilling fiscal management conditions. The SDL established targets for its development outcomes associated with stability and fiscal sustainability for 2024. The rest of the aligned operations still show progress in their outputs but do not yet have evidence of their outcomes. The Program for Institutional Strengthening of the Ministry of Finance (AR L1247/2016) gathered fiscal information about the public debt for its monitoring and management, while the Provincial Management Strengthening Program I (AR-L1248/2016) already reports increases in the own revenues generated in the provinces of Corrientes, Neuquén, and Salta. Lastly, the TCP for support to strengthen growth (AR-T1231/2019) financed technical studies to support the reform of the unified tax system in 2021 and preparation of a reform proposal for digital value-added taxes in 2022.

5.40 The country program made low-level contributions to *economic growth* (RE14.2) due to the limited feasibility of the program to contribute to a very generic and ambitious objective. While the entire country program could indirectly contribute to this expected outcome, only some operations were more directly aligned with it. The country program included an SDL to help improve fiscal management and economic recovery (AR-L1347/2022) under which, although the country met the loan's conditions, is too early to have evidence of results, since the operation's growth targets are for 2024. Meanwhile, the Global Credit Program for the Reactivation of the Productive Sector (AR-L1328/2020) and the Provincial Management Strengthening Program II (AR-L1285/2019) have not yet reported results.

### **Strategic objective 15: Improve the technical and allocative efficiency of public spending**

5.41 Despite having many aligned operations and several projects that made significant contributions, the country program's contributions to *improve the technical efficiency of public spending* (RE15.1) were considered as low, mainly due to execution delays in aligned operations and the lack of reported results. Of note is an INV (AR-L1149/2012) that, by conducting

several training activities for project management and strategic planning, achieved greater efficiency in project execution and had more robust, expeditious evaluations of the outputs delivered. This resulted in fewer deviations from execution plans. INV AR-L1347/2022, which was conditional on the arrangement with the IMF, helped improve spending efficiency based on the recommendations of the Public Investment Management Assessment, contributing through the measures implemented under the IMF program. The IMF, jointly with the IDB (under AR-T1285/2022) and the World Bank, prepared this assessment to support the strengthening of the national public investment system. Of the 22 country program operations aligned, 19 had individual contributions considered as low, mainly due to execution delays in aligned operations and the lack of reported results. Both of the INVs mentioned above made high-level contributions, while a TCP reported medium-level contributions.

### **Strategic objective 16: Improve the tax structure to boost investment and employment**

5.42 The country program made low-level contributions to *improve the tax structure to encourage job creation* (RE16.1), because of limited results regarding the tax structure and lack of direct support for job creation. INV AR-L1248/2016 achieved mixed results in increasing the generation of own resources but has not reported effects on employment. In addition, reports show decreases in all the investment indicators in the provinces<sup>45</sup> compared to the baseline year. INV AR-L1347/2022, also aligned with RE15.1, contributed to this expected outcome through the measures implemented under the agreement with the IMF. However, the tax initiatives did not directly favor job creation.

### **Strategic objective 17: Improve the regulatory framework**

5.43 The country program contributions to *make the regulatory framework more efficient to facilitate investment and private sector dynamics* (RE17.1) were low, due to its limited scope in this sphere. This reflects the Bank's limited role during the review period in supporting key policies and reforms for the country. The policy actions of the PBPs for sustainable and resilient growth include submitting draft legislation to Congress aimed at promoting electromobility and energy efficiency. However, only the electromobility law has been approved to date. The electromobility legislation included inputs from a TCP (AR T1147/2017). The Bank, through other TCPs, also assisted with various analyses and diagnostic assessments to support national regulatory frameworks; however, there is not yet evidence that

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<sup>45</sup> Because the project has no midterm targets, the only possible comparison is against baseline amounts.

this translated into modifications in the respective regulatory frameworks.<sup>46</sup> At the subnational level and also through TCPs, the Bank is helping prepare diagnostic assessments of regulatory frameworks in the context of its support for responsible and sustainable development of the mining sector (AR-T1211/2018, AR-T1218/2019, AR T1287/2021, AR-T1319/2023, AR-R0002). The main advances to date include regulatory updates related to the evaluation and management of mining activities in the province of Jujuy, as well as proposed updates for the provinces of Catamarca and Salta.

### **Strategic objective 18: Increase digital inclusion**

5.44 The country program's contributions to *more training in digital technologies at the various levels of education* (RE18.1) were low, mainly due to the size of the operations and a rather young portfolio aligned with the outcome. High-level contributions were made to *ensure access to digital tools, particularly in vulnerable sectors* (RE18.2), due to the scope of aligned country program operations and their results. The main contributions to expected outcome 18.1 came from the INVs AR-L1260/2017 and AR-L1367/2023, which provided equipment and digital facilities for students in the beneficiary primary and secondary schools in the PBA. However, AR-L1260/2017 did not meet its targets for student skill development and evaluation, or teacher training. In addition, with respect to access to digital tools (RE18.2), a non-sovereign guaranteed operation expanded the supply of 4G services in areas with low population density to 13.9 million customers.

### **Strategic objective 19: Promote the adoption and effective use of digital technologies and innovation by companies**

5.45 The country program made medium-level contributions to *greater digitalization of businesses* (RE19.1). According to the country strategy, this expected outcome includes private companies and providers of basic services (e.g., water and sanitation, health care, education). With respect to water and sanitation, the more recent operations have systematically included analytical and digitalization tools to strengthen the capacities of national service providers and improve their performance; however, results have not yet been reported. In the energy sector, the first phase of a regional loan (RG-L1124/2018) reported progress in the digitalization of operation and maintenance processes at the Salto Grande hydropower complex, and the implementation of a digitalization strategy to reduce operational risks at the hydropower plant and increase

<sup>46</sup> This includes a fiscal rule proposal to reform the fiscal responsibility framework (AR-T1231/2019), diagnostic assessments and proposed regulations to facilitate access to capital markets (AR T1273/2022), and drafting of a regulation for the inclusion of distributed energy generation (AR T1267/2022).

its efficiency. In the health sector, a loan (AR-L1312/2019) helped increase the number of primary health care centers with electronic health records from 0 to 67, enhancing interoperability among the various levels of care. The Federal Security Program (AR-L1255/2017) has no reported results to date. However, it has made progress in the integration and deployment of new crime data systems that integrate various data sources and crime analysis models for decision-making.

### **Strategic objective 20: Increase public and private investment in network infrastructure**

5.46 The country program made high-level contributions to the *expansion of high-speed network infrastructure and national coverage* (RE20.1) because of the specificity of this expected outcome, and the coverage and results of the telecommunications loan. Four country program projects aligned with this expected outcome. One of these, a non-sovereign guaranteed loan (11975 01/2016), made sufficient progress to contribute to this outcome, achieving nationwide coverage and meeting 100% of its targets, therefore helping to improve service quality to accommodate the growing demand for mobile services.<sup>47</sup> Average monthly use of mobile data rose to 3,600 megabytes (MB), more than twice the target of 1,170 megabytes. The download speed became the fastest in Argentina: 23.8 megabits per second (Mbps). At year-end 2020, the company had 13.9 million customers with 4G service in areas with low population density, exceeding the original target of 8.5 million. The company was expected to increase its 4G geographic coverage from 36% in 2015 to 90% at the end of the project. In 2021, its 4G network had coverage for 95% of Argentina's total population and 98% of its urban population.

### **Strategic objective 21: Digital government**

5.47 The country program made medium-level contributions to *facilitate government procedures* (RE21.1), with the most significant progress in the PBA, for management capabilities and governance. Four INVs and six TCPs developed electronic tools to improve digital services, data processing, and systems integration between different levels of government. Only INV AR L1272/2017 made progress with critical outputs, including two systems: the Municipal Financial Administration Reform (RAFAM II) and the Consolidated Municipal Information System (SIMCo). The latter is a platform that provides dynamic access to statistical data, variables, indicators, and publications from the 135 municipios in the PBA. In addition, the TCP AR-T1228/2019 made progress in strengthening digital government in the PBA, making geospatial data about public works interventions

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<sup>47</sup> Expected average monthly use of mobile data: 1,170 megabytes per person.



available online, with the Ministry of Infrastructure providing the data. This enables coordination with other agencies. The rest of the portfolio has not reported progress in outcomes, although its disbursement average is 78%.

5.48 The country program made low-level contributions to two expected outcomes: *improve governmental transparency with digital tools* (RE21.2) and *improve the regulatory and legal framework to enable and protect the expansion of the digital sector* (RE21.3), mainly due to the pandemic. Four of the seven projects aligned with these expected outcomes were approved in 2019 or 2020; they faced challenges related to the election cycle and the beginning of the COVID-19 pandemic. With respect to expected outcome 21.2, an INV (AR L1266/2017) achieved all of its outputs, focused on strengthening statistical processes and finishing key information systems. This includes a platform for interoperability with the Federal Administration of Public Revenue (AFIP). This centralized portal enables the public to make use of its right to public information, promotes citizen participation, and fosters transparency in public management. This operation also included designing methodology to evaluate the coverage of the Argentine registry of residential addresses (ADRA), updating information about housing. For expected outcome 21.3, the two aligned INVs have not shown evidence of contributions to date, because of execution delays related to the pandemic (AR-L1327/2020) and recent approval (AR-L1343/2023).



# 06

## Conclusions

- 6.1 The economic and social context of Argentina over the past few years has been complex. A sluggish economy has combined with a number of significant macroeconomic challenges—including persistent high inflation and limited access to international financial markets. Meanwhile, poverty rates have been rising in recent years, along with major disparities throughout the country. The business environment has not been favorable for private sector growth, and there is still a need to prioritize long-postponed structural reforms in order to boost the country's competitiveness, including fiscal, labor, and commercial reforms.
- 6.2 In this context, the country strategy set forth objectives relevant to the country's needs and priorities, but its own relevance was impacted by its limited strategic selectivity. The country strategy's objectives were aligned with Argentina's development challenges and government priorities. However, the country strategy established a large set of objectives (21 strategic objectives and 43 expected outcomes), even more than the previous country strategy. There is also no evidence that the selection of these objectives was based on an analysis of the IDB Group's comparative advantages. In this context and considering the relatively short validity period of the 2021-2023 country strategy, execution periods for operations, and the Bank's limited financing in relation to the country's financing requirements in most sectors, there is a question of how realistic the expectations were that the IDB Group would be able to substantially contribute to the various objectives established. In this context and in line with a recommendation from the Country Program Evaluation, there is still a need to focus the Bank's support on a limited number of areas where it can add more value. In addition, the relevance of the country strategy was affected by evaluability issues, including the definition of expected outcomes that were too broad or generic (e.g., "poverty reduction" and "growth"), weaknesses in logic, and limited monitoring mechanisms. All of this impacted the country strategy's ability to serve as a guide for the IDB Group's country program. All of the operations reviewed were aligned with at least one strategy objective, even when the broad scope of the country strategy is considered.
- 6.3 In a complex macroeconomic scenario, sovereign guaranteed operation disbursements were well above those for the previous period, although the Bank had a limited role in supporting key reforms for the country. The Bank's financial support through budgetary support loans enabled Argentina to respond to its financing requirements, and largely explain the high disbursement levels reached in 2022. However, the policy actions under the programmatic policy-based loans (PBPs) were of medium depth, and need to be followed by other measures with

monitored implementation in order to have a significant, lasting impact. The Bank also increased disbursements for investment loans compared to the previous period, with disbursements for loans based on results (LBRs) growing in importance. In contrast, in an environment of economic instability, IDB Invest significantly curtailed its level of disbursements compared to the previous period. In this context, the Bank had a limited role in supporting key policies and reforms for the country (for example, in the fiscal area). As mentioned in the previous Country Program Evaluation, contributing to the sustainability of policies and reforms that lead to Argentina's fiscal stability remains essential.

- 6.4 There have been improvements in portfolio execution, although major challenges remain. Since the Bank has made significant efforts to improve portfolio execution, this reduced the number of projects identified as on alert or problematic. However, in the context of a large investment loan portfolio focused mainly on infrastructure, term extensions for project execution continue to impact a significant portion of the portfolio, despite the Bank's flexibility and close support during supervision. There were various execution issues, significantly those related to Argentina's economic context. The execution of operations was also impacted by the effects of the pandemic, which brought infrastructure works and supply chains to a standstill. Other issues were related to shifting government priorities, staff turnover in execution units, and weaknesses in the execution capacities of some counterparts, largely at the subnational level. In this regard, the recommendations from the previous CPE with respect to more effectively addressing the gaps in institutional capacity of counterpart agencies remains applicable.
- 6.5 In this context, the country program's contributions to the majority of the expected outcomes established in the country strategy were low. OVE identified a number of factors that affected the country program's contributions to country strategy objectives. The country program's low-level contributions reflect the predominance of situations where the country program dimension was not a good match for the scope of the country strategy objectives. The breadth of the objectives and general nature of many of them exacerbated this problem. Progress was made with respect to outputs in various areas; however, the lack of evidence of results was another significant factor that limited the program's contributions. While a significant number of the operations are still too new to expect results, several projects (mainly legacy operations) show significant execution delays, which to date has limited their contributions. In contrast, the country program made higher-level contributions when there

was correspondence between the scope of the objectives set in the country strategy and the country program dimension that supported these objectives. This included having clearly defined, focused objectives, as well as effective execution of the operations under the country program, which helped achieve the targets.

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## Office of Evaluation and Oversight — OVE

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