Statement by Ms. Jiayi Zou
Date of Meeting: June 6, 2006

Argentina Country Assistance Strategy (R2006-0068, IFC/R2006-0118)
& Urban Flood Prevention and Drainage Project (R2006-0056/1)

We welcome today’s discussion on the Bank’s Country Assistance Strategy to Argentina. We support the new CAS. We thank management and staff on the informative document and updated information of Argentina macro-economy before the board meeting.

I. Macro-economic and Social Achievements in Argentina

Recent four years after the economic and social crisis of 2001-2002 has seen fast and pro-poor growth in Argentina. Great achievements has been made in economic and social areas: fast economic growth with an average rate of 9% in recent three years, first twin surplus (fiscal and current account) after more than 80 years, reduction of the debt burden, monetary prudence, increased foreign exchange reserves, vigorous exports, greater productive investment, reversal of capital flight, improvement in job creations, reduction of poverty and indigence, etc. These admirable achievements have been mainly due to the Government strong commitment to economic and social development and the country-driven development strategy. We commend Government of Argentina on the great achievement. We believe by building an investment partnership with the World Bank Group, the Government could make further achievements in promoting the country’s sustained, private sector-led growth with improved social inclusiveness in future transition period.

To achieve long term sustainable economic and social development, the Government needs to continue its efforts in maintaining fiscal and monetary prudence, increasing investment in infrastructure, improving private sector’s access to financing, enhancing investment climate, and increasing expenditure efficiency so as to keep the growth momentum. Social inclusiveness will be complementary for the Government to address long term development challenges. In addition, to ease the ratcheting poverty situation in Argentina, structural reform in social protection system shall be further strengthened with emphasis on eliminating fragmentation and gaps of coverage of social protection programs. Efforts should also include pro-poor health and education policies.
II. The Bank Group’s Assistance Program & CAS Approach

We support the World Bank Group to continue its support to Argentina after Argentina’s fast recovery from the economic and social crises, with an objective to support the transition from crisis recovery to sustained growth with continued poverty reduction and improved equity. The overall objective of the new CAS is in line with Government’s development priorities.

We concur with management that the three pillars established under 2004 CAS, sustained growth with equity, and social inclusion and improved governance, remain valid. However, the Bank should update the some key elements to ensure the mid-term macro-economic stability and to increase investment. We generally agree with the 3 principles (performance based, selective, and focusing on poverty reduction) guiding the Bank’s engagements in Argentina in the new CAS period. As for selectiveness, we support the Bank to consolidate the investment partnership in areas where there is consensus or consensus is within reach by lending and other instruments, for example in infrastructure, health, income transfer programs and public sector strengthening, education, water resource management. In areas where consensus is not yet in sight, like financial sector reform, informality and labor market reform, the Bank should build an open and constructive partnership with the Government, and support the country-driven development while seeking to develop or expand active dialogue with the Government through useful analytical work. In addition, we think the Bank should conduct independent macro-economic policy dialogue with the Government and reopen the DPL window to Argentina to meet the country’s developmental needs.

III. Urban Flood Prevention and Drainage Project

We would also like to express our support to the Urban Flood Prevention and Drainage Project. Based on the Bank’s past experience in a similar operation in Buenos Aires, this project would help reduce vulnerability of Argentina to flooding through developing risk management program in constructing defense facilities, implementing housing program and strengthening provincial institution and capacity for six provinces. The proposed project is in line with CAS priority. It supports the Governments priorities in promoting sustained economic growth, social inclusiveness, and poverty reduction.

In conclusion, we congratulate the Government of Argentina for the remarkable economic and social achievements in recent years, and wish the Country every success in achieving its development objectives.