

INTER-AMERICAN DEVELOPMENT BANK DOCUMENT

STRATEGIC AGREEMENT BETWEEN ARGENTINA AND THE IDB GROUP COUNTRY STRATEGY

2025 – 2028

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4. [Civil Society Consultation Plan](#)
5. [Development Effectiveness Matrix](#)
6. [Strategic Positioning](#)
7. [Monitoring and Evaluation](#)
8. [Fragility, Conflict and Criminal Violence](#)
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ACRONYMS

AEO	Authorized Economic Operator
AMBA	Buenos Aires Metropolitan Area
AyS	Water and Sanitation
CAF	Development Bank of Latin America and the Caribbean
CCLIP	Conditional Credit Lines for Investment Project
CDC	Country Development Challenges
CS	Country Strategy of the IDB Group with Argentina
ECLAC	Economic Commission for Latin America and the Caribbean
FCCV	Fragility Conflict and Criminal Violence
FDA	French Development Agency
FDI	Foreign Direct Investment
FONPLATA	Financial Fund for the Development of River Plate Basin
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHGs	Greenhouse Gases
ICPR	Independent Country Program Review
IDB	IDB Inter-American Development Bank
IFC	International Finance Corporation
IMF	International Monetary Fund
INDEC	National Institute of Statistics and Censuses
JICA	Japan International Cooperation Agency
LAC	Latin America and the Caribbean
M&E	Monitoring and Evaluation
Mecon	Ministry of Economy
MSMEs	Micro, Small, and Medium-Sized Enterprises
NCDs	Non-communicable Chronic Diseases
OECD	Organization for Economic Cooperation and Development
OGP	Office of Global Partnerships
p.p.	Percentage point

PCI	Policy Coordination Instrument
PCR	Project Completion Report
PMR	Progress Monitoring Report
PPP	Public-Private Partnership
R&D	Research and Development
RSF	Resilience and Sustainability Facility
UNDP	United Nations Development Programme
WB	World Bank
WEF	World Economic Forum
WHO	World Health Organization
WIPO	World Intellectual Property Organization

INTRODUCTION

A NEW APPROACH FOR IMPACT

Argentina's potential

Argentina is on a path of macroeconomic and structural reforms that drive stability and private sector-led growth with the opportunity to invest heavily in natural resources (copper, lithium, agriculture, energy matrix expansion) and knowledge-based services, improve productivity and create quality jobs. Argentine economy is currently on a recovery phase, underpinned by a platform of fiscal reforms, deregulations, and trade liberalization. Macroeconomic stability coupled with structural reforms can unleash great potential for growth and private investment, as well as transformation to a globally oriented economy. The aforementioned reforms encompass a strengthening and rationalization of social programs that increase their efficiency and create the opportunity for greater impact on poverty relief.

A New Country Strategy Approach

The IDB Group's Strategy with Argentina for the period 2025-2028 seeks to maximize the impact and effectiveness of the actions supported by the IDB, IDB Invest and IDB Lab, with the objective of promoting the country's development. This support is given within the framework of the priorities established in the IDB Group's institutional strategy (Impact+) and contemplates areas of intervention that address multidimensional challenges and that were determined through a selective programmatic approach. In addition, the strategic objectives proposed are aligned with the priorities identified in the Country Development Challenges, the Foundational Act, the May Pact, the 2025 Budget as well as IDB Group initiatives such as the Alliance for Security, Justice and Development, and The South Connection, and they reflect the Office of Evaluation and Oversight (OVE)'s assessment of the aforementioned strategy. As part of the present strategy drafting process, the IDB Group's positioning in Argentina was thoroughly reviewed, particularly in relation to other multilateral development banks, and both the IDB Group's operational experiences and lessons learned were evaluated. Likewise, the risks associated with the strategy's implementation were analyzed and mitigation measures were identified. Intervention proposals will be drawn up and deployed to leverage opportunities for public-private solutions. At the same time, strategic alliances will be fostered to optimize knowledge and enhance financing with other partners. This will seek to boost the impact and effectiveness of the IDB Group in Argentina, encouraging sustained, productive development with a high economic and social return.

Identified Pillars of intervention and Expected Impact

The main objective of the IDB Group's Strategy with Argentina for the 2025-2028¹ period is to support the country in becoming a model of sustained economic growth led by the private sector, benefiting the entire population and contributing to the creation of quality formal private jobs. This purpose rests on three pillars:

(1) Reforming the system towards efficiency and sustainability. Actions under this pillar are intended to contribute to eradicating the historical macro instability of fiscal origin, which introduces great policy discretionality and volatility of relative prices that threaten investment and the creation of good private jobs, with a negative impact on poverty. In particular, we plan to work on the following objectives: increase the efficiency of the tax system and its administration, with emphasis on reducing tax distortions and improving collection efficiency; and improve the efficiency, equity and sustainability of fiscal policy, reducing tax expenditure and increasing the technical

¹ The 2025-2028 IDB Group Strategy with Argentina will be valid from its approval by the IDB Group's Board of Directors until December 31, 2028. It does not include the transition period of the following year.

and allocative efficiency of public spending. This pillar will focus on working with national and subnational governments.

(2) Liberalizing the economy to unlock private investment and growth. The following objectives will be targeted: (1) supporting the design and implementation of deregulation and trade liberalization reforms to facilitate business operations and international trade; (2) facilitating and mobilizing private financing for investments by both the private sector and subnational governments to enhance physical connectivity and expand the energy matrix; (3) promoting productive modernization and entrepreneurship in strategic manufacturing and agribusiness sectors.

(3) Supporting vulnerable population to reduce poverty. While restoring growth and creating good private jobs is critical for poverty reduction, the impact will be much greater if chronic and multidimensional poverty is also addressed and vulnerability to poverty is reduced. The most relevant actions include improving the efficiency of social subsidies and health services, upgrading sanitation and urban conditions, expanding the level of initial literacy, and reinforcing citizen security and criminal justice with strategies aimed at strengthening institutional capacities to prevent crime and violence, which mainly affect the most vulnerable population. It is also key to improve the capacity of individuals and communities to adapt and recover in the face of social, economic, environmental and health vulnerabilities. The country has a significant opportunity to reduce poverty in a sustained manner, supporting inclusion through the accumulation of human capital for successful insertion into the formal labor market. Therefore, the IDB Group's actions under this pillar will focus on supporting vulnerable population by improving social protection, health, education, security and criminal justice. This pillar will work at both the national and subnational levels. IDB Invest will seek to finance the expansion of health and sanitation infrastructure. IDB Lab will in turn focus on capacity building and innovation to improve access to services, including justice.

The interventions' expected impacts will be measured by a set of indicators that are aligned with and contribute to the IDB Group's 2024-2030 Impact Framework.

In addition, a **cross-cutting issue of action is established to be reflected in the aforementioned pillars of institutional strengthening**, aimed at improving public sector efficiency and transparency, thus ensuring long-term sustainability.

On the one hand, executing this strategic agreement requires relying on the IDB Group's framework of public-private synergies, which has created institutional conditions for collaborative work on the part of IDB, IDB Invest and IDB Lab. On the other hand, it is essential to restore a leading role to private investment in order to boost the productivity and competitiveness of job-creating companies in a sustainable manner. To this end, joint efforts will be made to develop regulatory frameworks and institutions in favor of private investment in areas such as: urban conditions and sanitation, road infrastructure, increased energy availability and efficiency, productive modernization in agriculture and manufacturing, health infrastructure, financial inclusion and housing.

Partnership Argentina-IDB Group

In recent years, Argentina and the IDB Group have deepened their relationship to promote sustainable development in the country. The Bank has provided key support in terms of financing, technical expertise and strategic guidance in a variety of sectors. In the previous 2021-2024 country strategy, the IDB Group proved to be a key partner in addressing the challenges posed by the pandemic, providing direct support to the Government and businesses. Looking ahead to CS of the 2025-2028 period in which the country will seek to leverage the opportunities that are emerging

from macroeconomic stabilization in the wake of fiscal consolidation, the fiscal, regulatory and trade reforms being implemented, and the streamlining and strengthening of social protection and the ongoing streamlining of public utility prices and economic subsidy targeting, the IDB Group is strategically well-positioned to contribute to the country's progress. With the long-term development vision that characterizes the Bank's work in Latin America and the Caribbean, we will support Argentina in leveraging its strengths and opportunities to achieve sustained economic growth, enabling it to achieve its development goals and contributing to global solutions.



I. BUILDING A NEW COUNTRY STRATEGY: OPPORTUNITIES, PURPOSE AND APPROACH

A. CONTEXT AND OUTLOOK: A TURNING POINT TOWARDS STABILITY AND GROWTH

- 1.1 Argentina is on a recovery path, but it still faces significant economic and social challenges.** The sluggish level of growth since 2010 as a result of the private sector setback and the very high macroeconomic instability, together with soaring inflation, led to a sustained rise in the income poverty level by 7.8 p.p. from 2016 to 2024. The inflationary acceleration has resulted mainly from the continuous monetary expansion of fiscal and quasi-fiscal origin. The fiscal consolidation process initiated in 2024, which led to the first fiscal surplus after 14 years of deficit² and the elimination of the Central Bank's quasi-fiscal deficit significantly reduced inflation rates³ and, together with the exchange rate crawling peg, anchored annual inflation expectations at 23% per year for 2025. However, the country still faces several challenges in economic matters, the liberalization of the capital account, the acceleration of private investment, and the labor market formalization.
- 1.2 The most significant social challenge is lowering the poverty rate, which has fluctuated between 25% and 53% over the last 20 years.**⁴ Throughout 2024, poverty fell considerably from 52.9% in the first half of the year to 38.1% in the second half, marking a significant turning point after years of accumulated deterioration. This substantial improvement was the result of a set of measures aimed at stabilizing the macroeconomy, correcting relative prices and recovering real wages, which allowed social deterioration to be rapidly reversed. The recovery of economic activity and real wages translated into a sustained improvement in social indicators. Despite this progress, important challenges remain. The extreme poverty rate remains high (18.1% at its peak) and more than half of 0-14 year-old children are living in deprivation conditions. On the other hand, the labor informality rate and the economically active population rate stand at 36.1% and 48.8%, respectively⁵. On the other hand, there is a significant geographic dispersion of poverty, with a higher incidence in the Northeast and Northwest regions, and in the Buenos Aires metropolitan area,⁷. Likewise, 23.7% of people with disabilities (PWD) are at risk of financial poverty, in contrast to 15.3% of the population without disabilities. Additionally, the unemployment rate for PWDs is one percentage point higher than for the population without disabilities.

² According to statistics published by the Ministry of Economy, in 2025 the National Public Sector achieved a primary and financial fiscal result of 1.8% and 0.3% of GDP, respectively.

³ According to INDEC statistics, the monthly inflation rate fell from a peak of 25% in December 2023 to 2.7% in December 2024.

⁴ INDEC

⁵ Rate of salaried employees without pension discount and activity rate corresponding to the fourth quarter of 2024 (EPH-INDEC).

⁶ The informality rate of women (39.3%) is higher than that of men (36.6%), and their activity rate is lower (52.1%) than that of men (70.5%).

⁷ In these regions, the proportion of indigenous inhabitants is high. The provinces with the highest proportion of indigenous population are Jujuy (10.1%), Salta (10%), Chubut (7.9%), Formosa (7.8%), Neuquén (7.7%) and Río Negro (6.4%) with respect to the total census population in each of them and the provinces where the largest number of indigenous people reside are: Autonomous City of Buenos Aires, Province of Buenos Aires, Salta, Jujuy, Córdoba, Santa Fe, Neuquén, Chaco, Río Negro, Formosa.

- 1.3 Macroeconomic stability is one of the government's primary objectives for the next few years.** To this end, the government's priority is to maintain the fiscal and financial balance achieved in 2024. At the same time, the Central Bank's objective is to continue improving its balance sheet, replenish international reserves and liberalize exchange controls. To this end, the monetary authority first eliminated interest-bearing liabilities by migrating financial liquidity management to Treasury bills. Under a new IMF program, and with the coordinated support of the World Bank and the IDB, the Central Bank managed to lift the main existing capital controls and move towards a floating exchange rate regime, with the objective of establishing a system of free capital mobility. The consolidation of macroeconomic stability is key to reestablishing access to external financing.⁸
- 1.4 In this context, economic stability and social equity and private sector development are the country's major growth challenges.** This objective requires addressing social protection and human capital development needs, as well as reducing the obstacles to productivity growth, entrepreneurship and the generation of formal jobs. Indeed, Argentina has a low rate of innovation, ranking eighth in Latin America⁹. Likewise, the number of companies exporting goods has fallen from 14,444 to 9,567 in the last 14 years¹⁰, which is particularly negative for productivity and labor formalization due to the very high formality of these companies and for the development of new exports. In order to face these challenges, it is essential to advance in the reorganization of the State, increasing spending efficiency and dealing with taxation, social security policy and technical and allocative efficiency in the use of state resources, and removing regulatory, financial, commercial, investment and learning obstacles that limit entrepreneurial and social mobility.
- 1.5 The Argentine government's short-term agenda focuses on fiscal consolidation, reduction of distortionary spending and taxes, and deregulation and liberalization of the economy to allow for sustained growth.**¹¹ In the medium term, the economic development model is based on the deregulation of the economy and the realignment of relative prices to promote private investment and formal employment, improve competitiveness and international insertion. At the same time, there will be special emphasis on the role of the private sector in the financing of infrastructure investments throughout the country.

B. KEY INSIGHTS FROM FROM THE 2021-2024 STRATEGY

- 1.6 Fewer pillars for greater focus.** The implementation lessons from the 2021-2024 CS reflected in the recommendations of the Office of Evaluation and Oversight (OVE), allowed for learning about strategic selectivity, which is used for the 2025-2028 CS. The selective approach resulted in the reduction of the number of intervention pillars, as well as in the definition of clear and measurable objectives, based on a solid structural logic.¹² The 2025-2028 CS will include a permanent dialogue with ministerial authorities on policies and on the existing portfolio, aligned with the country's strategic objectives identified in dialogue with the authorities of the Ministry of Economy (Mecon). The IDB Group will also strengthen mechanisms to identify and mitigate risks and expand the focus on knowledge generation, which, together with technical cooperation, is a key attribute of the Group in Argentina compared to other multilateral development banks. It will also seek to enhance synergies within the IDB Group and strategic alliances with other

⁸ Despite the October 2020 sovereign debt restructuring, credit risk remained elevated, reaching a peak of 2913 bps in 2022, before finally decreasing significantly to values of 700 bps in early 2025, in response to the ongoing stabilization program. Central government public debt stood at 95% of GDP as of the third quarter of 2024, and 56% is dollar-denominated (Quarterly Debt Report, Ministry of Economy). Forty-six percent of the central government's gross debt is debt with public sector agencies, 37% is debt with multilateral and bilateral organizations, and the remaining 37% is debt with the private sector..

⁹ According to the Global Innovation Index, Argentina will be ranked 76th out of 133 countries in 2024.

¹⁰ Ministry of Economy

¹¹ The IMF Extended Fund Facility program was terminated in September 2024, and a new agreement is being negotiated. The government and the Fund agreed to close the previous agreement without the ninth and tenth reviews. The government is currently negotiating a new program..

¹² Independent Country Program Review: Argentina, 2021-2023.

development partners and the private sector to increase the IDB Group's impact and effectiveness in Argentina.

- 1.7 Lessons learned from the 2021-2024 CS implementation will allow the IDB Group to deepen its interventions' impact and efficiency in Argentina.** Although the strategic objectives defined in the 2021-2024 CS were relevant to the development challenges according to the IDB Group's diagnoses, its relevance was affected by problems of strategic selectivity, vertical logic and evaluability.¹³ The CS's scope, the pandemic's extended isolation measures, and some implementation issues arising from the country's economic context have led to some dispersion of focus and reduced the CS's ability to guide the country program in achieving the objectives. Lessons learned from the 2021-2024 CS implementation highlight the importance of the country program continuing to contribute to the continuation of supportive policies and reforms that lead to fiscal sustainability and macroeconomic stability, and to focus on areas where the Bank can add most value and further address the institutional capacity gaps of counterparts. They also highlight the success of high-impact Loans Based on Results (LB) in the area of health and the need to continue this type of operation. Another important lesson learned in times of crisis such as those of the previous strategy is the advantages of combining strategic selectivity with flexibility in programming in emergency circumstances. In addition, it highlights the importance of playing a stronger countercyclical role through appropriate instruments such as the SDLs to help prevent macroeconomic or external shocks that reduce the impact of the program and the portfolio.
- 1.8 The 2025-2028 CS improves selectivity, considering the IDB Group's contribution capabilities in Argentina.** In this strategy, the selectivity approach prioritized strategic dialogue, experience and operational positioning, coordination and synergies among the three IDB Group windows and the definition of evaluable objectives. The selection of a narrower set of strategic objectives and expected results for this new CS will ensure that the country program contributes more effectively to addressing the development challenges that were identified through a process of dialogue with civil society, the private sector and the government.
- 1.9 The design and planning of the 2025-2028 CS operations will incorporate the new design of the ministerial administration and the priorities identified in Argentina's institutional characteristics.** The administrative structure reduction and regrouping process, which has concentrated functions in less than half of the ministries of previous administrations, poses an opportunity to selectively and strategically review and align the current portfolio under the new pillars. In addition, subnational governments will assume a key role in public works investments, which will require efficient coordination to maximize impact. The main focus of the IDB Group's operations portfolio will be on fiscal sustainability, support to vulnerable population and economy liberalization to foster private investment and growth. In turn, the technical cooperation portfolio will be aligned with these strategic objectives, contributing to their fulfillment, and will ensure that both the sovereign guaranteed operations framework and the technical cooperation initiative are reflected in the programming documents.
- 1.10 Operational lessons on the execution of investment loans will be incorporated into the new operation designs.** Based on the indications of the Ministry of Economy, we will seek to design a set of infrastructure investment operations that are the responsibility of the subnational jurisdictions willing to finance the respective infrastructures.

¹³ The Strategy sought to contribute to stabilizing the macroeconomy and promoting an agenda of economic recovery and sustained poverty reduction, through actions grouped into four strategic objectives: (i) poverty reduction and social protection for the most vulnerable; (ii) economic recovery and productive development 4.0; (iii) macroeconomic stability and effectiveness of public policies; and (iv) digital transformation as a crosscutting development axis.

C. FOCUS ON SELECTIVITY TO DELIVER TANGIBLE IMPACT

HOW DO WE FINE-TUNE THE FOCUS?

1.11 Priority line-up. The actions and cross-cutting themes recommended by the IDB Group for this CS are in line with the governmental objectives set forth in the the Foundational Act of 2024¹⁴, the May Pact ¹⁵, the 2025 Budget Bill¹⁶, the opening speech of the 2025 legislative sessions¹⁷ and, in its vision of the country for the future. Likewise, the 2025-2028 CS is aligned with the New Institutional Strategy (Impact+), and in particular with the central objectives of promoting sustainable growth by empowering the private sector and reducing poverty by facilitating the accumulation of human capital and rationalizing and strengthening social protection, as well as with the following operational focus areas: citizen security, social protection and human capital development, sustainable infrastructure, productive development and innovation through the private sector, and regional integration. In addition, the proposed actions and themes are aligned with IDB Invest's New Vision and Business Model (IIC/CCA-221) (IDBInvest+) and IDB Lab's Business Plan (MIF/GN-270-1). The diagnostic study of development gaps (CDC Argentina, 2023) identified a broad set of challenges and associated policies, which were complemented by a theoretical, empirical and operational review of the evidence of impact in Argentina, resulting in the following priority challenges that contribute to restarting economic growth and ensuring macroeconomic stability to reduce poverty: 1) fiscal and macroeconomic stability; 2) recovery of private sector growth and preparation for the future; 3) social inclusion and employability. Within each challenge, specific objectives are identified that coincide to a large extent with the priorities set jointly with the government. In particular, there is convergence in the macroeconomic stabilization objectives, fiscal reform to reduce spending, distortionary taxes and tax loopholes, useful and modern education at early childhood, primary and secondary levels with full literacy and no school dropouts, in order to prepare young people for the modern labor market, development and exploitation of strategic natural resources, labor reform for formality and competitiveness, pension reform for sustainability, greater international insertion, expansion of the private sector and preparation for the future, greater international insertion, expansion of social assistance to mothers and children in the most vulnerable sectors, elimination of intermediaries, and improvement of living conditions in households with a higher degree of exclusion and social vulnerability, internal security, sanitation, concession and/or privatization of public companies, deregulation of markets to foster private sector action, and promotion of private employment and investment attraction. The challenges and associated policies, for which there is evidence of impact, were then narrowed down to national priorities. It should be noted that the strategic objectives proposed by the IDB Group are aligned with IDB Group initiatives to scale up and optimize resource mobilization at the international level, including the South Connection initiative and the Partnership for Security, Justice and Development.

1.12 Strategic positioning. The second phase of the strategic selectivity exercise allowed the identification of areas in which the IDB has comparative advantages, due to its greater relative

¹⁴ The Foundational Act of 2024 pursues the following objectives: deregulation of markets to promote private sector initiatives; tax reforms to reduce legal loopholes; bureaucratic simplification and streamlining of the public sector; labor reform; private employment incentives and investment encouragement; and the privatization of public companies.

¹⁵ The May Pact sets forth the following objectives: non-negotiable fiscal balance; reduction of public spending to historic levels; useful and updated pre-school, elementary and high school education, with full literacy and no school dropouts; tax reform to reduce the tax burden, simplify Argentines' lives and promote trade; commitment of Argentine provinces to advance in the country's natural resources exploitation; modern labor reform to promote formal employment; pension reform to make the system sustainable and respect those who contributed; and international trade opening).

¹⁶ The 2025 Budget Bill sets forth the following objectives: fiscal balance; prioritization of the Nation's own functions; elimination of improper expenditures and rationalization of public administration; macroeconomic stability; expansion of social assistance to mothers and children in the most vulnerable sectors, with the elimination of intermediaries; reformulation of labor reinsertion programs; social inclusion and the improvement of household living conditions with the highest degree of social exclusion and vulnerability; internal security assurance as a right of all Argentines; modernization and simplification of the State to avoid hindering the private sector's development; reorganization, public companies' concessions and/or privatizations.

¹⁷ In the opening speech of the 2025 legislative sessions, President Milei posed the following priorities: make fiscal balance mandatory for any state budget, whether national or sub-national, by de facto prohibiting the mechanisms through which inflation is generated; structural tax reform to reduce by 90% the amount of national taxes; freedom to trade with the rest of the world; eliminate inflation in a structural manner; create an environment that encourages private investment and production; a simpler, lower and more predictable tax system to make Argentina globally competitive again; a freer and more efficient exchange rate system to attract greater investment, leading to lower inflation, higher employment, better salaries, fewer poor and destitute people, and a more stable economy.

presence compared to other multilaterals, as well as those in which there are opportunities for collaboration with other partners for the mobilization of resources and the combination of technical expertise. Historically, the IDB has been the main source of financing from multilateral organizations in Argentina, representing on average 55%¹⁸ of the multilateral debt in the period 2021-2023. However, the IMF's relevance since the approval of the Stand-By program in 2018 has been diluting other agencies' weight. The IDB financing share fell from 56% in 2017 to 22% in 2024, while the IMF accounts for 57% of commitments to agencies in the country. Between 2019 and 2023, the IDB was a leading partner in environment, MSMEs and manufacturing, state modernization, science and technology, transportation and urban development. In turn, it maintains a strong presence establishing itself as a strong player in agriculture, health, social investment, fiscal, and water and sanitation. IDB Invest maintained presence in science and technology and manufacturing, but remained behind other multilateral organizations. During the CS period, opportunities are seen for IDB Invest in each of the pillars of the strategy, including health, water and sanitation, transportation, energy and telecommunications, and the financial sector. In addition, IDB Lab will promote entrepreneurship and the development of technologies for skills training and services for job placement. The cross alignment between the IDB Group's diagnosis and institutional priorities and the IDB Group's strategic positioning analysis offers the possibility of prioritizing strategic objectives involving financing and business environment and technology for MSMEs, manufacturing, agribusiness and entrepreneurship, state modernization, integration and urban development including water and sanitation, health, fiscal reforms, investment in connectivity and energy.

1.13 Operational evidence. In the third phase, IDB Group's operational experiences in Argentina were subjected to analysis. This analysis was divided into four components. First, each sector's performance was evaluated through a multidimensional indicator rating the operations performance approved since 2010.¹⁹ Second, based on the Project Completion Report (PCR) results of the operations, each sector's capacity to contribute to development objectives was determined. Third, the sectors' track record was analyzed, measuring their share of programmatic demand across the different strategies.²⁰ Finally, considering that the fast-disbursing instruments contributed significantly to supporting relevant and high-impact policy measures in the country²¹, the sectoral contribution was weighted for approval. The analysis revealed that the operational performance of Argentina's portfolio is solid, identifying as main strengths the performance in project management and consistency in the programmatic vision. This exercise made it possible to identify the main challenge as the need to strengthen actions to increase effectiveness and impact. This analysis showed that IDB's main operational strengths during the period under review were in the areas of social protection and health, institutions and state modernization, energy, fiscal and connectivity, and financial markets, while science, technology and innovation, education, and water and sanitation had an average performance. Meanwhile, IDB Invest showed greater operational strength in financing to renewable energy, international trade, MSMEs, manufacturing and digital economy. The alignment between the IDB Group's diagnosis and institutional priorities and the operational evidence offers the possibility to prioritize strategic objectives involving financing, business environment and technological development for MSMEs, manufacturing, agribusiness, entrepreneurship and international trade, state modernization, integration and urban development including water and sanitation, education, health, social investment, fiscal reforms, investment in connectivity and energy.

1.14 Risk analysis. The analysis identified potential risks to the implementation of the country's strategy and mitigation strategies. The main macroeconomic risks identified are of a fiscal,

¹⁸ Regardless of the IMF.

¹⁹ This includes operations from the last 4 strategies. For this rating, four sub-indices were included: (i) time from approval to eligibility; (ii) extensions to the disbursement period; (iii) deviations in the temporal progress with respect to financial execution; and (iv) Progress Monitoring Report.

²⁰ For this analysis, it was considered the amount approved by sector..

²¹ During the period 2010-June 2024, the IDB approved US\$2.55 billion in PBL and SDL operations: seven PBL operations (totaling US\$2.05 billion) and one SDL operation (US\$500 million).




external sector and political nature, associated with the external liquidity position and legislative majorities. The timeline for key reforms may be extended due to the lack of a congressional majority and potential social fatigue in response to adjustment measures.. External shocks that deteriorate terms of trade and international financial conditions may impact operating costs and fiscal space and private investments. The mitigation strategy includes strengthening the social agenda and improving the social protection system and disseminating the expected results to facilitate dialogue and consensus. To mitigate external liquidity risks, it is planned to carry out regular monitoring, support compliance with PCI and RSF commitments, and foster the use and development of hedging instruments while supporting local capital market growth, along with access to countercyclical instruments to mitigate the impact of external shocks. In environmental, climate and social matters, the portfolio projects face high contextual risks due to works neutralization caused by fiscal restrictions, resulting in potential environmental and social liabilities. In addition, implementation agencies have reduced staff capacity, making it difficult to comply with the safeguards policy requirements and the Environmental and Social Policy Framework. The mitigation strategy will seek to: (i) help counterparts identify critical activities, legal provisions and risks from the initial stages of prioritization of any project until its implementation and closure; (ii) facilitate the continuous exchange of technical and operational lessons learned; (iii) focus on generating knowledge about the operational context and implementation challenges. In terms of implementation, budgetary constraints coupled with key staff turnover in executing agencies may delay the expected project progress. In addition, programs implemented at the subnational level could face constraints due to the implementing agencies' low institutional and operational capacity. The materialization of these risks could result in lower level project results, leading to limited effectiveness and impact. As a mitigation strategy, among other actions, dialogue with the government will be pursued to evaluate different alternatives in order to speed up execution, carry out periodic budget reviews to analyze changes and identify deviations so as to act proactively, and promote periodic training of national and subnational executing agencies. This risk analysis reveals the suitability of focusing infrastructure investment support and financing operations on the private sector and provinces with greater institutional and operational capacity of project implementing agencies, while working on continuous institutional and operational capacity building at the sub-national level. Section IV of this document details the risks associated with the implementation of the country strategy in greater depth and provides mitigation measures.



II. PILLARS OF ACTION AND EXPECTED IMPACT

- 2.1. The objective of the CS 2025-2028 is to support Argentina in becoming a model of sustained economic growth, driven by the private sector for the benefit of the entire population, and contributing to facing global challenges.** The pillars and strategic objectives are detailed in Table 1. The actions to be implemented in pursuit of the strategic objectives will include criteria to promote the cross-cutting axis of institutional strengthening in order to improve efficiency and transparency in the public sector.

TABLE 1. PILLARS AND STRATEGIC OBJECTIVES

1	2	3
Reforming the fiscal system to promote efficiency and sustainability	Liberalizing the economy to unlock private investment and growth	Support vulnerable population to reduce poverty
 	  	  
 <p>Increase efficiency of the tax system and its administration</p> <p>Enhance efficiency, sustainability and equity of fiscal policy through tax and spending reforms</p>	 <p>Facilitate business operations and international trade</p> <p>Enhance physical connectivity and energy matrix expansion</p> <p>Promote productive modernization in key strategic sectors</p>	 <p>Reduce child poverty</p> <p>Enhance efficiency of health system</p> <p>Improve basic education through the strengthening of foundational skills.</p> <p>Improve urban and sanitary conditions</p> <p>Strengthen institutional capacities to prevent crime and violence.</p>

PILLAR 1. REFORMING THE FISCAL SYSTEM TO PROMOTE EFFICIENCY AND SUSTAINABILITY

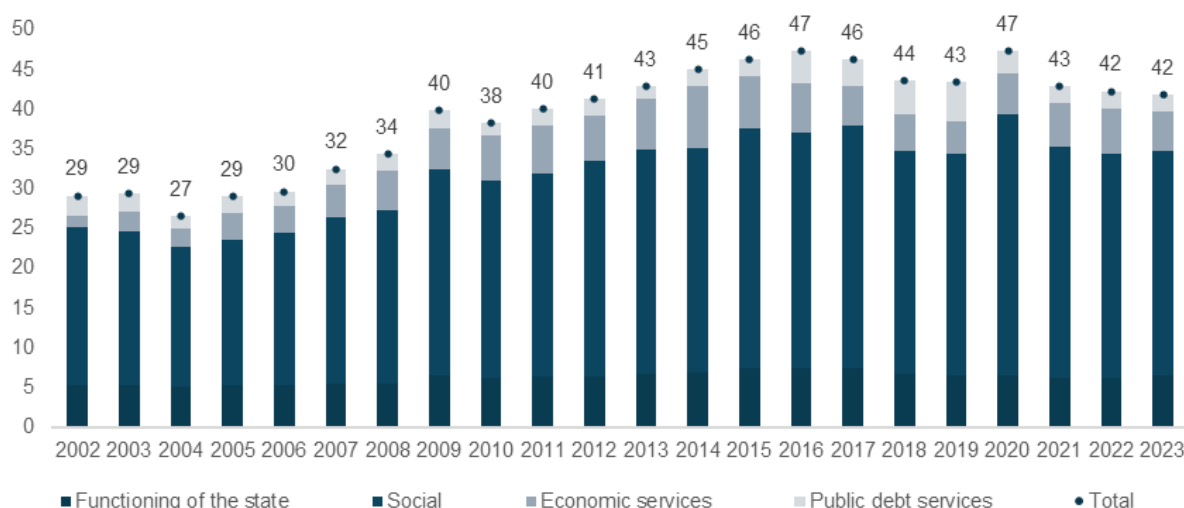
WHY IT MATTERS

- 2.2. Argentina faces significant fiscal challenges due to the accumulated expansion of public spending from 2002 to 2023, which was financed with increased fiscal pressure, debt and monetary issuance, resulting in macroeconomic instability, rising inflation and recurrent debt and external sector crises until 2023.** Consolidated public spending rose from 29% of GDP in 2002 to 42% in 2023, driven mainly by growth in social spending (+8.4 p.p. of GDP), transfers to the private sector²², including social benefits (+3.6 p.p. in two decades), energy subsidies (+1.8 p.p. of GDP) and transportation subsidies (+1.3 p.p. of GDP). This process was accompanied by allocative and technical

²² Transfers to individuals or legal entities, which include social benefits, such as family allowances, income support for retirees and pensioners, PAMI benefits and food policy programs, among others.

inefficiencies, such as the increase in social spending biased towards the elderly to the detriment of early childhood, and economic subsidies in energy and transportation. Likewise, the increase in state operating expenditure between 2002 and 2023 (+1.3 p.p. of GDP) is highlighted, as well as the deficit of state-owned companies, which required financial assistance equivalent to 1.5% of GDP in 2021. Finally, one of the main factors of allocative inefficiency is the high level of pension spending, that rose from 5.6% of GDP in 2005 to 9.8% of GDP in 2023^{23,24}. In addition to inefficiencies in budgetary spending, tax spending is estimated at 3.48% of GDP in 2024, of which 0.4% corresponds to economic promotion regimes²⁵. Facing this situation, a fiscal consolidation process was initiated in 2024 that allowed reducing National Public Sector spending by 4.3 p.p. of GDP, concentrating on the adjustment of economic subsidies (0.6 p.p. of GDP), transfers to provinces (0.5 points of GDP), salaries (0.4 points of GDP), capital expenditures (1.12 points of GDP), pensions and retirement (0.5 points of GDP).²⁶

FIGURE 1. CONSOLIDATED PUBLIC SPENDING (% GDP)



Source: Ministry of Economy

2.3. In terms of resources, Argentina faces elevated fiscal pressure derived from the implementation of distortionary taxes. Over the last two decades, the federal and provincial tax burden²⁷ has increased from 16% to 25% of GDP and from 3% to 5% of GDP, respectively²⁸. This context discourages savings and private investment, keeping them below the levels of comparable countries (16% of GDP in 2023 behind Brazil, Chile and Uruguay). In parallel, the deficiency in institutional and regulatory quality, reflected in the deterioration of governance indicators over the last 20 years²⁸, represents an additional obstacle to improving the country's fiscal efficiency.

2.4. The structural increase in spending resulted in a series of fiscal deficits that contributed to instability mainly penalizing the lower income population. Primary fiscal deficits ranged from 0.1%

²³ Consolidated social welfare expenditure, Ministry of Economy

²⁴ The pension system has not only presented unsustainable spending trends, but also significant challenges of horizontal and vertical equity, financial sustainability, and parametric design deficits that reduce its coverage and in the past led to moratoria granting that significantly eroded the sustainability of the system (Rofman and Mera, 2024). With fewer elderly people, Argentina spends more than the OECD average (IDB, Better Spending for Better Lives: How Latin America and the Caribbean can do more with less, (2018)), and as designed, it entails allocative inefficiency regarding early childhood spending.

²⁵ Report on Fiscal Spending. Ministry of Economy.

²⁶ Data from the Ministry of Economy

²⁷ Percentage of taxes paid by citizens related to GDP.

²⁸ Argentina has declined in regulatory quality from 0.52 in 1996 to -0.62 in 2021 according to World Bank indicators. At the same time, it has declined in law enforcement, corruption control, government effectiveness and political stability.

of GDP to 6.4% between 2009 and 2023, within this period sovereign debt rose from 39% of GDP in 2011 to 157% in 2023. In 2020, the sovereign external debt was restructured with private creditors without regaining access to external credit and with high country risk. During this period, inflation fluctuated between 7% in 2009 and 211% in 2023.

FIGURE 2. PRIMARY FISCAL BALANCE (% GDP)



Source: Ministry of Economy

2.5. The government has begun a significant fiscal consolidation process with a combination of temporary measures and incipient fiscal reforms that need to be deepened and consolidated.

With the objective of eliminating the fiscal deficit, the government introduced a package of reforms that are mostly included in the Foundational Act and the May Pact. The objectives of these agreements are to achieve fiscal balance, lower inflation, liberalize most prices, eliminate import permits, liquidate the monetary surplus and create a favorable business environment. In the fiscal area, the tax amnesty law, a moratorium, the advance payment of personal asset taxes, an increase in export taxes and a modification in the retirement adjustment formula were approved, in addition to the change in the minimum amounts for the payment of income tax. At the same time, the State was reformed with the elimination of 10 ministries and 54 secretariats, implying the elimination of more than 50% of political positions.

WHAT WE WILL DO

2.6. Support the Fiscal Reform. The IDB Group will assist the Government of Argentina's efforts to contribute to fiscal sustainability and improve the overall efficiency of the fiscal system by reducing the weight of distortionary taxes in total tax collection and eliminating exemptions and deductions that limit revenue collection capacity. The reforms that the IDB Group advocates aim to improve the efficiency and horizontal equity of the fiscal system, balancing the contribution obligations of all taxpayers with similar income levels and increasing the progressivity of income tax. The IDB Group also supports the design, implementation and evaluation of measures to increase the technical efficiency and quality of national public spending, focusing on streamlining and targeting subsidies and social outreach programs.

- 2.7. Improve the technical and allocative efficiency of public spending.** The IDB Group will continue to support Argentina's Government by financing programs to strengthen budget management processes and modernize technological infrastructure, which will enable Argentina's Government to have an improved public financial management system with process management and a more efficient and accessible system. It will also finance programs focused on institutional strengthening of subnational jurisdictions to improve public financial management capabilities in Argentina's provinces, contributing to the efficiency of public resource management processes. Together, enhanced process and systems efficiency will contribute to improving federal public spending technical efficiency.²⁹ In addition, support will be provided for the design and implementation of a retirement and pension system reform that will contribute to improving its financial sustainability, horizontal and vertical equity, and incentives to participate in the pension system.
- 2.8. Strengthen the Federal Tax Administration.** The IDB Group will assist Argentina's Government in the modernization process of the Customs Control and Revenue Agency (ARCA) through program financing designed to contribute to administrative efficiency and simplification, promoting a more agile and modern structure; the adoption of advanced technological tools, prioritizing process digitalization and automation to ensure operational efficiency and speed. The IDB Group will support programs aimed at optimizing available human, material and technological resources, prioritizing the agency's operational and financial sustainability. It will also collaborate in the design of regulations promoting transparency in internal and external processes, ensuring a clearer and more auditable management of allocated resources, and in the implementation of a results-oriented management model.

EXPECTED RESULTS

Reforming the fiscal system to promote efficiency and sustainability

Increased efficiency of the tax system and its administration. The IDB Group will focus on supporting reforms and investments aimed at reducing and/or eliminating distortionary taxes and enhancing tax collection efficiency.

Enhanced efficiency, sustainability and equity of fiscal policy through tax and spending reforms. The IDB Group will focus on supporting reforms to eliminate tax loopholes and improve the technical and allocative efficiency of public spending.

PILLAR 2. LIBERALIZING THE ECONOMY TO UNLOCK PRIVATE INVESTMENT AND GROWTH

WHY IT MATTERS

- 2.9. The formal private sector has been declining since 2010.** Its recovery and competitive strengthening are essential for quality employment generation, insertion in international markets and sustainable economic growth. Multiple challenges are identified, such as low private investment (16% of GDP in 2023), declining number of companies, especially exporters, downturn in exports (non-

²⁹ There is also the possibility of supporting public companies with financing and advisory services to increase the efficiency and quality of their services.

primary), low levels of entrepreneurship, reduction in formal private employment, limited innovation, uneven progress in digital transformation and low economic complexity. This private sector downturn also translated into a more than 9% drop in new job creation since 2011³⁰. The main reasons for this deterioration are associated with macro instability and its impact on access to and cost of financing, policy and relative price volatilities; deficiencies in physical and digital infrastructure that reduce the profitability of private productive investment; distortionary regulations and taxes; poor integration into global financial and trade markets; and human capital gaps. According to the Global Competitiveness Index of the Global Competitiveness Center of the International Development Management Institute (2024), which measures the weight of government regulations and interventions on the competitiveness and well-being of citizens, in 2024 Argentina ranked second to last in this ranking, out of a total of 67 economies. In 2022, Argentina was the country with the highest tax burden on foreign trade in Latin America and the Caribbean (25% of the income generated by foreign trade). In terms of exports, in 2021, Argentina was the country that charged the highest export taxes (21.9% of the exported value) in the world, together with Kazakhstan. Credit to the non-financial private sector averaged 15.2% of GDP between 1991 and 2023, well below comparators such as the OECD (83%), and reaching a meager 11.9% in 2023. Only 3% of Argentine manufacturing companies appear to be adopting fourth-generation smart production digital technologies (combining hardware, advanced robots and 3D printers), software (big data analytics, cloud computing, and artificial intelligence), and connectivity (the internet of things). In this context, the levels of business innovation place Argentina in 69th position among 132 countries in the Global Index prepared by WIPO, and in eighth place within Latin America and the Caribbean. Argentine companies identify fiscal and regulatory pressure as the main obstacle. According to the World Enterprise Survey, companies in Argentina consider that taxes and labor regulations are the greatest restrictions to their activity, and that regulatory costs to open and operate businesses in the country exceed the average for the region and the world. In this context, total factor productivity in agriculture in Argentina averaged 0.88% between 1961 and 2021, well below the 1.81% growth achieved in Brazil. Furthermore, during the 2010s, Argentina experienced a contraction of 0.06%, while Brazil showed growth of 1.38%.³¹

³⁰ SSPEyE-MTEySS, Observatorio de Empleo y Dinámica Empresarial, based on the administrative records of the social security systems (AFIP). <https://www.argentina.gob.ar/trabajo/estadisticas>.

³¹ The cargo transportation matrix is highly concentrated in trucks: 93% of all cargo in Argentina is transported by truck (Report: Road Infrastructure Gap in Argentina - Piazza, 2023). This strong concentration in the road mode has contributed to the country's high logistics costs, worsened by factors such as long average distances (450 km), the atomization of the sector, the age of the fleet and infrastructure in poor condition. Heavy vehicles -trucks and buses- account for 31% of total traffic on national roads. This overload on a network in poor condition generates accelerated deterioration, higher maintenance costs and road safety and traffic congestion problems. During harvest peaks, up to 14,000 trucks per day enter the Gran Rosario port node, with an annual total of 2.3 million trucks (2019). This pressure on routes such as the A012, RN11 and RN34 reveals a serious lack of road capacity. Although key works were planned, such as the duplication of the A012 and variants in Roldán and Ricardone, they were cancelled after the collapse of the PPP program in 2020 (Report: Rosario Bypass - Ministry of Transport, 2023).

FIGURE 3. NUMBER OF EXPORTING FIRMS



Source: Study Center for Production, Ministry of Economy 2023.

2.10. Argentina shows a setback in terms of international trade insertion, an area in which it already showed significant lags. The reported drop in the number of exporting companies is reflected in the global market share loss, as Argentine exports reached only 0.3% of the world total (half of 50 years ago). Argentine companies show a declining insertion in global value chains (GVCs), and the World Trade Organization reported that in 2018 only 27% of Argentine exports were made through a GVC, below the South American averages (37%). This scenario is a reflection of the country's low participation in free trade agreements (FTAs) below the world average and high protection levels. Argentina participates in only one FTA (Mercosur), compared to approximately 14 FTAs of other countries in the world (World Bank, 2018). In turn, high transportation costs are a hindrance to the internationalization of companies. Export costs per container at the port and waiting times have worsened in recent years, and there are considerable deficits in customs management systems and technology, as well as bureaucracy and processes that are not very up-to-date³². Argentina still has considerable room for improvement in the development and implementation of trade facilitation and simplification tools. Gap analyses conducted by IDB Invest show that transport infrastructure quality indicators for trade and trade costs are worse than expected for Argentina's income level, with marked deficits in the areas of customs cargo, road quality, train efficiency, air transport, ports and roads. 75% of the main corridors of the National Road Network are in a deteriorated state, which increases logistics costs due to higher fuel consumption, vehicle wear and tear, and longer travel times.³³³⁴ At the same time, there is a deficient infrastructure and limited logistics integration, with only 3% of cargo being transported by river or sea³⁵.³⁶ Finally, deficits in infrastructure quality and coverage reduce exporters' competitiveness and return on investment. It is also important to bear in mind that exposure to extreme events contributes to the accelerated wear and tear of transportation infrastructure, which implies higher maintenance costs and an increase in logistics disruption risk, with relevant economic effects on the competitiveness of Argentine exports.

³² This deterioration is reflected in the evolution of the World Bank's Logistics Performance Index (LPI), which measures customs performance, infrastructure quality and waiting times, where Argentina has fallen from 48th place in 2010 to 73rd place in 2023 among 150 countries, being the components of International Maritime Transport and Time Compliance where it has deteriorated most.

³³ Report: Road Infrastructure Gap in Argentina - Piazza, 2023

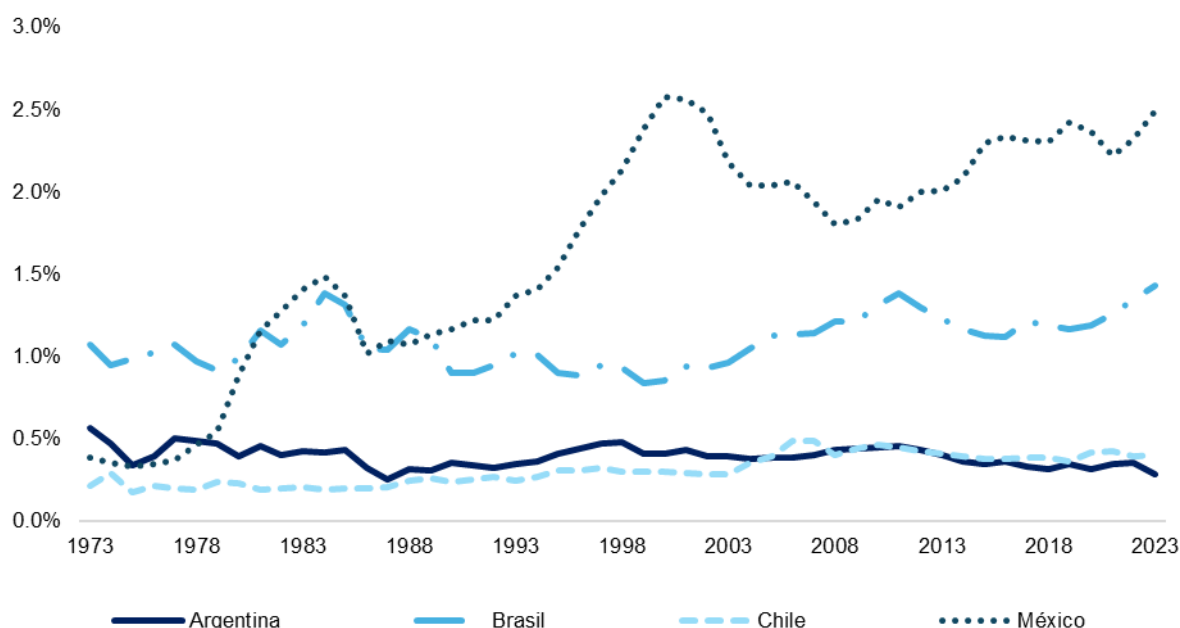
³⁴ Only 3% of total cargo is transported by rail, despite having a network of 17,800 operational km. The causes include lack of investment and maintenance, low operational speed, poor connection with ports and routes, and the undefined regulatory framework that discourages new investments (Ministry of Transport, 2018).

³⁵ Report: Buenos Aires Port - IDB 2024

³⁶ Low involvement is explained by the lack of sustained investments, bottlenecks in land and nautical access, shallow dock depths (10 meters compared to 12-15 meters in regional ports), and fragmented governance without long-term planning.

2.11. Argentina has an outdated regulatory framework and lack of incentives for private investment in energy and mining. The Argentine electricity sector suffers from severe underfunding that slows down infrastructure modernization and expansion, jeopardizing supply security and sustainability.³⁷ Despite hydrocarbon production growth and greater renewable energy participation in 2025, obsolete infrastructure and insufficient grids prevent energy resources from being fully exploited. The Wholesale Electricity Market (MEM) requires urgent technological modernization to ensure a reliable supply. In this context, the current administration has initiated a process of deregulation of the MEM (RES 21/2025 of the Energy Secretariat) aimed at encouraging new private investments in the sector.³⁸ In parallel, the Argentine mining sector has experienced accelerated growth driven by the increasing global demand for minerals, especially lithium, copper and gold. In February 2024, Argentina's Mining Industrial Production Index (IPI minero) reached a 13.4% year-on-year increase. However, mining faces complex institutional and infrastructure conditions for the activity's development and critical minerals value chain, generating investor uncertainty and project progress delays.³⁹

FIGURE 4. COUNTRY'S SHARE IN WORLD MERCHANDISE EXPORTS



Source: Own elaboration based on WTO

WHAT WE WILL DO

2.12. Support reforms aimed at enhancing regulatory quality and streamlining procedures, facilitating private participation in the development and management of infrastructure assets and services, and simplifying and opening up foreign trade. The supported reforms are intended to reduce regulatory burdens affecting firms, especially small and medium-sized ones, eliminate distorting regulations on foreign trade operations, improve the development and implementation of foreign trade facilitation and simplification tools, and reduce tariffs with the goal of promoting the entry of products that foster competition.

³⁷ <https://www.argentina.gob.ar/noticias/argentina-inicia-modernizacion-electrica-historica-en-amba-y-convoca-las-provincias>

³⁸ <https://servicios.infoleg.gob.ar/infolegInternet/anexos/405000-409999/408766/norma.htm>

³⁹ Ministry of Economy (2022). Strategic Plan for the Argentine Mining Development: Living Memory. Buenos Aires. Available at: https://www.argentina.gob.ar/sites/default/files/plan_estrategico_para_el_desarrollo_minero_argentino.pdf

- 2.13. Support modernization of regulatory frameworks, institutional capacity building, and improved evaluation and monitoring of the mining and energy sectors, with special focus on critical minerals for the development of more efficient energy sources, and the optimization of energy resources.** Through technical assistance and financing, responsible private sector investment will be promoted through geological mapping, development of key infrastructure and support for regulatory reforms and economic diversification strategies in mining regions with long-term sustainability considerations.
- 2.14. In the electricity sector, make progress in subsidy targeting and price optimization to enhance fiscal sustainability and system efficiency.** This will include strengthening the sector's digitalization, improving data quality⁴⁰ and modernizing the tariff scheme to reflect real costs and promote more efficient consumption, along with regulatory incentives to continue supporting subsidy and tariff scheme improvement. There will be further expansion of renewable energies, hydroelectric plant rehabilitation, and smart grid extension. In addition, we will support the development, updating and modernization of regulations leading to greater private sector participation in the energy sector, promoting investments in the construction of new transmission lines, more renewable energy projects and electricity distribution modernization. Energy efficiency in homes, industries and businesses will also be encouraged, promoting technologies and practices that reduce demand and mitigate the impact of tariff adjustments. In addition, work will be carried out on regional electricity integration to optimize costs, improve supply security and leverage existing infrastructures.
- 2.15. Improve the quality of transportation infrastructure services and integration logistics.** The IDB Group will promote the modernization and expansion of transportation infrastructure, promoting private and public investment at the subnational and private levels to support internal territorial integration and connectivity with the main national and international foreign trade nodes. Priority will also be given to the development of strategic corridors, financing subnational and private investment in the bioceanic corridor that is part of the *South Connection* program, together with initiatives aimed at trade facilitation, regulatory convergence and the simplification of sanitary and phytosanitary requirements in the corridors. In addition, institutional coordination between sectoral agencies will be strengthened to identify, prioritize and consolidate a portfolio of projects with private participation. Modernization of road asset management schemes will be pursued, in order to improve investment sustainability through innovative funding and financing schemes for road maintenance.
- 2.16. Promote productive modernization in key strategic sectors.** Regulatory reforms, institutional capacities and access to financing and insurance will be supported to improve the productivity of agribusinesses and companies in strategic manufacturing areas, through productive modernization, digitalization and trade financing.⁴¹ In addition, funding, guarantee and financial digitalization schemes will be promoted to expand credit to MSMEs and strategic entrepreneurial ecosystems will be supported with funds and assistance for their development.

⁴⁰ Including household consumption analysis with PWD and electro-dependency, as well as single-parent households..

⁴¹ IDB Invest is participating in a joint dialogue agenda with the governments and private sector of Norte Grande's ten provinces to advance the development of strategic sectors such as the forestry-industrial value chain and critical minerals. This effort seeks to boost the positive spillovers of these industries in these provinces while strengthening Argentina's global positioning in high demand growth products..

EXPECTED RESULTS

Liberalizing the economy to unlock private investment and growth.

Improve conditions for business operations and international trade. The IDB Group will support reforms aimed at lowering the costs of doing business, reallocating resources among companies and trading across borders.

Enhance physical connectivity and energy matrix expansion. The IDB Group will support project identification, preparation and potential private participation at both national and subnational levels in transport and energy infrastructure, including potential support for private sector financing and/or private capital mobilization facilitation, in order to improve physical connectivity and regional integration, and to facilitate energy matrix expansion.

Promote productive modernization and innovation in key strategic sectors. The IDB group will financially support private investments in manufacturing and agribusiness, technological services programs for agriculture, and the strengthening of entrepreneurship ecosystem, as well as productive modernization processes.

PILLAR 3. SUPPORTING VULNERABLE POPULATION TO REDUCE POVERTY

WHY IT MATTERS

2.17. Poverty is significantly affected by macroeconomic instability, particularly inflation and growth slowdown. The poverty rate has ranged between 25 and 50% in the last 20 years.⁴² The ongoing process of correcting macroeconomic and relative price imbalances initiated in December 2024 was associated with an initial inflationary jump and economic contraction that contributed to the percentage of the population below the poverty line reaching 52.9% in the first half of 2024, while the extreme poverty rate stood at 18.1% of the population. The recovery of economic activity and real wages since May 2024 is largely overturning this rise in income poverty, but it remains equally high, reaching 38.1% of population and 28.6% of households, in a context where formal and informal real wages are still 27% and 47% respectively below the peaks reached in 2017. Despite significant recent achievements in income poverty reduction, Argentina faces high poverty vulnerability (likelihood for households to move in and out of poverty frequently) and high chronic poverty associated with high labor informality⁴³, important limitations to build up and use productive assets, and historically biased social spending geared towards elderly population, limiting the possibilities of social mobility and of breaking through the vicious circle of chronic poverty and lack of social mobility.⁴⁴

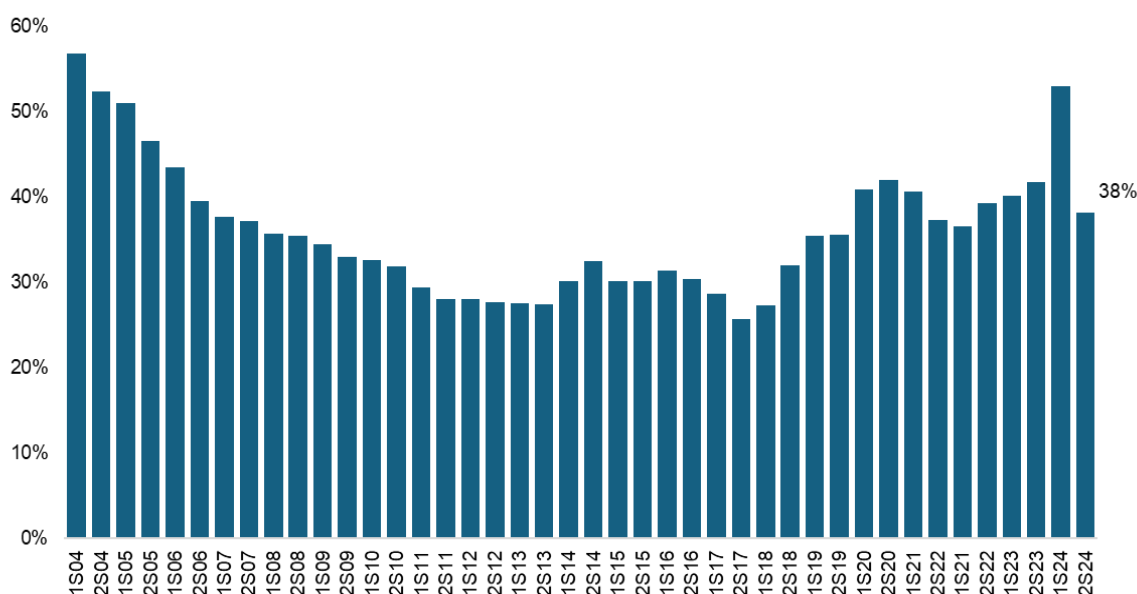
⁴² World Bank, Argentina's Poverty Traps, (2024). <https://www.bancomundial.org/es/news/feature/2024/10/16/argentina-poverty-assessment>

⁴³ Informal jobs are often precarious and poorly paid, which restricts saving capacity. The average labor income is lower for informal jobs and progressively moved closer towards the poverty line between 2018 and 2023. In addition, informality limits access to services such as health through social security. World Bank, Argentina's Poverty Traps, (2024). <https://www.bancomundial.org/es/news/feature/2024/10/16/argentina-poverty-assessment>

⁴⁴ World Bank, The Poverty Traps in Argentina, (2024). <https://www.bancomundial.org/es/news/feature/2024/10/16/argentina-poverty-assessment>

2.18. It is estimated that more than half of the children in the 0-14 age bracket are poor⁴⁵. On the other hand, there is a significant geographic dispersion of poverty, with a higher incidence in the Northeast and Northwest regions, and in the Buenos Aires metropolitan area. Conditional transfer programs for households with children and pregnant women are well targeted and have proven to have a significant impact on the reduction of extreme poverty⁴⁶. However, there are opportunities for design improvement to avoid overlaps and inequities and to streamline joint responsibility verification processes. In addition, informality among salaried workers exceeds 36%. In order to alleviate poverty, social welfare programs have increased in the last decade. The social protection system in Argentina at the end of 2023 was fragmented and presented several inefficiencies and inequities, albeit maintaining a high level of coverage and efficiency.⁴⁷ These programs play a significant role in social containment, but, in the context of the need to advance in fiscal consolidation towards instability reduction, it is necessary to streamline them, reduce fragmentation, and contribute to social spending allocative efficiency. The government has made progress along these lines, but it is still necessary to further deepen the system's reform.

FIGURE 5. PERCENTAGE OF POPULATION BELOW THE POVERTY LINE



Fuente: INDEC

2.19. Educational quality deficits over the last decades have deepened with the pandemic, and are marked in all indicators; the setback in literacy is particularly relevant.⁴⁸ This situation reflects an increase in 2019 in the percentage of 3rd grade students who did not reach the minimum level of

⁴⁵ INDEC, semester 2 2024

⁴⁶ The AUH, Universal Child Allowance (UCA) currently reaches 93% of its eligible population [9], 86% of its holders are poor and 95% are below 1.5 poverty lines (own estimates, based on the Permanent Household Survey of the first quarter of 2024).

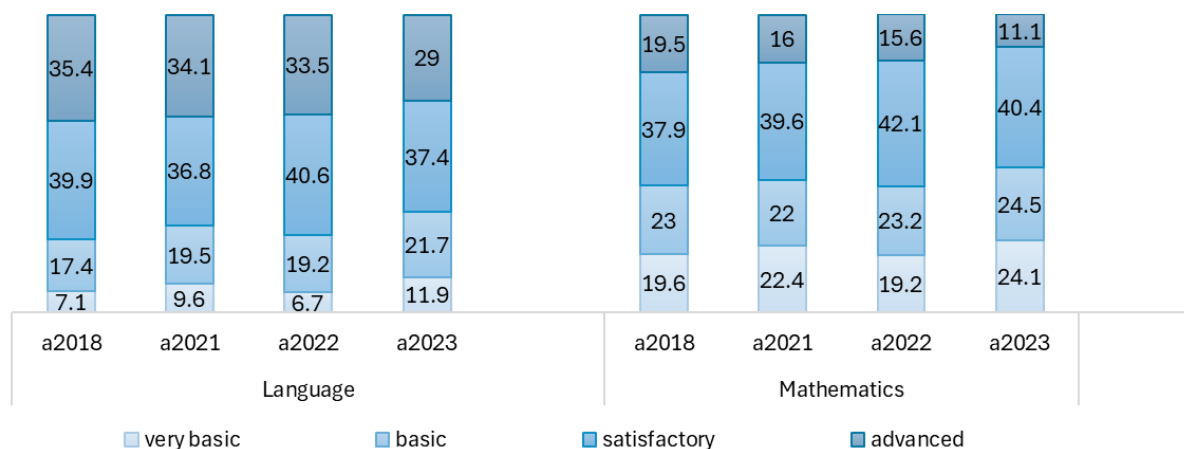
⁴⁷ A non-exhaustive list of the main programs and initiatives shows that for families with children there is the Universal Child Allowance (exclusively for unemployed workers, informal workers in private homes and social monotaxed workers), the Single System of Family Allowances (for formal private workers), provincial family allowances (AAFF provinciales), income tax deductions, and the Food Assistance Program (ALIMENTAR). For older adults, support includes the Universal Pension for Older Adults (PUAM) and pension debt regularization plans (moratorias). Adults without children benefit from various social assistance programs, non-contributory and disability pensions, and ad hoc Emergency Family Income payments (IFE). Other relevant programs include the Unemployment Benefit, PROGRESAR Scholarships for education, vocational training scholarships, the PROCREAR Housing Access Program, the HOGAR Program for subsidized household gas, Early Childhood Centers, community kitchens, national and provincial food subsidies, the National Institute of Social Services for Retirees and Pensioners (PAMI), and the RENABAP, the National Registry of Popular Neighborhoods, which supports access to housing in informal settlements.

⁴⁸ Although education coverage indicators are reasonable for Argentina's level of development, the IDB-Invest analysis of sectoral gaps shows very negative quality gaps, with performance well below expectations in mathematics and science.

proficiency in reading comprehension⁴⁹. Meanwhile, the Aprender assessment shows a deterioration in the performance of 6th grade students between the last two assessments (2022 and 2023), both in language and mathematics, with an increase in the number of students in the basic and lower levels.⁵⁰

51

FIGURE 6. APRENDER ASSESSMENT, 6TH GRADE (PRIMARY LEVEL)



Source: "Aprender 2023" Assessment, Secretariat of Education, National Ministry of Human Capital.

2.20. Argentina has deficits in primary health care, medical coverage, incidence of chronic noncommunicable diseases, and fragmentation and inefficiency of health spending. Although Argentina maintains a high level of overall health spending (10%) above the Latin American average (7%) and that of high-income countries (8%), it shows lower than expected health results for its level of investment and per capita income⁵². Thus, Argentina reaches only 61% of the health improvement potential achievable by an effective universal health care system. Furthermore, there is a lack of indicators and mechanisms to systematically monitor and evaluate the quality of health services, making it impossible to improve service quality. The number of people with public coverage who have electronic medical records is only 30.4% in 2023⁵³. It is also necessary to modernize the system, integrating information and communication technologies (ICT), improving interoperability between platforms, strengthening cybersecurity and narrowing the digital gap between regions, which worsens disparities in access and quality of care, affecting vulnerable groups in an unequal manner^{54, 55}.

⁴⁹ Regional Comparative and Explanatory Study (ERCE), implemented by UNESCO in the region. In the TERCE 2013 study, 38.5% of 3rd grade students were below the minimum competency level (NMC), while in ERCE 2019 this incidence had risen to 46%. It is likely that this situation has further deteriorated due to the effect of the COVID-19 pandemic, although this situation may only be observed in the next regional study to be conducted in 2025 (UNESCO, 2021 and 2022).

⁵⁰ Secretary of Education (2023). Aprender, Performance Report 2023.

⁵¹ In addition, there are particular challenges for indigenous students, where indigenous students' attendance of 4 and 5 year-olds is 74% (compared to 81% of non-indigenous students) and they show a lower performance than their peers, and for students with disabilities, nearly 40% of disabled students are segregated in special schools and 20.7% of PWD from 10 to 14 years of age do not know how to read and write.

⁵² According to a study by the Inter-American Development Bank (Izquierdo et al, 2018), at the current level of health investment, life expectancy at birth in Argentina could be 4.6 years higher. According to The Lancet Global Health Commission on High Quality Health Systems, 70% of prematurely lost lifetime in Argentina is caused by quality issues (understood as timely, continuous, safe care with benefits organized based on evidence-based clinical practice guidelines), rather than access to health services issues.

⁵³ National Ministry of Health (2023), Health Networks.

⁵⁴ (Argentine Presidency) National Council for the Coordination of Social Policies: "Diagnostic studies on the strengths and challenges of regional systems for information gathering, monitoring and evaluation.

⁵⁵ Hospital Italiano. "ICTs in healthcare in Argentina: navigating between challenges and opportunities." ([Hospital italiano](#)).

2.21. Insecurity is one of the main problems affecting Argentine society. In 2023, insecurity was identified as the second main problem affecting society after inflation and the economy⁵⁶. Although Argentina has one of the lowest homicide rates in the region (4.4 homicides per 100,000 inhabitants in 2023⁵⁷), there are marked differences in territories within the country, as in the case of Santa Fe jurisdiction and Rosario city, where homicide rates are up to five times higher than the national average (10.1 and 20.51 homicides per 100,000 inhabitants in 2021, respectively). Specifically, six out of ten deaths in Rosario are related to illegal economy or criminal organization⁵⁸. Domestic violence accounts for 97.0% of the situations reported at the national level (SICVG 2023).⁵⁹ On the other hand, Argentina shows significant growth in prison population (47% in five years),⁶⁰ This in turn translates into overcrowding high rates and degraded living conditions for persons deprived of their liberty. Finally, all of this leads to high distrust levels in the country's security and justice institutions⁶¹.

2.22. The country is facing an increase in the number of informal urban households with deficits in the coverage and quality of water and sanitation services. The country faces a housing deficit in urban households of 38.1%⁶² (27.5%⁶³ with qualitative deficit and 10.6%⁶⁴ with quantitative deficit) significantly higher than in 2010 (35.5%).⁶⁵ In this context, the level of public water network coverage amounts to 89.7%,⁶⁶ while sewage service coverage amounts to only 71.5%. At the same time, there is evidence of an increase in the number of households living in informal urban conditions, with at least 52.9% of poor neighborhoods arising since 2000, and 26.1% since 2010.⁶⁷ In addition, vulnerable population faces barriers to use public transportation, limiting their accessibility to opportunities. For example, in AMBA, lower socioeconomic sectors have destinations that are less connected and more dispersed in the territory, travel longer distances to access public transportation, and have less access to public transportation,⁶⁸ go through more transfers⁶⁹ and commute longer to access job opportunities⁷⁰ and health care services⁷¹ than users of high socioeconomic level.⁷²

WHAT WE WILL DO

2.23. Improve the effectiveness and efficiency of the social protection system, including the contributory and non-contributory pillars. Improvement priority areas include reforming cash transfer programs for vulnerable population, particularly households with pregnant women and children and/or adolescents, promoting better quality and targeting of public early childhood care services, and strengthening shock response capacity, to improve the social protection system's impact, equity and sustainability. Support will also be provided for the design and implementation of a pension and retirement system reform that helps reduce labor informality and increases incentives to participate.

2.24. Achieve a more equitable, efficient, and population-centered health system. Three priority areas will be focused on: (1) the consolidation of Integrated Health Services Networks that efficiently

⁵⁶ San Andres University (2023). Political Satisfaction and Public Opinion Survey. March 2023.

⁵⁷ Ministry of National Security's National Criminal Information System (SNIC) <https://www.argentina.gob.ar/seguridad/estadisticascriminales>

⁵⁸ National Criminal Information System Report (2021)

⁵⁹ Within the violence situations reported by victims registered in the SICVG (Integrated System of Gender-Based Violence Cases of the Ministry of Justice), 96.6% of the registered perpetrators are male. Regarding violence against women, 45% of women have suffered violence in their lifetime, in physical, sexual, psychological and/or patrimonial dimensions. <https://sinviolenciasdegenero.ar/wp-content/uploads/2024/01/Informe-Estadistico-2023.pdf>

⁶⁰ CELIV – UNTREF, 2020. Population deprived of liberty in Argentina: a comparative analysis in time perspective 2013-2019 2020 Report.

⁶¹ The Justice Confidence Index (FORES, 2024) reveals low levels in terms of impartiality (only 12% confidence), honesty (10% confidence) and efficiency (9% confidence).

⁶² This estimate applies to the geographic domains of INDEC's Permanent Household Survey 2021 (PHS), corresponding to 31 urban clusters representing approximately 70% of Argentina's population.

⁶³ 973,475 homes represent 37.8% of the qualitative deficit due to roof quality; 466,498 homes (18.1%) due to kitchen quality; 104,215 homes (4.1%) due to other construction deficiencies; 844,508 homes due to public services represent 32.8%; and, mitigable overcrowding which amounts to 184,274 homes representing 7.2% of the qualitative deficit.

⁶⁴ 75.6% represent unrecoverable housing and 24.4% represent cohabitation and unmitigable overcrowding.

⁶⁵ https://www.argentina.gob.ar/sites/default/files/2020/12/actualizacion_meta_de_emisiones_2030.pdf

⁶⁶ Permanent Household Survey, data for the first half of 2024.

⁶⁷ Compiled by the authors based on [Datos Argentina - Registro Nacional de Barrios Populares](#)

⁶⁸ Low Socioeconomic Status (SES): 1,336 meters. High SES: 937 meters (OMU, 2023).

⁶⁹ Low SES: 1.8 transports per commute. High SES: 1.2 transports per commute. (BID, 2022a).

⁷⁰ Studies in AMBA's vulnerable neighborhoods show that accessing a work destination can take up to four hours a day (BID, 2022c).

⁷¹ Low SES: 38 minutes. High SES: 20 minutes (OMU, 2023).

⁷² These trends are also observed in other large cities such as Rosario, Córdoba and Mendoza

articulate different levels of care and subsystems, ensuring healthcare continuity, resource optimization and homogeneous quality standards throughout the country; (2) inequity reduction in effective coverage, ensuring the provision of essential services, strengthening primary care and guaranteeing access to medication and strategic health technologies, particularly in high need regions, reinforcing investment in infrastructure and human health resources in underserved areas; (3) health system digital transformation, promoting jurisdictional and intra-jurisdictional information systems interoperability and the expansion of telemedicine for improved access in regions with less specialist availability.⁷³ The integration of these strategies will optimize the use of health spending, reduce territorial inequalities and ensure that population receives quality care at the right time and in the right place. With an evidence-based approach and effective implementation, these initiatives will contribute to improving the equity and efficiency of the Argentine health system, ensuring greater long-term sustainability of the sector. Along these lines, private investment needs in infrastructure and equipment will be assessed to optimize service provision and reduce access gaps. In particular, we will seek to support private investment in hospital and technology-intensive projects, in order to integrate them with non-complex medical care with a service network perspective.

2.25. Support the implementation of the National Literacy Plan and the development of digital skills.

The IDB Group will support the implementation of the National Literacy Plan with financing and technical assistance, with the aim of contributing to the improvement of initial literacy by extending school time, implementing remedial and accelerated learning programs, providing resources for teaching and learning, and encouraging teaching professional development, taking into account the specific needs of indigenous and disabled students; strengthening evidence-based decision making; and increasing equity in the national resource allocation through a results-based financing scheme. The IDB Group will also promote digital reskilling and upskilling pilot programs for workers, promoting their insertion and retraining for more productive jobs.

2.26. Promote urban integration projects to improve living conditions in informal settlements, with infrastructure, basic services, and social and economic development programs.

Private sector participation in the affordable housing supply will be encouraged through incentives for the construction and improvement of the housing stock, strengthening regulatory frameworks and fiscal schemes to reduce risks and guarantee sustainable financing. In addition, innovative financial instruments will be promoted to diversify investment and expand access to credit without increasing government indebtedness. At the same time, work will be carried out with subnational governments and public and private actors to strengthen capacities, generate synergies and consolidate equitable urban development, exploring ways to improve the application of financial instruments such as National Housing Fund (FONAVI). Finally, opportunities will be explored to support alternative ownership models and the (assisted) rental system with purchase option, among others.

2.27. Improve the quality of urban mobility services.

The IDB group will support rehabilitation and improvement of urban transportation infrastructure, with emphasis on railroad services and urban roads, to improve urban population's accessibility to employment opportunities and social services such as education and health. Likewise, priority will be given to initiatives designed to improve the quality, efficiency and governance of public transportation services, guaranteeing their financial sustainability and greater efficiency of public spending on transportation. Support will also be given to innovative, data-driven strategies designed to improve public transport planning, management and user experience, with accessibility as key focus.

2.28. Expand access to water and sanitation services through improved operational efficiency, integrated water resources management, and environmental sanitation.

To this end, there will be investment in macro and micro metering, energy efficiency, wastewater reuse and circular economy. In addition, sector management and regulation will be strengthened, supporting regulators and service providers in the process digitalization and innovation, financial planning and risk management. There

⁷³ Digital transformation will take into account accessibility criteria for people with disabilities.

will also be updated regulatory and tariff frameworks to ensure operational sustainability and equitable access to services, with subsidy mechanisms for the most vulnerable sectors. There will be support for private participation or privatization processes in the sector. Upstream work will include a tariff review to enable subsidy targeting, cost reduction, progress in data collection, and water resource preservation.

- 2.29. Strengthen institutional capacity to prevent crime and violence.** The IDB Group will support institutional capacity building to prevent crime and violence through evidence-based interventions with effective results. The proposed focus will be on four strategic areas: strengthening primary prevention interventions that target vulnerable territories and at-risk populations including children and adolescents, women, people in situations of human mobility, among others; improving the capacity of police forces to prevent, address, investigate and solve complex crimes, using new technologies; increasing the effectiveness of criminal prosecution through the efficient implementation of the criminal procedure code; and improving the quality of rehabilitation and social reintegration services for people deprived of liberty.

EXPECTED RESULTS

Supporting vulnerable population to reduce poverty

Reduce child poverty. The IDB Group will support the strengthening and reform of income transfer programs that contribute to improving the efficiency of the resilient social safety net through financing and technical assistance.

Improve efficiency of health systems. The IDB Group will provide financial support and technical assistance to projects designed to improve the efficiency of public spending and health services with an impact on vulnerable population, as well as private investment to modernize health infrastructure and equipment.

Improve basic education through foundational skills enhancement. The IDB Group will support projects and reforms aimed at improving reading comprehension and math skills at the basic level.

Improve urban and sanitary conditions. The IDB Group will support projects that improve vulnerable population's access to urban transportation, drinking water and sanitation, and housing and urban development solutions, including the possibility of private participation in those sectors with proven efficiency gains from their incorporation.

Strengthen institutional capacities to prevent crime and violence. The IDB Group will support evidence-based interventions with effective results that reduce crime among the most vulnerable population by backing Argentina's citizen security plan.

CROSS-CUTTING ISSUE

STRENGTHENING INSTITUTIONS TO IMPROVE PUBLIC SECTOR EFFICIENCY AND TRANSPARENCY

WHY IT MATTERS

2.30. Budgetary efficiency and transparency challenges require institutional strengthening. The current infrastructure investment strategy is based on encouraging private sector participation to reduce infrastructure gaps, while simultaneously transferring the cost to the provinces, thus optimizing its quality and impact.

➔ **2.31. The country has shown fast growth in the adoption of technological tools with the potential to drive efficiency and transparency improvement in public management.** Argentina is classified as a “High Scorer” according to the UN E-Government Development Index, ranking 42nd out of 193 countries in 2024. According to an IDB study, there is a general correspondence between citizen capabilities to use technological devices and the digitalization efforts of provincial governments. However, these subnational governments' capacities to provide services through digital channels are very heterogeneous and present great opportunities for improvement. In terms of government effectiveness and regulatory quality indicators, the country dropped from the 52.86 and 45.71 percentiles in 2018, to 36.32 and 35.38 in 2023, respectively (WGI World Bank). Likewise, in terms of regulatory compliance, Argentina ranked 66th out of 142 countries in the world and 14th out of 32 countries in the region (Rule of Law Index, 2024). Finally, the country scored 37/100 in the Corruption Perception Index, ranking 99th out of 180 countries (Transparency International, 2024).

WHAT WE WILL DO

2.32. The Bank will continue to support institutional strengthening in all its operations to ensure greater efficiency in government resource management and citizen service delivery. One of the areas in which the Bank's support will be crucial is in strengthening the capacity to execute public investment and efficiently manage its infrastructure. To this end, the Bank will continue to work closely with the government in the adoption of technological tools to promote efficiency and transparency improvement in public management. Another area in which the Bank will contribute is in identifying regulatory obstacles and designing solutions that increase efficiency and competition and encourage private sector participation in the economy.



III. HOW WE WILL DO IT

A. PROGRAMMATIC APPROACH

- 3.1 Programmatic approach to comprehensive support.** The 2025-2028 CS will support the reform agenda at the national level and strategic priorities at the subnational level to address the country's development gaps. The IDB group will use its set of financial instruments to address these needs in accordance with the nature and scope of these challenges. We will work on policy reform support operations involving the IDB group active collaboration with the country through sectoral dialogue and technical assistance. In turn, we will promote a results-based approach in those challenges where it is feasible to determine the overall investment and results to be achieved from the outset of the process, generally associated with the sector reform or plan implementation. In turn, the IDB group will continue to implement its operational investment project toolset, including guarantees, according to design and implementation needs, in national strategic projects and subnational operations with sovereign guarantees.⁷⁴ In line with the reorganization of the national government's fiscal strategy, it is expected that subnational jurisdictions will be more involved in the implementation of direct operations, especially in infrastructure and public works. In this context, the Bank will work on a strategy to align and optimize the current portfolio⁷⁵, prioritizing those operations that fit the criteria identified by the country for the processing of new national and subnational operations, under a strategic selectivity, cost-effective and results-oriented approach, focusing these interventions under the pillars defined in the New Strategy. The IDB group will back up its investments with technical assistance and permanent sectoral dialogue with counterparts, as well as the knowledge agenda. At the same time, the IDB group will aim to strengthen the institutional capacities of the counterparts. Additionally, the use of Conditional Credit Lines (CCLIP) in sectors identified under the pillars of the New Strategy will be promoted as a vehicle to encourage greater programmatic focus, ensuring a more selective and targeted allocation in strategic projects. Finally, and according to the possibilities of the economic environment, the country will be supported in its sustainable debt strategy through the potential implementation of convertible debt instruments for development in the social sector.
- 3.2 Support will be made available for resource structuring and channeling initiatives to promote new investment opportunities.** As part of the support to the sector reform agenda, the IDB Group will play a key role in providing assistance to the public business reform agenda, new concessions and public-private participation schemes in infrastructure and services. The Bank's technical assistance will be promoted in the transport, water and sanitation, and energy sectors. Potential support may include project structuring, resilient investment planning⁷⁶, best practices exchange on concessions and PPPs, assistance in technical document drafting, bidding and concession structuring.

B. SYNERGIES

- 3.3 The pursuit of the 2025-2028 CS objectives will be developed through the continuum of public-private solutions in Argentina.** IDB Group's public-private synergies framework has created institutional conditions for the joint work of IDB, IDB Invest and IDB Lab. Likewise, in a framework

⁷⁴ In addition, the IDB Group may explore mechanisms to expand its financing offerings in local currency..

⁷⁵ The potential reformulation and/or cancellation of operations will be guided by the need to maintain the effectiveness of portfolio development..

⁷⁶ https://www.argentina.gob.ar/sites/default/files/2020/12/actualizacion_meta_de_emisiones_2030.pdf

where there is a need to improve efficiency in the provision of infrastructure services and where there is limited fiscal leeway, it is necessary to increase private participation in order to reduce social and infrastructure gaps in Argentina. Therefore, leveraging private sector resources is not only an opportunity, but an imperative in promoting economic and social development in the country. In this context, the CS objectives are essentially a public-private task, requiring efforts on both sides to develop regulatory frameworks and institutions conducive to private investment. Similarly, joint work is required for the development of markets and their sustainability, promoting the emergence of competitive enterprises in the medium and long term. This section identifies opportunities for synergies within each pillar of the CS that will leverage resources for the proposed pillars, including areas such as infrastructure, inclusion, financing, industry, agriculture and public enterprises.

3.4 The new IDB Invest business model and capital increase will provide additional tools to enhance the IDB Group's impact and contribution to Argentina's strategic objectives. These new tools will allow the IDB Group to intensify institutional investor mobilization and continue increasing offerings in local currency, also enhancing capacity to participate in high-risk, high-impact projects. They will also allow the IDB Group to focus on the social agenda to better support vulnerable population and expand advisory services. The IDB Group's Synergies Framework also emphasizes its focus on sovereign-guaranteed public programs to foster growth and social impact by improving the business environment for private investment, among other objectives.

3.5 Pillar 2: Liberalizing the economy to unlock private investment and growth. Synergy opportunities within the IDB Group in Argentina present a wide potential for public upstreaming, by identifying areas where interventions from the public sector can enable and scale private participation. In infrastructure, it is necessary to review the consistency of the applicable regulatory framework to strengthen private participation and its performance in asset and service provision. It is also necessary to strengthen the associated institutional framework to identify private investment, improve project structuring by integrating risk reduction mechanisms, and contractual management, including by means of PPPs. IDB Invest can add value by analyzing bidding documents and bankability conditions to facilitate the subsequent financing of these concessions and third party fund mobilization. There is also potential to work on increasing the effectiveness of investment promotion and attraction efforts. In the energy sector, regulatory reforms have been identified to diversify financing schemes and encourage private participation in terms of transmission, renewable energy, and green hydrogen. In mining, actions are identified to strengthen the regulatory environment (including the fiscal regime), develop supporting infrastructure and human capital, and improve the environmental, social and governance sustainability of the sector. In agribusiness and manufacturing, upstreaming includes regulatory modernization (including tax burden reduction), institutional strengthening and public standards and services development (including agri-food quality and health services), as well as digital transformation to increase private sector competitiveness. In digital economy, the IDB Group can enable private investment by reviewing 5G regulations and technical considerations, promoting mechanisms to reduce the rural connectivity gap, and strengthening both industries and technical skills to enter the digital economy and the production chain of critical minerals. In financial inclusion, guarantee schemes based on public resources, macroeconomic flexibility and capital market strengthening represent opportunities to leverage private investment. Finally, in transportation, sector planning, regulatory framework review and concession structuring from the public sector are essential interventions that can generate viable portfolios for private financing, in coordination with IDB Invest.

3.6 Pillar 3: Supporting vulnerable population to reduce poverty. The IDB Group's synergy opportunities are focused on housing and water and sanitation, with strong potential for public upstreaming to enable private investment. In housing, institutional strengthening in urban planning and regulation, alternative ownership models (including social interest, among others) and accessible financing schemes for informal sectors and the standardization of mortgage loans have been identified, which could be leveraged and scaled up by IDB Invest. In water and sanitation, we will seek to support private participation or privatization processes to increase efficiency in service provision. The IDB Group's technical support can generate a more favorable environment for sustainable private investment. In Citizen Security and Justice, there is also great potential for synergy with IDB Lab and IDB Invest to promote opportunities for economic and social inclusion of vulnerable populations. For

example: i) development of technologies to generate employability skills and job opportunities for at-risk youth; ii) Innovative mechanisms to promote economic reintegration of people deprived of liberty through partnerships with the banking sector and the business sector; and iii) Providing public-private financing for penitentiary infrastructure or care units for domestic violence victims. In Guatemala, Panama and Chile, these partnerships have already been implemented with good results, we can elaborate on.

C. IDENTIFICATION OF REFORMS

- 3.7 Under Pillar I of reforming the tax system to promote efficiency and sustainability,** the IDB group will support the Ministry of Economy in the approval and implementation of structural reforms that improve the tax system and tax administration efficiency and progressivity, and optimize the allocative efficiency of public spending in service delivery, intergovernmental transfers and fiscal management. In parallel, the IDB group will support reforms that increase the affordability of electricity and transportation for vulnerable households in Greater Buenos Aires, strengthening sustainability and efficiency by improving subsidy targeting and institutional capacities. The design and implementation of a pension and retirement system reform will also be promoted in order to improve financial sustainability, horizontal and vertical equity and participation incentives, thereby improving the allocative efficiency of public spending and fiscal sustainability, as well as reducing labor informality.
- 3.8 Under Pillar II of liberalizing the economy to unlock private investment and growth,** the IDB group will provide financial support and technical assistance for reforms to facilitate business operations and the reduction of regulatory and technical barriers related to foreign trade aimed at leveling the playing field for the private sector⁷⁷, as well as improving the monitoring and evaluation of the impact of related measures. Support will also be provided to foster a favorable environment for the development of efficient and sustainable economic and social infrastructure projects with private participation, such as PPPs and concessions. In addition, the IDB Group will work with the country towards compliance with OECD requirements for capacity building to adapt to OECD standards and potential studies that may be necessary.
- 3.9 Under Pillar III of supporting vulnerable population to reduce poverty.** The IDB Group will work to improve the social protection system's efficiency and effectiveness, including both the contributory and non-contributory pillars.
- 3.10 Opportunities to support structural reforms are based on a combination of accumulated experience and government demands aligned with IDB Group priorities.** Since 2017, the IDB Group has supported structural reform programs in the areas of: 1) public spending and financial sector management transparency and integrity; 2) regulatory-institutional framework modernization to improve efficiency in public investment; 3) economy digitalization to increase productivity; and 4) fiscal policy strengthening through enhanced fiscal system efficiency and public spending, supporting fiscal sustainability.

⁷⁷ The list of pro-private sector reforms being supported includes the Government's plan to improve the business environment in order to contribute to greater competitiveness, improve regulatory quality, strengthen free competition and simplify foreign trade. Support will be given to policy measures related to the Ministry of Deregulation and State Transformation's agenda, responsible for implementing State deregulation, reform and modernization as a means to resize and reduce public spending and increase the efficiency and effectiveness of the agencies that make up the National Public Administration (NPA), as well as to simplify procedures and regulations that affect free competition, having promoted the modification or repeal of 100 regulations that restrict the supply of goods and services or distort market prices. It also supports the approval of a mechanism for jurisdictions and entities of the National Public Administration (APN) to carry out a regulatory review in order to identify current legislation and propose the repeal of those that are obsolete, redundant, unnecessary, or that establish restrictions to the supply of goods and services or distort market prices. In addition, support is given to the regulation of public competitive examination process based on background and opposition for the appointment of upper authorities of the new National Competition Authority and the creation of the Agency for the Transformation of Public Companies in the Ministry of Economy. In the area of foreign trade, there is support for the elimination of filed statements from the Statistical System of Imports (SEDI), the approval of new regulations regarding a single procedure for antidumping investigations, and the implementation of the interoperability of the Argentine Foreign Trade Single Window. These reforms are covered by the 2024 Foundational Act, which also provides legal coverage for future labor reform; promotion of private employment, investment promotion; and public enterprise privatization. This reform agenda is also covered by the political support received in the May Pact. The pro-private sector reforms also notably include the RIGI (Régimen de Incentivo para Grandes Inversiones), a proposed program to encourage investments over US\$200 million. It is part of the Foundational Bill and seeks to offer fiscal, customs and foreign exchange benefits for 30 years to companies that join the regime. Among the advantages are free availability of foreign currency after certain terms, regulatory stability and tax exemptions. It mainly targets strategic sectors such as mining, energy and agribusiness.

- 3.11 Reform progress has been conditioned by political cycles.** However, the current alignment between the government's priorities and those of the IDB Group offers opportunities for strategic support in structural reforms. In particular, in the area of social protection, the IDB Group has gathered relevant knowledge from high-impact and large-scale operations, as reflected in the analysis of strategic positioning and operational evidence.

D. REGIONAL IDB GROUP FLAGSHIP PROGRAMS

- 3.12 South Connection.** Dialogue will be fostered around this new IDB Group initiative for the integration of South America, with the objective of identifying and taking advantage of opportunities to strengthen key logistical corridors to improve the country's international insertion. This initiative will include resilient connectivity infrastructure improvement, with private and subnational investment opportunities, complementing efforts to promote business and cross-border processes such as trade facilitation and the use of articulation tools, regulatory convergence and harmonization of standards, and simplification of sanitary and phytosanitary requirements, together with logistics services optimization to boost competitiveness.
- 3.13 Partnership for Security, Justice and Development.** During 2025-2028 CS period, progress will be made towards implementing the Alliance for Security in Argentina. The Alliance seeks to agree on and develop a common regional vision, with initiatives and policies to be undertaken at the regional, sub-regional and national levels in order to improve citizen security and address the growing influence of organized crime, with special focus on: i) protecting the most vulnerable population and communities exposed to the influence of organized crime; ii) strengthening security and justice institutions and other strategic sectors; iii) affecting financial flows and illicit markets. The Alliance's indicative work plan for 2025-2027 includes IDB group funding and technical support to assist Argentina in the development of knowledge products on risk factors and intervention to prevent child and adolescent recruitment by organized crime; the development of a pilot on digital information exchange on the criminal history of people in conflict with the law; and the systematization and dissemination of Argentina's experience on forensic investigation on synthetic drugs, as well as training on best practices in the prevention of money laundering.

E. FRAGILITY, CONFLICT AND CRIMINAL VIOLENCE FRAMEWORK (FCCV)⁷⁸

- 3.14 Under the CS, challenges related to “Fragility, Conflict and Criminal Violence (FCCV)” will be monitored.⁷⁹** Argentina presents differentiated characteristics in terms of security compared to its regional neighbors. Although it registers a relatively low national homicide rate (4.4 per 100,000 inhabitants in 2023)⁸⁰, there is still a high concentration of homicides in certain provinces and cities of the country. For example, the homicide rate in the province of Santa Fe is 11.39 homicides per 100,000 inhabitants and, within the province, 84% of homicides were perpetrated in 2 districts that comprise close to 50% of the population. However, even in these areas, the levels are lower than those observed for the LAC average (18 homicides per 100,000 inhabitants)⁸¹. Pockets of crime are mainly focused in highly populated cities and close to ports. Under the new CS, the IDB Group will strategically and

⁷⁸ The new Framework for Support to Population Affected by Fragility, Conflict and Criminal Violence (FCCV) seeks to be a guiding tool for the IDB Group to better understand how to adapt to work in FCCV environments, which will increase the likelihood of achieving a more positive impact through the financial and non-financial support it provides. At the regional level this framework aligns with the Alliance for Security, Justice and Development initiative driven by the IDB and regional governments to coordinate the implementation of public policies and resource mobilization to address the challenges posed by organized crime to economic and social development.

⁷⁹ For further information see link “Fragility, Conflict and Criminal Violence”.

⁸⁰ Compared to homicide rates per 100,000 inhabitants for 2024 of: Uruguay (10.6), Chile (6.0), Brazil (21.1), Colombia (25.4), among others (Monitor de Homicidios, Igarapé, 2024)

⁸¹ UNODC (2023).

selectively monitor potential FCCV situations and support prevention and mitigation measures in critical urban areas where organized crime generates specific risks.

F. STRATEGIC ALLIANCES

3.15 For 2025-2028 CS, the IDB Group will seek to promote partnerships for development and in accordance with the three priority areas identified in this document under a dual purpose (i) maximizing international cooperation efforts among different donors, and (ii) mobilizing resources for the country with strategic selectivity to address multidimensional challenges. In Pillar 1, given the importance of fiscal management and institutional strengthening for greater public sector efficiency and transparency, coordinated work with the World Bank and other multilateral entities will be reinforced in the context of the Extended Facilities Agreement with the International Monetary Fund. For Pillar 2, the IDB Group will continue its efforts with the European Investment Bank (EIB), the French Development Agency (AFD), Germany's KfW Development Bank and the Korean Energy Agency (KEA), in view of the growing financing gap in the region and the search for non-regional allies to address global challenges; in addition to the recent agreement with the Japan International Cooperation Agency (JICA) and IDB Invest, to support initiatives that improve competitiveness and attract private investment in sustainable infrastructure for physical connectivity and energy matrix strengthening. In terms of knowledge and technical assistance, the IDB Group expects to generate synergies with several research centers, universities and intergovernmental organizations according to knowledge sector and collaborative work dynamics; as well as with specific donors with which there is already a work agenda, such as the Korea Facility in the field of education. Regarding Pillar 3, which seeks to support vulnerable population for poverty reduction, it is expected to maintain and expand close collaboration with the MDBs, particularly with the World Bank, mainly in terms of strengthening and targeting economic and social subsidies towards the most vulnerable segments of the population.



IV. CONSIDERATIONS FOR IMPLEMENTATION

A. KNOWLEDGE

- 4.1 The IDB Group has comparative advantages in fostering a strong policy dialogue and promoting a knowledge agenda that actively responds to governmental priorities.** The country recognizes the knowledge agenda as a distinctive feature of the IDB Group in relation to other multilateral organizations. The government recognizes the IDB Group's efforts to generate and disseminate strategic knowledge crucial for implementing public policies and promoting socioeconomic development. During the 2025-2028 CS period, the IDB Group will promote a knowledge agenda that effectively contributes to the objectives of the IDB+ Strategy and the CS. In addition, it will support the government in the generation of knowledge products that contribute to strategic processes of international institutional integration, such as access to OECD and other instances of multilateral cooperation.
- 4.2 The knowledge agenda will contribute to all pillars of the 2025-2028 CS.** To enable the fiscal system reform towards efficiency and sustainability, the IDB Group proposes to advance with studies on the technical and allocative efficiency of public spending in Argentina and on strategies for pension system reform leading to improve its financial sustainability, its horizontal and vertical equity, and incentives for labor formalization. In addition, the country will be supported in generating relevant operational knowledge through technical cooperation in areas such as fiscal administration strengthening.
- 4.3 The IDB Group has a strong agenda for unlocking private investment and growth.** The IDB Group plans to promote the analysis of the impact of deregulations on productivity and business dynamics, as well as on the labor market. In the area of international insertion, investigation is proposed on the expected development impact of logistic corridors that improve access to foreign markets. It is also proposed to carry out studies on the impact of trade liberalization measures promoted by the government on export dynamics and business employment in the country. The Bank will also analyze Argentina's comparative advantages for specializing in the production or use of artificial intelligence and the necessary regulatory agenda. It intends to analyze the impact of expansion of activities for the exploitation and export of critical natural resources on production and employment growth patterns in regional economies. On the other hand, the country will be supported in the generation of relevant operational knowledge through technical cooperation on topics such as natural disaster management, private investment and deregulation for the modernization of transportation, adoption of agricultural technologies, and trade facilitation reforms.
- 4.4 The knowledge agenda will support social services efficiency improvement to support vulnerable population.** IDB Group will work on studies on population projections at the provincial, departmental and district levels for different population groups, which will serve as input for better targeting and strengthening of social programs that contribute towards chronic poverty and vulnerability to poverty reduction in the country, in conjunction with growth recovery, as well as public health programs. The results of this study will also serve as input for the pension system reform agenda, the evaluation of long-term growth potential and the analysis of demographic bonus and its impact on

savings and the labor market. In addition, support will be provided to the country in generating relevant operational knowledge through technical cooperation on issues such as the digital transformation of health systems and value-based resource allocation, improvement of secondary education and coordination with the productive sector, information management for decision-making in social policies, and capacity building to prevent and respond to the challenge of crime and violence, including more complex phenomena such as organized crime. In coordination with other bilateral and multilateral development agencies, dialogue and technical assistance will be maintained to promote the sustainability and scalability of solutions and lessons learned with Bank support in vocational training and education.

B. MONITORING AND EVALUATION CAPACITY

- 4.5 Monitoring and Evaluation in Argentina.** Argentina does not have a structured Monitoring and Evaluation (M&E) system, nor a regulatory framework that integrates and links government objectives, the public budget and follow-up and evaluation mechanisms, beyond the physical-financial monitoring of the budget system. The government has prioritized two fundamental objectives aimed at transforming the state structure (organizational, functional composition, operation and public sector spending) that pose challenges to existing M&E capacities. On the one hand, there is the objective of strengthening fiscal sustainability, which includes improving the quality of public spending and revenues, and which requires the use of M&E mechanisms to obtain evidence on the efficiency and effectiveness of spending by different public programs in order to decide their relevance. On the other hand, there is the State deregulation and transformation objective, which can be strengthened with M&E tools to detect regulatory overcosts that negatively affect the activities of individuals and companies, as well as to evaluate the impact of deregulatory measures and procedure simplification.
- 4.6 Opportunities for improvement.** The Government could deepen its priority reforms by strengthening M&E through measures such as the following (where the Bank could provide technical assistance):
- **" AI Methodology for Organizational Review"** which would: (i) identify duplications and overlaps of functions, activities and structures within and between public sector entities: MDTE (Methodology for the Analysis of Microdata on Public Sector Staffing) and JGM (Cabinet Chief's Office.); (ii) analyze social programs to identify their alignment with government priorities, as well as duplications and overlaps between their activities and benefits (SIEMPRO: System of Information, Evaluation, and Monitoring of Social Programs.); (iii) identify the alignment of infrastructure projects with government priorities; duplicities and overlaps in their coverage; and potential synergies (MECON: Ministry of Economy).
 - **" Methodology for the Analysis of Microdata on Public Sector Staffing " (MDTE).** This would enable the development of an in-depth payroll analysis in order to identify inefficiencies in the allocation and distribution of human talent; to carry out a prospective analysis of composition changes that generate opportunities for improvement in the human talent allocation and profile; combining payroll analysis with organizational review to fine-tune organizational design and human talent composition requirements.
 - **Support the use of fast assessment methodologies (Deep Dives). (MDTE).** These would lead to deepening deregulation and simplification initiatives, as well as quickly demonstrating the resulting benefits for citizens and companies.
- 4.7 Mapping of existing social program evaluations within and outside the State (SIEMPRO).** This map would allow the State to have a clear identification of the gaps in the evaluation of the impact of social policies, in order to include gap bridging in social sector evaluation plans.
- 4.8 Support MECON in IDB project analyses preparation.** This would identify interventions with better execution and greater effectiveness, for the government to replicate.
- 4.9 Support JGM and MECON in conceptual model design for system interoperability.** This conceptual model would comprise existing systems and databases covering information on government priority

monitoring (JGM), budget programs (MECON) and the State Action Map (JGM), so that these management tools would operate under the same information bases.

C. NATIONAL FIDUCIARY SYSTEMS

- 4.10 Use of national systems.** The following national systems are used for sovereign guaranteed loan operations (i) financial management systems: 100% budget, 20% treasury, 100% accounting and reporting, 40% external control, (ii) procurement systems: 98% information system, 8% price comparison, and 8% individual consulting. At the end of the country strategy period the following usage is estimated: (i) financial management systems: budget 100%, treasury 30%, accounting and reporting 100% and external control 43%, (ii) procurement systems: information system 100%, price comparison 15%, individual consultancy 15%, in line with the strengthening initiatives detailed in the [Fiduciary Technical Note](#).
- 4.11 Strengthening of national systems.** The Bank will continue to provide fiduciary support during the strategy period contributing to the strengthening of the national systems through: i) Support for the design and development of the new Integrated Financial Administration System (e-SIDIF), in order to incorporate financial management of externally financed loans. This update will optimize operational efficiency, process automation and improvement in budgetary, accounting and reporting management; ii) Collaboration in the necessary evaluation and diagnostics for the implementation of the Single Treasury Account (local and foreign currency) within the framework of the Program to Strengthen Federal Fiscal Management; (iii) Supporting the General Accounting Office of the Nation (CGN) in advancing the implementation of the updated action plan for closing gaps with the International Public Sector Accounting Standards (IPSAS); (iv) The Bank will support the implementation of strengthening actions identified in the “Methodology for Assessing Procurement Systems” (MAPS) assessment for the National Public Sector Procurement System (SCSPN) approved in July 2024. (v) bidding process monitoring in order to identify possible areas of greater efficiency and value for money; (vi) consolidation of the use of electronic procurement management and digital media for public procurement management; (vii) surveying opportunities for the provinces to use the procurement system by analyzing the procurement system at the subnational level and/or provincial executing agency, particularly in the case of Results Based Lending. In this regard, to ensure the expected results in both financial management and contracting, the Bank will continue the dialogue with other cooperating and multilateral organizations to coordinate efforts in the initiatives to support the Government in the use and strengthening of national systems.
- 4.12 The Bank will continue to contribute to the strengthening and modernization of Supreme Audit Institutions.** Regarding the National Audit Office (AGN): i) Implementing a Data Laboratory along with an Artificial Intelligence component to strengthen audit procedures and institutional capacity through applied technology ; ii) Continuing to support the development of the Financial Audit Manuals based on the ISSAI guidelines contained in the New Framework for Professional Pronouncements (IFPP) issued by INTOSAI, including training for audit teams; iii) Continuing to finance the Course on Analytics and Data Management for auditors focused on the use of analysis and information management techniques in auditing. Regarding the Honorable Court of Account of the Province of Buenos Aires, the Bank will apply a diagnosis under the Performance Measurement Framework for Supreme Audit Institutions (MMD-EFS) in 2025, being the Bank also a partner and financier.

D. EMERGENCY RESPONSE

- 4.13 The 2025-2029 CS pillars have a comprehensive approach to emergency readiness and response, in particular with regard to natural and health-related disasters.**
- 4.14 Reforming the fiscal system towards efficiency and sustainability.** The first pillar focuses on optimizing public resources with a focus on modernizing the tax system and increasing the efficiency,

sustainability and equity of fiscal policy. In this context, tax and spending reforms will promote better management of natural resources, as well as lower energy demand, which will reduce the distortion of energy prices, encourage efficient consumption and limit economic and environmental losses. In addition, these contingent fiscal liabilities will be financially managed in order to respond to the impacts of disasters and public health events. The availability of ex ante financial coverage for emergencies allows the country to reduce the risk of worst-case impact scenarios of the event on public accounts and vulnerable population by making financing readily available to meet emergency care costs.

- 4.15 Liberalizing the economy to unlock private investment and growth.** Second pillar interventions will encourage private sector participation, a key ally for sustainable growth consolidation. Indirectly, the second pillar addresses economic diversification as a central element to reduce economic vulnerability to external shocks. Promoting regional integration by expanding the construction of resilient and efficient infrastructure will help to respond to drought and flood-related emergencies. In this context, identifying qualifying conditions for economic resilience will require climate variables consideration to ensure a sustainable productivity increase and employment generation. Support will be provided for updating policies and programs for forest fire management assistance.
- 4.16 Supporting vulnerable population to reduce poverty.** The third pillar will particularly strengthen citizens, seeking to boost their resilience. Poverty and social programs are intrinsically linked to extreme events, which can result in increased food insecurity and forced displacement. In this context, the consequences in terms of welfare, stability of household income sources and consumption should consider strategic planning, understanding environmental issues as an unprecedented combination of already identified threats. The integrated water resource management actions proposed deserve to be highlighted.
- 4.17 The three pillars and the cross-cutting axis represent a strategy to help address the immediate impacts of emergencies and plan for the long-term resilience of the country.** The IDB Group will offer a comprehensive set of innovative sustainable financing products and services to strengthen the country's resilience along with fiscal sustainability. Cross-cutting support to institutional strengthening will contribute to the improvement of emergency response management, through the adoption of technological tools, efficiency improvement, regulatory barrier identification and solution design.

E. RISK OUTLOOK

MACROECONOMIC FACTORS

- 4.18 Risks:** The main macroeconomic risks identified involve fiscal, external sector and political risks. The main risks are associated with the external liquidity position and legislative majorities. The timeline for key reforms may be extended due to the lack of a congressional majority and potential social fatigue in response to adjustment measures. External shocks that deteriorate trade terms and international financial and economic conditions may negatively impact financial and external liquidity conditions in a scenario in which there is an initially low international reserve position, with implications on operational costs and fiscal space. Episodes of macroeconomic volatility associated with external shocks and the risk of delaying reforms and policy reversals would impact private investments. Shocks to domestic debt refinancing would impact financial performance and fiscal balance.
- 4.19 Mitigation:** During the implementation of the CS, the social agenda will be strengthened, the social protection system will be improved, and the expected results will be disseminated to facilitate dialogue and consensus. To mitigate external liquidity risks, the plan is to carry out regular monitoring and support compliance with PCI and RSF commitments. It is also proposed to facilitate access to and the development of hedging instruments along with supporting the development of the local capital market, as well as providing access to countercyclical instruments, including guarantees, so as to mitigate the impact of external shocks.

ENVIRONMENTAL, CLIMATE AND SOCIAL RISKS

- 4.20 Risks:** Bank-financed operations can generate cumulative risks, but can also represent an opportunity for the restoration of degraded ecosystems, the promotion of sustainable practices, the strengthening of climate resilience and access to basic services through participatory project design. As of December 31, 2024, the portfolio projects have identified impacts and risks related to high contextual risks due to the country's political and economic situation, which has led to works neutralization, leaving potential environmental and social liabilities. Implementing agencies have reduced staff capacity, making it difficult to implement the requirements of safeguards policies and the Environmental and Social Policy Framework. Since 2019, with the creation of the Southern Cone HUB and since 2021, with the entry into force of the Bank's new Environmental and Social Policy Framework (ESPF), activities have been carried out to strengthen executing agencies in social and environmental management issues, improving clients' capacity in terms of environmental and social operational performance, conflict prevention and management, ensuring sustainability and equitable distribution of project benefits.
- 4.21 Mitigation:** The IDB Group has led significant efforts to strengthen the identification and management of natural disaster risks in operations. These efforts have been focused on increasing the resilience and sustainability of the interventions, as well as the executors' capacities to manage such risks, with the objective of contributing to an equitable distribution of the projects' benefits. Leveraging on this strengthening, during the implementation of the 2025-2028 CS, we will seek to: (i) establish working groups to help counterparts identify critical activities, legal provisions and risks from the initial stages of prioritization of any project until its execution and closure; (ii) facilitate the continuous exchange of technical and operational lessons learned; (iii) focus on generating knowledge about the operational context and implementation challenges.

EXECUTION RISKS

- 4.22 Risks:** Specific risks related to the execution of operations have been identified as follows. First, budgetary constraints could affect the progress of signed contracts, the timing of contracting processes and payments, delaying the expected progress of projects. Secondly, the State restructuring could imply a rotation of personnel in executing agencies, which will require support and capacity building efforts to preserve operational continuity. In the case of programs with subnational execution, there could be challenges related to institutional and operational capacities in some territories, which reinforces the need for targeted technical assistance and institutional strengthening strategies. Finally, the execution of private sector operations could be affected by the materialization of progress in the structural reform agenda.
- 4.23 Mitigation:** During the implementation of the CS, we will seek to: (i) Maintain dialogue with the government to analyze the consequences of budget constraints on programs and in that framework, conduct a comprehensive analysis of the current portfolio with the objective of aligning it selectively and strategically to the country's priorities, focusing resources on interventions with greater viability, expected impact and consistency with the pillars defined in the New Strategy; (ii) Continuous monitoring and periodic budget reviews to analyze changes and identify deviations in order to act proactively; (iii) Generate communication space to anticipate possible institutional changes in order to take action for orderly transitions, supporting the executing organizations in the process; (iv) Conduct periodic training, promote professional development in executing agencies and disseminate the training materials provided by the Bank; (v) Identify subnational executing agencies with less experience in implementing programs with international financing to provide support and training tailored to their needs in order to strengthen their capacities; and (vi) support the government in implementing the reforms required to level the playing field for the operation of the private sector.

ANNEX I – RESULTS MATRIX⁸²

GOVERNMENT PRIORITY	PILLAR	STRATEGIC OBJECTIVE	EXPECTED RESULT	INDICATOR	BASE LINE	SOURCE
Fiscal balance, public spending reduction and tax reform	Reforming the fiscal system to promote efficiency and sustainability	Increase efficiency of the tax system and its administration	Tax distortions reduced	Weight of distortionary taxes (PAIS, financial transactions, export duties) on total tax collection	30%	Ministry of Economy, Revenue and Customs Control Agency. (2023)
				Weight of Personal Income Tax on Total Tax Collection ⁸³	20%	Ministry of Economy, Revenue and Customs Control Agency. (2023)
			Efficiency of tax collection enhanced	Operating cost of ARCA / tax revenues	2%	Ministry of Economy, Revenue and Customs Control Agency. (2024)
		Enhance efficiency, sustainability and equity of fiscal policy through tax and spending reforms	Tax loopholes reduced	Tax expenses relative to GDP.	4%	Ministry of Economy(2024)
			Allocative and technical efficiency of public spending improved	% of GDP devoted to energy subsidies	1,60%	IMF Report No.24/167
Creation of an environment that encourages investment and private production, liberalizing trade	Liberalizing the economy to unlock private investment and growth	Facilitate business operations and international trade	Improve conditions for international trade	Amount of foreign trade promoted by TFFP operations (US\$ M)	USD 1,777M	IDB Invest Impact Dashboard (2023)
			Lower trade and logistics costs	Average processing time for foreign trade procedures. (min)	30 min (2021)	Single Trade Window Report
				Per unit freight rate (US\$/kg)	0,098	2021, UNCTAD
		Enhance physical connectivity and energy matrix expansion	Private and subnational investment in transport infrastructure enhanced	km of roads built or improved	0	IDB Invest reports of operations and matrix of development indicators (2024) y PMR Public Report
				Number of accidents in supported roads (commercial vehicles, light vehicles and motorcycles - annual)	580	IDB Invest reports on operations and development indicators matrix. (2020)
			Private and subnational investment in energy to improve connectivity and to expand the energy matrix facilitated	Renewable generation excluding hydropower >50 MW. (GWh)	22875	CAMMESA, 2024
		Promote productive modernization and innovation in key strategic sectors	Private investment in critical minerals increased	Critical minerals exports (lithium, copper, other ETMs, excluding gold/silver) (US\$ M)	645	INDEC/SIACAM (2024)
				Percentage of health certificates issued using blockchain technology	30%	SENASA certificate's report (2021)
			Productivity in agribusinesses enhanced	Pork Meat Production (tons)	762213	SENASA certificate's report (2023)

⁸² Indicators reporting a zero baseline correspond to those that will be developed based on reports from the new programs.

⁸³ An increase in the Income Tax share on Revenues would imply lower tax distortions.

			Access to financing for business productivity, innovation, and entrepreneurship increased	Number of MSMEs financed ⁸⁴	24170	IDB Invest Impact Dashboard (2023)
				Number of entrepreneurs financed	0	IDB Invest Impact Dashboard
Full literacy, social assistance without interventions, greater inclusion, improving the living conditions of the most vulnerable population, ensuring homeland security	Supporting vulnerable population to reduce poverty	Reduce Child Poverty	Enhance efficiency of social protection network through streamlining of social subsidies ⁸⁵	Number of children getting access to ECD services	42,9%	UNESCO
				Vulnerable women receiving income support during pregnancy	68423	ANSES. Value for the third quarter of 2024
				Universal Child's Allowances (AAUH) relative to the basic food basket	65.12%	Based on values reported by ANSES and INDEC (January 2025).
		Enhance efficiency of health system	Efficiency of the health spending and services increased ⁸⁶	Percentage of people with public coverage who have an electronic medical record	30.37%	2023, Health Networks, Ministry of Health of the Nation
			Infrastructure of private healthcare centers modernized	Number of beneficiaries receiving health services from IDB Invest operations	1,129,095	IDB Invest Impact Dashboard (2023)
		Improve basic education through the strengthening of foundational skills	Reading comprehension and math skills in basic education improved	Percentage of 3rd grade students who achieve the Minimum Proficiency Level (NMC) in Language	54%	Regional Comparative and Explanatory Study (UNESCO, 2019)
				Percentage of 3rd grade students who achieve the Minimum Proficiency Level (NMC) in Mathematics	51%	Regional Comparative and Explanatory Study (UNESCO, 2019)
		Improve urban and sanitation conditions	Access to water and sanitation and to adequate urban conditions increased	Number of people that benefit from enhanced access to urban massive transportation	0	PMR Public Report
				Percentage of urban population with access to water supply system	89.70%	1S 2024, EPH (Permanent Household Survey)
				Percentage of urban population with access to sewerage	71.50%	1 S 2024, EPH (Permanent Household Survey)
				Households benefiting from housing and urban development solutions	0	2025, Own elaboration based on the Semiannual Progress Reports
		Strengthen institutional capacity to prevent crime and violence	Homicide rates reduced	Homicide rate per 100,000 habitants	4.4	2023, National Criminal Information System of the Ministry of National Security

⁸⁴ Through IDB Invest's various mechanisms used to support MSMEs, including banking and non-bank financial institutions, anchor companies and the capital market, among others.

⁸⁵ An increase in social protection's allocative efficiency is linked to cash transfer program reforms for vulnerable population, increasing public care services' quality and targeting, and strengthening adverse situations' response capacity.

⁸⁶ An increase in health spending efficiency responds to optimized use of public resources to achieve more effective results with greater impact.

ANNEX II – PORTFOLIO ALIGNMENT AND INDICATIVE PROGRAM 2025 – 2026

IDB

Strategic Area	Strategic Objective	Portfolio Alignment	Indicative Program 2025-2026
Reforming the fiscal system to promote efficiency and sustainability	Increase efficiency of the tax system and its administration	AR-L1251, AR-L1405	<ul style="list-style-type: none"> - Fiscal Policy Strengthening Program II (PBP)(AR-L1412) - Reform Program for the Revenue and Customs Control Agency - Balance of Payments Support Program (AR-L1415) - Fiscal Policy Strengthening Program II (PBP) (AR-L1412) - Reform Program for the Revenue and Customs Control Agency
		AR-L1248, AR-L1285	
	Enhance efficiency, sustainability and equity of fiscal policy through tax and spending reforms	AR-L1272, AR-L1292, AR-L1248, AR-L1285, AR-L1332, AR-L1343	
Liberalizing the economy to unlock private investment and growth	Facilitate business operations and international trade	AR-L1352, AR-L1251, AR-L1386	<ul style="list-style-type: none"> - Fiscal Policy Strengthening Program II (PBP) (AR-L1412) - Federal Tax Administration Reform Program (AR-L1416) - Program to Support Regulatory Reforms for Competitiveness (AR-L1413)
		AR-L1357	
	Enhance physical connectivity and energy matrix expansion	AR-L1198, AR-L1280, RG-L1124, RG-L1167, AR-L1406, AR-L1199, AR-L1274, AR-L1279, AR-L1293, AR-L1339, AR-L1338, RG-L1126, RG-L1138	<ul style="list-style-type: none"> - Logistics Infrastructure Program for the Regional Integration of Salta: Bi-Oceanic Corridor (AR-1418).
		AR-L1295, AR-L1307, AR-L1333, AR-L1335, AR-L1354, AR-L1391	
	Promote productive modernization and innovation in key strategic sectors	AR-L1198, AR-L1336, AR-L1353, AR-L1280, AR-L1334, AR-L1356, AR-L1154, AR-L1310, AR-L1251, RG-L1126, RG-L1138, AR-L1386 AR-L1327, AR-L1330, AR-L1335, AR-L1352, AR-L1357, AR-L1360	
Supporting vulnerable population to reduce poverty	Reduce Child Poverty	AR-L1406, AR-L1366, AR-L1409 AR-L1355	
	Enhance efficiency of health system	AR-L1326, AR-L1340, AR-L1358, AR-L1408	<ul style="list-style-type: none"> - Program to Strengthen the National Institute of Social Services for Retirees and Pensioners (PAMI) (AR-L1411)
	Improve basic education through the strengthening of foundational skills	AR-L1367, AR-L1377, AR-O0028, AR-L1355	-Debt conversion for Educational development
	Improve urban and sanitation conditions	AR-L1288, AR-G1002, AR-L1158, AR-L1337, AR-L1136, AR-L1151, AR-L1121, AR-L1162, AR-L1195, AR-L1258, AR-L1273, RG-L1131, AR-	<ul style="list-style-type: none"> - Project to Support the Sustainability and Equity of Public Transportation (AR-L1410)

		L1345, AR-L1346, RG-L1138, AR-O0016	- Urban Development and Habitat Improvement Program in Neuquén (AR-L1420)
		AR-L1257, AR-L1289, AR-L1306, AR-L1341, AR-L1342, AR-L1344, AR-L1361	
	Strengthen institutional capacity to prevent crime and violence	AR-L1255	

Source: Own elaboration

IDB Invest

Strategic Area	Strategic Objective	Portfolio Alignment
Liberalizing the economy to unlock private investment and growth	Enhance physical connectivity and energy matrix expansion	AR-L1166 ⁸⁷ , 11819-01 ⁸⁸ , 11575-05 ⁸⁹ , 11226-04 ⁹⁰ , 12063-01 ⁹¹ , 12064-01 ⁹² , 12006-02 ⁹³ , 12063-02 ⁹⁴ , 12333-01 ⁹⁵
	Promote productive modernization and innovation in key strategic sectors	11600-03 ⁹⁶ , 12005-01 ⁹⁷ , 12116-01 ⁹⁸ , 12235-01 ⁹⁹ , 12506-01 ¹⁰⁰ , 14538-01 ¹⁰¹
Supporting vulnerable population to reduce poverty	Improve urban and sanitation conditions	14206-01 ¹⁰² , 12542-01 ¹⁰³
Without alignment		12068-01 ¹⁰⁴ , 13850-01 ¹⁰⁵

Source: Own elaboration

⁸⁷ AUSA urban mobility and road Security program

⁸⁸ Manantiales Wind Project

⁸⁹ PCR

⁹⁰ AUSA urban mobility and road Security program

⁹¹ Wind Project La Castellana

⁹² Corti Project La Castellana

⁹³ San Juan Solar Power Project

⁹⁴ Achiras Wind Project

⁹⁵ Banco Ciudad Green Projects Financing Partnership

⁹⁶ Banco Patagonia Agribusiness Financing Partnership

⁹⁷ Renova

⁹⁸ Moni Online – Digital Bank for the Underbanked

⁹⁹ Banco CMF SME Financing Partnership

¹⁰⁰ Desdelsur

¹⁰¹ Molinos Agro WK

¹⁰² Metrotel CAPEX Financing

¹⁰³ Telecom Argentina CAPEX Financing

¹⁰⁴ Terminal Zarate Expansion Program

¹⁰⁵ Calidra Argentina

ANNEX III – NATIONAL SYSTEMS MATRIX

Strategic Objective	Expected Result	Indicator	Unit of Measurement	Baseline	Base year	Main Objective	Time allocation	CRF Alignment
Increased Use of National Systems	Increase the use of the Price Comparison Subsystem.	Active portfolio using the Price Matching Subsystem	% of active portfolio	8%	2023	15%	At the end of CS	- Institutional capacity and the Rule of Law - Productivity and innovation
	Increase the use of the single Treasury account.	Active portfolio using the single treasury account.	% of active portfolio	20%	2024	30%	At the end of CS	- Institutional capacity and the Rule of Law - Productivity and innovation - Social inclusion and equality
Strengthening of National Systems	Implementation of the updated action plan for the adoption of IPSASs.	Progress in implementing the action plan	# of interventions	0	2024	1	At the end of CS	- Institutional capacity and the Rule of Law - Productivity and innovation - Social inclusion and equality
	Support for the design and development of the new Integrated Financial Administration System (e-SIDIF) that will integrate UEPEX's features.	New eSIDIF functional design support	# of interventions	0	2024	2	At the end of CS	- Institutional capacity and the Rule of Law - Productivity and innovation - Social inclusion and equality
	Institutional evaluation of the HTPBA carried out through the application of the SAIPMF (SAI Performance Measurement Framework) with an Action Plan.	Evaluation performed and Action Plan developed	Evaluation performed and Action Plan developed	0	2024	1	At the end of CS	- Institutional capacity and the Rule of Law - Productivity and innovation - Social inclusion and equality
	Action plan implementation as a result of the GUS performed to AGN	Implemented action plan	# of interventions for action plan implementation	0	2024	2	At the end of CS	- Institutional capacity and the Rule of Law - Productivity and innovation - Social inclusion and equality

	Implement the action plan agreed in MAPS 2024.	Partially implemented plan ¹⁰⁶	# of interventions for plan implementation	0	2024	3	At the end of CS	- Institutional capacity and the Rule of Law - Productivity and linnovation
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Source: Own elaboration

¹⁰⁶ Given that the action plan has short, medium and long term actions, the corresponding actions for this indicator will be implemented within the term of this Strategy.

ANNEX IV – ESTIMATED LENDING FRAMEWORK

Under the sovereign guaranteed financing framework, approvals are estimated at US\$9.75 billion between 2025 and 2028, defined based on the strategic approach agreed with government authorities and communication between sectors identifying financing needs. This strategic focus will be aimed primarily at fiscal and regulatory reforms to support macroeconomic stability and private sector competitiveness, strengthening social protection programs, literacy, digital health, citizen security and technological services for agriculture. In addition, we will seek to work with subnational governments to address financing needs that are aligned with the strategic approach. Funding from IDB Invest¹⁰⁷ and IDB Lab will be added to the resources detailed in the table below. IDB Invest will prioritize support for financing energy and physical connectivity, critical minerals, manufacturing and agribusiness, MSMEs, and private health infrastructure. IDB Lab's efforts will be focused funding mobilization, knowledge and connections to support early-stage entrepreneurship, new technology development promotion, innovative market activation and existing sectors dynamization.

USD Millions	Strategy 2021-2024					Strategy 2025-2028									
	2021	2022	2023	2024	TOTAL	2025		2026		2027		2028		TOTAL	
						Low	High	Low	High	Low	High	Low	High	Low	High
Approvals	1,568	2,370	1,790	2,495	8,223	2,900	3,150	2,200	2,500	2,200	2,500	2,200	2,500	9,500	10,650
Disbursements	1,550	2,441	1,759	2,095	7,845	3,000	3,100	2,500	2,800	2,300	2,600	2,300	2,600	10,100	11,100
Principal Repayment	867	845	895	1,033	3,640	1,142	1,142	1,269	1,269	1,355	1,355	1,574	1,574	5,340	5,340
Net Capital Flows	683	1,596	864	1,062	4,205	1,858	1,958	1,231	1,531	945	1,245	726	1,026	4,760	5,760
Subscriptions & Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fees	328	398	845	984	2,555	1,000	1,000	1,050	1,050	1,031	1,031	976	976	4,057	4,057
Net cash flow	355	1,198	19	78	1,650	858	958	181	481	(86)	214	(250)	50	703	1,703

IDB Debt	14,062	15,648	16,511	17,573		19,431	19,531	20,662	21,062	21,607	22,307	22,333	23,333
IDB debt/multilateral debt (%)	21%	21%	22%	23%		21%	21%	23%	23%	24%	25%	26%	27%
IDB debt/total external debt (%)	9%	10%	11%	12%		7%	7%	7%	7%	7%	7%	7%	8%
IDB debt/total public debt (%)	4%	4%	4%	4%		4%	4%	5%	5%	5%	5%	5%	5%

¹⁰⁷ The amount of IDB Invest's financial support will depend on this entity's capitalization progress.

ANNEX V – DEVELOPMENT EFFECTIVENESS MATRIX

COUNTRY STRATEGY: DEVELOPMENT EFFECTIVENESS MATRIX	
<p>In August 2008, the Board of Directors approved the Development Effectiveness Framework (GN-2489) to enhance the evaluability of all of the Bank's development products.</p> <p>The Development Effectiveness Matrix for Country Strategies (DEM-CS) is a checklist of the required elements for evaluating a country strategy. It is based on the evaluation criteria developed by the Multilateral Development Banks Evaluation Cooperation Group in the document "Good Practice Standards".</p>	
<p>COUNTRY STRATEGY: ARGENTINA</p> <p>STRATEGIC ALIGNMENT <i>This refers to the degree to which the design and objectives of the Country Strategy (CS) are consistent with the country's development challenges and government priorities.</i></p> <p>EFFECTIVENESS <i>This measures whether the country strategy is likely to achieve its objectives by examining three dimensions: (i) diagnostic quality underpinning the Bank's action in each area of work; (ii) results matrix quality for the strategy; (iii) country systems use and strengthening.</i></p>	
Effectiveness dimensions	Yes/No
I. Country Diagnosis - Country Development Challenges (CDC)	
- CDC is comprehensive/holistic/complete.	Yes
- CDC clearly identifies the main development challenges.	Yes
- CDC presents the main development challenges based on empirical evidence.	Yes
II. Priority areas diagnosis (pillars)	%
- Clearly and dimensionally identifies specific constraints and challenges in the priority area, based on empirical evidence.	100%
- Clearly and dimensionally identifies the main factors or causes contributing to specific constraints and challenges, based on empirical evidence.	100%
- Provides policy recommendations.	100%
III. Results matrix	%
- Strategic objectives are clearly defined.	100%
- Expected results are clearly defined.	100%
- Expected objectives and results are directly related to the main constraints identified in the diagnosis.	100%
- Performance indicators are results-based and SMART.	100%
- Indicators have baselines.	100%
IV. Vertical logic	Yes/No
- The Country Strategy has a vertical logic.	Yes

* This analysis includes any potential diagnostic documents used and prepared for reporting purposes.

** The Results Matrix is comprised of meaningful indicators that capture progress toward the expected results. These results are derived from the strategic objectives.

DIAGNOSIS

As part of the Bank's Strategy for Argentina 2025-2028, a diagnosis of the country's development challenges was presented. The diagnosis is comprehensive and based on empirical evidence. Through discussions and a dialogue process with the country, the strategy will focus on three development challenges: (i) Fiscal sustainability and macroeconomic stability; (ii) Private sector recovery and preparation for the future; (iii) Inclusion and employability. Based on empirical evidence, the diagnosis clearly identifies and dimensions the pillars' main constraints and challenges. It clearly identifies the main factors or causes contributing to specific limitations in the priority areas. It provides specific policy recommendations for the priority areas, including the Bank's strategic objectives..

Results matrix. The results matrix contains 10 strategic objectives for the Bank's action and 28 indicators to measure progress toward the proposed objectives. 100% of the strategic objectives are clearly defined. 100% of the expected results are clearly defined. 100% of the strategy's objectives are directly related to the main challenges identified in the diagnostic study. 100% of the indicators used are results-based and SMART. 100% of the indicators have baselines.

National Systems: Fiduciary supervision currently relies on the following national systems: (i) Public Financial Administration System: Budget, Treasury, Accounting and Reporting and External Audit; (ii) National Public Procurement System: information system; price comparison, individual consulting.

RISKS. The main risks during the Country Strategy implementation are related to: (i) macroeconomic risks; (ii) environmental, climate and social risks; (iii) execution risks. Mitigation and follow-up measures have been identified for all risks.