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EXECUTIVE SUMMARY

The present Country Strategy Paper provides a strategic framework in which EC financial co-operation will be provided to Argentina in the period **2007-2013**. It sets out EU co-operation objectives, policy response and priority fields of co-operation based on a thorough assessment of the partner country's policy agenda as well as its political and socio-economic situation. The National Indicative Programme (NIP), in Chapter 5, sets out the EU response in more detail, highlighting programme objectives and expected results in the priority fields of co-operation for the relevant period.

In 2001, Argentina suffered a dramatic political and economic crisis which brought an unprecedented deterioration in economic and social conditions, plunging over half the country's population into poverty. While the country has left the worst of the crisis behind, it is still starkly confronted by its consequences. Despite the good progress made since the beginning of the transition, it is apparent that further significant reform efforts will be necessary in order to ensure the long-term sustainability of the current pace of the recovery. The **EC response strategy** is specifically designed to stimulate, support and intensify the ongoing reform process in the country and address the key challenges of creating the conditions for long-term sustainable economic growth, generating employment opportunities and strengthening social cohesion. It therefore appears necessary to shift the focus of EC co-operation activities from the immediate post-crisis relief measures identified in the CSP 2004-2006 to measures designed to foster medium to long-term economic development and to strengthen social cohesion and employment opportunities.

Co-operation programmes will focus on **three main priorities**:

i) The strengthening of Argentina's education and training system. Education has a significant positive impact on poverty reduction, social and political participation, equal opportunities and economic growth rates, by providing the core skills that people need in order to access labour markets. In addition, education is essential to improve economic competitiveness. Funded programmes will address the integration and/or re-integration of young people into formal education with a view to strengthening their employability.

ii) The improvement of the country's economic competitiveness. The improvement of the competitiveness of Argentina's economy is also inextricably linked with the strengthening of the crucially important Small and Medium-sized Enterprises sector. In Argentina this sector accounts for around 70% of employment and 60% of production; however, a number of structural constraints affecting the sector have so far prevented it from fulfilling its huge potential. EC co-operation will promote the development of a friendlier business environment as well as the enhancement of the competitiveness, productivity and export capacity of Argentina's SMEs. It will also promote the strengthening of an adequate environment for trade and investment which will contribute to the further development of bilateral trade and investment flows;

iii) The strengthening of bilateral relations and mutual understanding between the EC and Argentina. The programme will have two components: support to the process of policy dialogue on the key sectors of common interest identified by the Joint Committee EC-Argentina at its 6th meeting held in Buenos Aires on 13 December 2004, as well as on any additional sectors that the parties might identify in future years; and the intensification of academic links and exchanges between the EU and Argentina through the establishment of a scholarship system.

Furthermore, **cross-cutting priorities** such as gender equality, human rights and the protection of the environment will be integrated, whenever possible and appropriate, into the above-mentioned programmes.

An indicative allocation of € 65 million has been earmarked for Argentina for the period 2007-2013 under the financing instrument for development cooperation (DCI). €21.45 million of available resources are to be devoted to the Education sector, €22.75 million to the economic competitiveness sector and € 20.80 million to support the strengthening of bilateral relations and mutual understanding between the EC and Argentina, through two work-programmes (2007-2010 and 2011-2013). Final project selection and allocations will be subject to a detailed identification and appraisal to be undertaken by the European Commission.

1. EU/EC CO-OPERATION OBJECTIVES

1.1 The EU Treaty objectives for external co-operation

In accordance with Article 177 of the Treaty establishing the European Community, Community policy in the sphere of development co-operation shall foster:

- the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- the smooth and gradual integration of the developing countries into the world economy;
- the campaign against poverty in the developing countries.

Furthermore, the Community's development policy should contribute to the general objective of developing and consolidating democracy and the rule of law, and encouraging respect for human rights and fundamental freedoms. Thus, development cooperation is a multidimensional process that covers broad-based equitable growth, capacity- and institution- building, private sector development, social services, environment, good governance and human rights.

The Treaty also requires the Community and the Member States to co-ordinate their policies on development co-operation and to consult each other on their aid programmes, including in international organisations and during international conferences. Efforts must be made to ensure that Community development policies are taken into account in the formulation and implementation of other policies affecting the developing countries.

1.2 The objectives set out in the applicable Regulation/Agreement governing the co-operation and region-specific co-operation objectives

Co-operation between the EC and Argentina is currently covered by the Regulation¹ of the European Parliament and of the Council (EC) No 1905/2006 establishing an instrument for development cooperation (DCI) and by EC communications on co-operation between the EU and Latin America. The DCI Regulation is designed to support *inter alia* development cooperation, economic, financial, scientific and technical co-operation and all other forms of co-operation with partner countries and regions, and international measures to promote the objectives of the EU's internal policies abroad.

¹ Legal basis Art. 179 EC Treaty.

The Commission's communication on the prospects for strengthening the partnership between the European Union and Latin America 1996-2000 (COM (95) 495) stressed three priority areas for co-operation: institutional support and consolidation of the democratic processes; fight against poverty and social exclusion; support for economic reforms and improved competitiveness. Cross-cutting issues such as support for regional co-operation and integration, education and training and management of North-South interdependencies (environment, energy, drugs) should be taken into account when implementing these priorities.

The Rio Summit of 1999 (between Heads of State of the EU, Latin America and the Caribbean region) emphasised the importance of Human Rights, information society and reduction of social imbalances. This gave rise to horizontal projects such as @LIS (Information Society) and ALβAN (training of Latin American students in European universities). The Madrid Summit in 2002 issued a very comprehensive political declaration ("the Madrid Commitment") in which the Heads of State and Government of EU-LAC expressed their support for their common political values (multilateralism, rule of law, human rights, political dialogue, fight against terrorism, illicit drugs, corruption, organised crime, racism, concern about local conflicts); common economic issues (trade and investment, in particular the EU-Mercosur association agreement; Doha work programme, global governance; information society) and other shared topics (cultural diversity, horizontal co-operation programmes, migration, HIV/Aids and access to medicines, preparedness for natural disasters). It is worth noting that this declaration contained a specific reference to the situation in Argentina, encouraging the efforts of the government to build a sound economic programme in view of future negotiations with the IMF and aiming to finally overcome the crisis. The Joint Declaration of the 2004 Guadalajara Summit reaffirmed the commitment to multilateralism, highlighted the importance of strengthening social cohesion and of tightening the bi-regional relationship through new Association Agreements. At the May 2006 Vienna Summit the 60 participating countries reaffirmed their shared values and their common interests and their willingness to act as part of a multilateral framework. They also confirmed their commitment to strengthening social cohesion and promoting regional integration.

At bilateral level, co-operation between the EC and Argentina was formalised in a Framework Trade and Economic Co-operation Agreement in 1990 (Council Decision 90/530/EEC). Article 1 of that Agreement stated that the strengthening of democracy and regional integration were fundamental principles of co-operation. During the nineties, several thematic agreements were concluded in the framework of the 1990 co-operation agreement with the aim of increasing mutual co-operation in individual fields such as sea fisheries (1993), peaceful use of nuclear energy (1997) and science and technology (1999).

At sub-regional level, the common will to strengthen links led, in 1995, to the signing of an Inter-regional Framework Co-operation Agreement between the EU and Mercosur (Council Decision 96/205/EC), with the objective of creating an inter-regional association. The negotiations for this association agreement began at the end of 1999 and are expected to be concluded in 2006.

1.3 European Community's Development Policy

In their statement of 10 November 2000 on the European Community's Development Policy, the Council of the European Union and the European Commission determined a limited number of areas selected on the basis of their contribution to reducing poverty and for which Community action provides added value. These areas were: linking trade and development; support for regional integration and co-operation; support for macro-

economic policies; transport; food security and sustainable rural development; institutional capacity building, particularly in the area of good governance and the rule of law. The Statement also specifies that, in line with the macro-economic framework, the Community must also continue its support in the social sectors (health and education), in particular with a view to ensuring equitable access to social services.

In November 2005, the Council, the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the Commission adopted a new joint statement re-defining the development policy of the European Union. The statement provides a common framework of objectives, values and principles that the Union – all 25 Member States and the Commission - supports and promotes as a global player and as a global partner. It reflects the changed circumstances since the 2000 joint statement by the Council and the Commission which are characterised by a stronger consensus on the Millennium Development Goals, the international security context and the increased impact of globalisation. It sets development as a key element of the EU's external action along with the common foreign and security policy and trade policy and it highlights the need for links with these and other related policy areas, such as migration, environment and employment. In putting poverty eradication at its core, the new EU Development Policy stresses the importance of good governance, human rights, democracy, environment and sustainable management of resources, economic growth and trade development, food security, social cohesion and combating inequalities. It recognises that the EU's relations with each external partner are unique and require an individual 'policy mix' of aid, trade and other policies tailored to the needs of each partnership.

2. AN OUTLINE OF ARGENTINA'S POLICY AGENDA

Since its inauguration in May 2003 the current Government of the Republic of Argentina has focused its action on restoring public confidence in the State and fostering recovery following the dramatic political and economic crisis that hit the country in 2001-2002. Although several structural macro-economic reforms aimed to ensure the long-term sustainability of the process of recovery are still pending, the Government has launched important political initiatives aimed at reforming some key institutions and has managed to ensure high growth levels and a significant fiscal surplus. The mid- to long-term policy objectives of the government are centred around three major priorities: **improving good governance, ensuring economic growth and restoring economic confidence, strengthening social cohesion.**

The main elements of the Government public agenda are the following:

Institutional strengthening: The government has initiated a wide-ranging overhaul of some key government institutions such as the police, the PAMI, the judicial system, the prison service and the armed forces, to improve efficiency and the level of transparency in these institutions. The renewal of members of the Supreme Court is probably the initiative that has attracted most public attention.

Economic and social cohesion: Ensuring an effective and sustainable economic recovery is one of the main planks of the government programme. The government has developed a number of programmes to favour the integration and re-integration of the unemployed into the labour market (*Plan de Jefes y Jefas de Hogar Desocupados*), promote employability (*Programa de Educación para la Mejora de la Empleabilidad de Jovenes y Adultos*, *Programa Mas y Mejor Trabajo*, *Programa Incluir*), modernise the educational system, and favour access to basic education for the most vulnerable (*Plan Integral para la Igualdad Educativa*). It has also launched a Federal Health Plan (*Plan Federal de Salud*)

aimed at improving the management and delivery of healthcare as well as better access to healthcare for the most vulnerable layers of the population. The national and provincial governments have agreed a new strategy in the education sector aimed at improving quality in basic and technical education and favouring access to education for the most vulnerable. This strategy has found expression in a new Education Funding Law and a new Vocational Education and Training Law.

Transparency/Fight against corruption: This is one of the centrepieces of the government's public agenda. The government has announced plans for: i) measures to improve transparency such as: a registry of lobbies, publication of ministers' timetables on the internet; ii) public hearings for debates on some government norms; iii) improving free access to government information. In addition, the government is in the process of restructuring some institutions against which allegations of corruption have been made, such as the police, parts of the judicial system and the prison service. However, more sustained efforts will be needed in order to get long-term results.

Judicial reform: Besides changes in the Supreme Court, the government plans to introduce changes in criminal justice, to create special courts for tax evaders, and to decentralise the courts in order to bring them closer to the people. However, a clear framework for a comprehensive overall reform of the justice system is still lacking. Reforms in this sector inevitably require a long-term commitment and sustained efforts.

Human Rights/Fight against impunity: President Kirchner has declared that the defence of human rights is one of the "cornerstones" of his government and promised to "end the culture of impunity" prevailing in the country. He personally involved himself in fighting against the legal status of the laws of "obediencia debida" (due obedience) and of "punto final" (final end). These controversial laws guaranteed impunity to hundreds of members of the military of all ranks for human rights offences, including torture and murder, during the 1976-1983 dictatorship. Early in 2004, the laws were declared unconstitutional by Congress, a decision confirmed by a historic ruling of the Supreme Court in June 2005, thus opening the way for hundreds of indictments. In the same area, it is now possible for military personnel who committed human rights offences on foreign nationals during the dictatorship to be extradited. The government has pledged to guarantee the "right to one's identity", by facilitating the identification of the biological families of children taken from their families during the previous military regime, and providing free IDs to marginalised sectors of the population. It also pledged to grant financial compensation to the victims of human rights abuses by the last military dictatorship, and to promote awareness and knowledge of human rights issues. In addition, the Government has developed a number of programmes designed to promote and protect Human Rights, such as the National Action Plan for the Promotion and Protection of Human Rights, a National Plan against Discrimination, and a proposal for a National Action-Plan for Children and Adolescents' Rights.

Reform of the political system: The government has launched a consultation process with civil society in order to agree on an agenda. Aspects of the reform might include the following: i) reform of the electoral system (i.e. elimination of electoral slates; introduction of electronic voting); ii) reform of political parties (establishing controls on party financing); iii) reducing the political cost (including clientelism and patronage, as in the management of pensions and social plans); iv) making the functioning of Congress more efficient and transparent (i.e. guaranteeing free public access to information).

3. AN ANALYSIS OF THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION

3.1 Analysis of the political situation

Argentina is the second biggest country of Latin America and the third biggest in terms of population, with 37 million inhabitants. In 2004 its GDP totalled € 124 billion. It is a constitutional democracy made up of three independent powers: an executive led by a directly elected President, a bicameral legislature and a judiciary. The political system is presidential with a federal structure. The 24 provinces reflect the central model and are granted relative independence, while being responsible for some tax collection, security, education, health and justice.

In 2001 the country suffered a dramatic political and economic crisis which brought an unprecedented deterioration in economic and social conditions, plunging over half the country's population into poverty. Argentina defaulted on its debt, the education and health systems collapsed, and unemployment levels soared. Citizens' confidence in state institutions plummeted and the traditional two-party system that had dominated Argentine politics for more than 50 years collapsed. Massive street protests developed with the slogan "que se vayan todos" ("go away all of you") and led to a growing role of social movements: "piqueteros" (pickets), borough assemblies, and OSC (organisations of civil society), although these have not developed into a coherent alternative political force.

Given the extreme weakness of the opposition, and despite its own internal divisions, the ruling Peronist party is often seen as having a "hegemonic" role on the country's political and social scene, which goes well beyond the actual numbers of its representation in Parliament.

In January of 2002, Eduardo Duhalde was elected President by Congress to complete the term of office of Fernando De la Rúa, who resigned amid a popular uprising. Following the presidential elections (April 27 and May 18), the government of Néstor Kirchner was inaugurated on 25 May 2003. In spite of having been elected to office with weak electoral support (22% of the vote in the first round, after which Carlos Menem dropped out from the second round), President Néstor Kirchner quickly took measures to assert his authority, strengthen his political base and restore confidence in key institutions. President Kirchner's initiatives concerning important institutions such as the Supreme Court, the armed forces, the police, and the state-run health care scheme for the elderly (PAMI) were well received by the population and have increased his popularity.

His attempt to consolidate his position within the Peronist Party, in particular in the all-important Buenos Aires province², has put him on a collision course with former president Duhalde. As a consequence of this internal power struggle, Peronist candidates ran in the legislative elections of October 2005 with two separate lists. The list controlled by Duhalde was the official Peronist list, while President Kirchner's candidates ran under the banner of a new coalition called *Frente Para la Victoria*. President Kirchner's *Frente Para la Victoria* scored a major success in the elections. His coalition won a significant 40% of the votes at national level and emerged as the main political force in 17 out of 24 districts, including the key Buenos Aires Province representing almost 40% of the country's electorate.

Opposition parties scored important victories in some districts such as in the Federal Capital, the second largest district of the country.

Argentina faces several important **political challenges** in the years to come. One crucial question is whether the current and future governments, will be able to carry out the profound and inevitably painful political and economic reforms the country needs while

² The Buenos Aires province accounts for almost 40% of the electorate and 60% of the country's economy.

maintaining the necessary public support. A fundamental challenge remains the alleviation of poverty (at the end of 2005 some 38% of the population lived below the poverty line, 13.6% of them in absolute poverty) and the strengthening of social cohesion, as well as the reduction of the current imbalances in regional development.

On the whole, polls show that public confidence in the **public administration and the judiciary** continues to be low. The lack of a properly operating judicial system is seen as one of the main causes of Argentina's institutional decay of recent years. Many of these institutional inadequacies are perceived as being worse, in some cases, at the provincial level due to the political clientelism and patronage prevailing in their administration.

At national level, the current **organisation and management of Ministries** needs to be made more efficient. Most of middle management (and its immediate teams) is recruited on a temporary basis and changes along with the political turnover. The ministerial structure and attribution of responsibilities can change relatively often. One result of this is that the management of EC bilateral projects is sometimes rather problematic.

Corruption has become a serious concern for Argentine citizens, and the fight against it figures prominently in President Kirchner's public speeches. In the corruption perceptions index measured by Transparency International, Argentina is ranked 97th (out of 159 countries) worldwide³. In the past, there was a widespread impression that corruption mostly went unpunished. The increasing perception of corruption and impunity over the last years has adversely affected public trust and undermined the credibility of political parties and democratic institutions. Similarly, corruption and limited legal security are seen as a major obstacle for private investment and ultimately for economic growth.

Since the end of the military regime (1976-83), there has been a remarkable improvement in respect for **human rights**. The constitutional reform of 1994 gave constitutional status to most international human rights conventions. However, the excessive use of force by police and other security forces has been reported as a recurrent problem. The situation in jails is also problematic due to severe overcrowding and the poor quality of basic necessities and services. In addition, torture continues to be a serious issue in prisons and detention centres (UN Commission against Torture, 2004; Human Rights Watch Annual Report, 2005).

For many years a destination for many European and Latin American **migrants**, in the 1960s and particularly in the late 1970s Argentina started to experience migration of its own population, mainly towards Europe and the United States. The high educational level of Argentine migrants has been the cause of a major brain drain. The economic crisis in 2001-2002 accelerated this migration trend. However, the process of gradual economic recovery has stemmed the outflows, which are now back to pre-crisis levels.

Regarding **illegal drugs**, although Argentina is not a major drug producing country, it faces a growing problem both in the flow of drugs through the country and in domestic consumption. Drug use is still low, estimated at approximately one percent of the population, but authorities are concerned about the trends of domestic consumption.

With the increasing importance of the country as a major route for drug trafficking, more drugs have become available for domestic use, especially by young people. The government has several national security forces involved in counter-narcotics efforts, and provincial police forces also play a central role. Argentina is party to the 1961 UN Single

³ Transparency International, Corruption Perceptions Index 2005

Convention on narcotics drugs, the 1971 UN Convention on psychotropic substances, and also the 1988 UN Convention against illicit traffic in narcotics drugs and psychotropic substances.

At **regional level**, the increasing integration among Argentina and its neighbours in South America during the last decade has virtually eliminated all security disputes with these countries. Chile and Brazil, at one time Argentina's fiercest rivals in the region, are now members of Mercosur (Chile as an associate). However, a major dispute has erupted with Uruguay since March 2005 over the construction of two pulp mills in the western city of Fray Bentos, on the Uruguayan side of the Uruguay river marking the border with Argentina. Argentina in fact claims that the installation of the two factories by the Finnish company Botnia and the Spanish ENCE will generate serious environmental damage in particular by severely polluting the waters of the Uruguay river. On 13 July 2006, a preliminary ruling of the International Court of Justice at The Hague to which the Argentine government had recourse in order to halt the construction of the factories, dismissed the request because it considered it did not pose an immediate environmental threat. In October 2006, an Environmental Impact Assessment report requested by the World Bank's International Financial Corporation (IFC) stated the pulp-mills will operate in accordance with the highest international standards. In the meantime, the Spanish company *ENCE*, decided to relocate its future production site to a different region of Uruguay. At the end of 2006 a diplomatic solution to the dispute remains elusive; protests by environmental campaigners, including a resumption of roadblocks halting the flow of people and commerce across the border, resumed in Argentina and generated renewed tensions between the two governments.

Argentina plays an active role in the Latin American context through the numerous inter-American organisations, such as the Organisation of American States, the Rio Group and Mercosur.

After the period of relative isolation following the country's default on its foreign debt in early-2002, marked by a strong focus on internal affairs and a more nationalistic line on foreign policy, Argentina is gradually reasserting itself in the international arena. The strategic partnership with Brazil, and Mercosur regional integration, will undoubtedly be the most crucial elements of its foreign policy in the years to come. Through its declared commitment to multilateralism Argentina is an active player at international level on all major global issues ranging from the protection of the environment to international security.

At **sub-regional level**, Argentina has the potential to play a leading role to consolidate Mercosur as a strategic tool for Latin American integration and as a way of negotiating more effectively with the world, including the EU and the US in particular.

3.2 Analysis of the economic situation

In 1990, Argentina implemented a fixed exchange rate system (labelled "convertibility") to put an end to hyperinflation. With the objective of creating strong and lasting credibility, the system fixed the value of the national currency by law (1 peso = 1 US\$). This strict exchange-rate policy was extremely effective in reducing inflation and building international and local investors' confidence, and was the cornerstone of sweeping liberalisation reforms.

However, the fixed exchange rate system proved to be too rigid to last. Although it initially generated substantial benefits in terms of price stability and growth, it was followed by

high unemployment, social deterioration, depressed industry, and an ever-higher debt-to-GDP ratio. "Convertibility" collapsed at the end of 2001, generating huge macroeconomic and financial imbalances, as well as a dramatic social crisis. Argentina declared default on its foreign debt as its repayments became unsustainable with a debt/GDP ratio of 130%.

Since 2002, the country has embarked on a path of **gradual economic recovery**. Following a 10.9% fall in 2002, the country's GDP grew 8.8% in 2003, 9.0% in 2004 and 9.2% in 2005 respectively and growth was expected to be around 8.4 % at the end of 2006. GDP per capita is € 3 776, down from € 6 533 in 2000 but rising gradually. Unemployment fell from a peak of 21.5% in May 2002 to 10.2% in September 2006. Interest rates, which had peaked at over 100% in 2002, are now down to normal levels (active 30-day-peso interest rates for prime rate companies averaged 9.14% in 2006, while passive rates averaged 6.89%). In 2005, Argentina was the fifth recipient of FDI in Latin America after Mexico, Brazil, Colombia and Chile⁴. Foreign Direct Investment (FDI) reached a total of US\$ 4.7Bn (+9.1 vs. 2004), accounting for 12.8% of total investment. However, FDI remains significantly below the pre-crisis levels. The impressive rise is attributable to a number of internal and external factors, such as a strong economic growth which resulted in a significant increase in domestic demand, thus attracting market-seeking FDI; the competitiveness of the currency's exchange rate which stimulated FDI in export activities and in market-seeking activities in manufacturing; the boom in demand for commodities helped fuel FDI in minerals. The sectoral distribution shows a gradual decline in the importance of the services sector since 2001 - a consequence of the completion of the privatisation process - but also, and above all, of the increase in the number of regulatory conflicts following the 2001 crisis. On the other hand, the manufacturing sector (automotive, in particular, has attracted the highest concentration of FDI.

The remarkable growth-rates achieved are mainly due to the strong increase in exports that followed the major devaluation of the currency and the consequent utilisation of productive capacity that had previously been idle, the increase in commodity prices in international markets, and the gradual increase in domestic consumption and investment. Since the crisis, Argentina's fiscal performance has been very good, with primary (federal) fiscal surpluses in the range of about 4%. Monetary policy has been based on continued interventions of the Central Bank to keep the exchange rate at around AR\$ 2.90 to the US\$, thus maintaining the competitiveness of Argentina's production. However, inflationary tendencies appeared in 2005 and may undermine the benefits of growth if not adequately controlled. Inflation was 9.8% in 2006 and is expected to be 10.0% in 2007.

Meanwhile, at the end of February 2005 Argentina closed a major and very contentious, **debt restructuring offer** for its defaulted debt. The offer comprised a 65% cut in net present value for the new bonds and had an overall uptake of about 76% (US\$ 62.2 bn. of the US\$ 81.8 bn. under renegotiation) with a local acceptance of 98%. Holdouts make up US\$ 19.6 billion (23.91% of the debt under restructuring). The actual debt swap was delayed until June 2005 following the conclusion of a US court case in which bonds held by private creditors (\$ 7 bn.) had been embargoed. The conclusion of the operation allowed a significant reduction in the debt/GDP ratio from 112% to 72% (88.5% including the debt still in default). The government has adopted a very tough stance towards the holdouts, refusing to consider a re-opening of the swap and repeatedly stating that the issue will be dealt with by future administrations. This has generated international tensions in particular with the Italian, German and Japanese governments, which have been pressing for a solution that will satisfy their investors. In 2006, Argentina has expressed its intention to normalise its financial relations with the Paris Club.

⁴ CEPAL, April 2006.

Relations with the IMF have been tense since the suspension of the stand-by arrangement concluded in 2003. The Government has strongly resisted any “conditionalities” attached to a new arrangement and at the end of 2005 decided to repay the country’s entire debt with the Fund (US\$ 9.5 billion) ahead of schedule, mainly using the Central Bank’s foreign currency reserves (for the reserves, the BCRA received a 10-year USD denominated bond yielding LIBOR-1% from the Central Government). From a fiscal standpoint the operation did not imply a reduction in Argentina’s debt (since the Government swapped its debt to the IMF with debt to the BCRA). However, it implied an extension in the term structure of the Government’s debt from 1-3 years to 10 years, reducing the Government’s borrowing requirements by USD1.6Bn in 2006, USD 4.2Bn in 2007 and USD 3.4Bn in 2008 (thus relieving fiscal accounts).

In the **production sector**, despite the country’s well known agriculture, mineral and energy wealth, and substantial industrialization during the import-substitution era, Argentina has experienced a dramatic change in its economic structure during the last two decades, particularly during President Menem’s administration. Liberalization and privatization policies, although generating periods of high growth associated with FDI inflows, were managed in a way that has led to strong capital concentration and massive de-industrialization (industry contribution to GDP almost halved in this period) leading to record unemployment levels. Wealth distribution is more unequal than in the 1970s.

In 2005, the services sector accounted for 65.9% of GDP, industry for 27.1% and primary activities (agriculture, fishing, mining) for 7.9%. The country’s buoyant economic performance in the post-crisis period was spurred by the growth of industry (+ 15.8% in 2003, + 10.7% in 2004, +8.0 in 2005 and an estimated +8.2 % in 2006) in most sectors, especially the automotive sector, non-metallic mineral products, editorial, paper and cardboard, and metal-based industries. Some sectors, such as metallic industries, paper and cardboard and oil refining, are close to full capacity utilisation. In 2005/6 Agricultural production decreased 9.7% vs. one year ago (when production was record high) due to unfavorable weather conditions. In the first 8 months of 2006, beef production (in tonnes) decreased 6.6% as a result of a +3.3 change in local consumption and a -36.8% change in exports (due to export restrictions). Service sector activity increased 4.7% in the second quarter of 2006 vs. one year ago led by financial intermediation (+19.1%), transportation and storage (+10.7%), and wholesale & retail trade (+8.6%, in line with GDP and consumption). Regarding tourism, the sector had already had a 155% increase in its economic activity during the 1990s, while the world rate was 64%. Since the 2001 crisis, the local currency depreciation helped to further attract tourists and a strategy has been adopted to promote new investments in the sector.

It is important to note that Argentina’s production sector is largely made up of Small and Medium Sized Enterprises which provide around 70% of jobs in the country. During the 1990s, several factors affected the environment of SMEs, sharply slowing down their development. Increased competition due on the one hand to liberalization, and on the other hand, to an overvalued exchange rate that lasted until the end of the decade, required these enterprises to move quickly to enhance competitiveness at a pace that could not be sustained in a large majority of cases. Specifically, the recurrent problem of access to credit in Latin America, as well as the high level of interest rates, acted in the case of Argentina as a high barrier to the modernization of enterprises. The pressure of State demand on the credit market led interest rates to rise further, up to a level that was incompatible with the output of productive projects.

The development of SMEs in the country, and also the conditions for the creation of new enterprises, were deeply affected by the 2001 crisis. The present progressive economic recovery has not been sufficient to strengthen the competitiveness of SMEs and to generate conditions to overcome a number of major constraints that severely limit the productive potential of this sector. From 2002 onwards, further to the devaluation, import substitution activities presented a new opportunity for SMEs, which responded by activating their production lines, thus creating new jobs. As for the exports, however, the reaction of the SMEs has been less dynamic, due to the higher obstacles and transaction costs related with access to international markets. Nevertheless, most observers agree that the potential export capacity of the Argentinean SMEs is highly significant⁵.

The situation of the banking sector improved significantly alongside the increase in economic activity. In September 2006, deposits and loans were, respectively, AR\$ 162.4Bn (+24.3% vs. one year ago and +1.6% vs. August 2006) and AR\$ 96.7Bn (+21.9% vs. one year ago and +3.0% vs. one month ago). At the same time, the banking system's profitability (measured as the return on equity -ROE-) was +12.8% (vs +6.3% one year ago), including the amortization of legal injunctions ("amparos"). The improvement in profitability was driven by the increase in financial margins per operation from 4.3% in 2005 to 5.5% in 2006 for the case of whole system, and from 4.2% to 5.7% for the case of private banks. One of the challenges ahead is to develop long-term credit (the credit market is essentially short-term now) and more access to banking services to the population in order to maximize banks' ability to contribute to sustained economic growth.

The **utilities sector** has suffered greatly from the financial consequences of the collapse of the convertibility system. Since January 2002, the Government has been locked in a showdown on the renegotiation of tariff-levels with foreign investors in the privatised energy and water industries after the freezing of tariffs was used as one of the main nominal anchors to stabilize the economy in the aftermath of the crisis. At the end of 2005 the situation was still extremely fluid. Several European investors (i.e. the French company, Suez) decided to abandon the Argentine market and were quickly replaced by local companies, while numerous companies filed arbitration demands before the International Court for the Settlement of Investment Disputes (ICSID) claiming compensation for the damage suffered from the tariff freeze. The Government responded by taking a tough stance and refusing to renegotiate tariffs unless companies withdrew their cases. In some instances partial renegotiations allowed companies to raise industrial and commercial tariffs while leaving private users' tariffs frozen until the beginning of 2006. -This was a move clearly conceived to contain inflationary tendencies as well as to try not to alienate voters' ahead of the legislative elections of October 2005. Private companies, for their part, are refusing to carry out much-needed investments until the issue is settled.

3.3 Trade structure

Argentina counts on growing exports, resulting from the major depreciation of its currency, to help maintain sustainable growth while decreasing external vulnerability. The current competitive advantage resulting from the favourable exchange rate may also favour a process of re-industrialisation. This was clearly evidenced by export growth levels for 2003 and 2004 (+6.4% and + 17% respectively year on year), which led to highly positive trade and current account balances. Enhancement of trade and investment, on the other hand, also results in increased pressure on the environment.

⁵ Las PYMES argentinas" M. Cristini & G. Bermudez, document nr 80, FIEL, June 2004.

In the first 10 months of 2006, the trade surplus was €8.07Bn as a result of €30.7Bn in exports (+15% vs. 2005) and €22.6Bn in imports (+20% vs. 2005). The increase of exports was driven by a 7% price increase and a 7% volume increase.

Since 2002 EU-Argentina bilateral trade has inevitably reflected the consequences of the crisis, with EU imports stable at around € 6 billion and EU exports collapsing to € 2 billion in 2003 and rising to € 3.7 billion in 2004, which is only half of the pre-crisis levels. In the first 10 months of 2006, Argentina's trade balance with the EU was €1.64Bn as a result of €5.50Bn in exports (+20.7% vs. one year ago), and €3.86Bn in imports (+19.8% vs. 2005). The EU is Argentina's major trade partner, representing its main export market (17.9%) well ahead of Brazil (16%), NAFTA countries (16.4%), Chile (9.6%) and China (7.6%). As for Argentina's imports, the EU is one of the main suppliers with 17.1%, behind Brazil (27%) but ahead of the NAFTA countries (16.4%) and China (8.9%). The very strong concentration on agriculture products (60% of total exports to the EU) remains a traditional feature in Argentina and there is little progress in the area export diversification.

In order to improve its international market access and better exploit its competitive advantage, Argentina is currently negotiating, as a member of MERCOSUR, an Association Agreement with the EU. Major opportunities could come from strengthening the regional integration process in Mercosur, including the establishment of a genuine customs union, the implementation of customs and trade facilitation in line with international standards, the adoption of common standards, in particular on SPS and TBT, as well as common rules on services, investment, public procurement, intellectual property rights, etc. Mercosur accounted for 19.7% of Argentine exports in 2004 (even more on industrial goods) and there is significant room for expanding intra-Mercosur trade.

Argentina's integration into the global market would be improved by the conclusion and entry into force of the EU-Mercosur Association agreement. Together with the trade liberalisation effect, the encompassing inter-regional agreement under negotiation is also likely to have positive effects on rule-building in Argentina and with its regional partners, particularly in areas such as services, FDI, competition, IPR and government procurement. The conclusion of the EU-Mercosur agreement should thus encourage the region to speed up its own integration in the area of rules. In the services sector, for instance, the finalisation of a Mercosur services common market will greatly enhance Argentina's opportunities for growth in a sector where the country has a relative competitive advantage.

3.4 Analysis of social developments

In 2005, Argentina has the second highest level of **human development** in Latin America after Barbados, ranking 34th in the UNDP Human Development Index. In spite of these apparently comforting data, the crisis at the end of 2001 produced an unprecedented deterioration in social conditions which has dramatically transformed Argentine society. Whilst two years of strong economic growth have generated important improvements, the effects of the crisis are still strongly felt three years down the line, as highlighted by the main social indicators. According to official statistics (INDEC), by mid-2005 **poverty** in Argentina had dropped to 38.5 % down from a massive 57% at the peak of the crisis in 2002. Nevertheless, a total of some 14.7 million Argentines still live in poverty. **Extreme poverty** (i.e. households unable to buy a 335-peso monthly basic food basket) also decreased to 13.6% from 27% in 2002, which means that some 5.2 million people are unable to cover basic needs. In comparison, before the crisis in 2001 the poverty rate was 30% and 14% lived below the subsistence level.

Continued economic growth also enabled the government to reduce **unemployment** from 21.5% in 2002 to 11.1% in 2005. The **under-employment** rate also fell to 11.9% of the working-age population, i.e. about 1.8 million people. Despite these improvements, the unemployed and the underemployed combine to make a total of some 3.5 million, with young people between 15 and 24 being particularly affected.

During the crisis, job losses were highest in the formal sector, with the consequent loss of social protection. New jobs are at lower levels of wages and qualifications. Informal sector employment has increased, particularly among women, lacking social protection and earning lower wages. Since 1995, the proportion of informal employment has almost doubled, reaching 45% of wage earners, or around 3 million workers. The loss of formal employment is leading workers into poverty.

Since the crisis, economic recovery has generated a growing demand for skilled labour in the most dynamic productive sectors, a process that has helped reduce unemployment and under-employment. However, official statistics (INDEC, 2005) show a considerable unsatisfied demand due to a lack of skilled workers. While this affects all sectors to some extent, the problem is particularly acute in the case of technical personnel (49.8 %), with unsatisfied demand reaching 57%, 40% and 33% respectively in the textile, machinery/equipment and automobile and transport sectors.

Enormous **regional disparities** persist and have probably worsened since the crisis (UNDP Human Development Report 2002). Most of the poor are in the Buenos Aires conurbation, whilst the Northern provinces have the highest rates of poverty and indigence, at 70% and 35% respectively. The provinces also differ in terms of competitiveness and productive development. Five areas (the province and the city of Buenos Aires, Cordoba, Santa Fé and Mendoza) contribute 85% of GDP, with the remaining nineteen provinces making up the remainder. Northern provinces, especially Formosa, Santiago del Estero, Chaco and Corrientes, have much lower competitiveness and productivity indices. Without a regional strategy at national level to improve their competitiveness, the Northern provinces face difficulties in increasing their development and reducing their current marginalisation.

Gender inequalities remain considerable. Integration of women in the labour market has increased by 11% since 1995 as a result of rising education levels. However, this trend has not always been reflected in better jobs and remuneration (their salaries are still 30% lower and their income per hour 10% lower than men's). Since 1995, women's income decreased more rapidly than men's as real pay cuts particularly affected the already lower paid jobs occupied by women, irrespective of their higher qualifications. Poverty also affects women in particular, and 20.6% of households with children are headed by women providing their total income, out of which 66% are poor and have no support for raising children.

Argentina in 2001 included, for the first time since 1968, a complementary question in the national census that allowed the quantification of the number of households hosting persons belonging to an **indigenous group**. The number of households identified by this mean reached 57,000. Further investigations allowed, for the first time in many years, a preliminary estimation of the number of **indigenous people** in the country: 485,460 (1.33% of the total population). There are thirty-one different groups identified, being Mapuche, Kolla, Toba, Wichi and Guaraní the most numerous, in that order. They are concentrated in the Northern Provinces of the country and in the Andes, but many have moved to the Conurbation of Buenos Aires probably in search of better paid jobs. The survey will allow the identification of their social and economic situation, in particular access to education and health services, literacy rate and living conditions⁶.

⁶ Source: INDEC. Encuesta Complementaria de Pueblo Indígenas (ECPI) 2004-2005. www.indec.gov.ar.

Issues of public concern to the indigenous peoples are: discrimination, despite constitutional rights; lack of access to justice in particular for repossession of community land; lack of participation in decision-making on issues affecting their welfare, including use of natural resources; and widespread poverty and lack of access to health and education services in the vulnerable rural areas they settle. During the last years different social movements have developed to defend the rights recognised by the Constitutional reform of 1994. The National Institute of Indigenous Issues (I.N.A.I.⁷) was created to support the demands of the different communities, being the awarding of community legal status (a pre-requisite to land ownership) one of its main tasks. Timid but unexpected achievements in these fields have taken place since then, particularly in the recognition of community land in the Northern Provinces (Jujuy, Salta, Tucuman and Chaco).

They have received substantial support from national and international donors. The EC has provided around € 10 million to these communities, including a project in support of the Which communities in Formosa (DIRLI, € 6 million), finalized in 2003, and 13 other projects involving indigenous communities across the country totalling € 4 million from NGO co-financing. The WB is currently implementing a project worth US\$5 million and the Inter-American development Bank provided a US\$ 5 million grant to support indigenous communities.

To address the social problems in the aftermath of the crisis, the government launched a wide array of **assistance programmes** such as the Heads of Household Plan (“Plan Jefas y Jefes de Hogar Desocupados”), the Households for Social Inclusion Programme (“Programa Familias por la Inclusión Social”), the Emergency Food Plan (“Programa de Emergencia Alimentaria”), the National Food and Nutrition Programme (“Programa Nacional Alimentario”), the Plan for the Elderly (“Plan Mayores”), the Remedy Programme (“Programa Remediar”), the National Scholarships Programme (“Programa Nacional de Becas Estudiantiles”) and others.

Two sectors have been hit particularly hard by the crisis and remain at the centre of the government’s policy agenda: they are health sector and the education sector.

In spite of significant advances over the last twenty years, the Argentine **health system** suffers from structural weaknesses which were exacerbated by the crisis, thus dramatically reducing the quality of health services. Unemployment meant reduced worker and employer contributions, while demand for services in public hospitals increased as the cost of medicines and health inputs rose rapidly, leading to shortages of medical supplies and increased risk of infectious diseases. The impact was particularly strong on the poorest provinces and the most vulnerable sectors of the population.

In response to the crisis the government focused its action on the strengthening of the Federal Health Council (Consejo Federal de Salud – COFESA), declared a health emergency and launched a host of short and medium-term programmes primarily targeting the most vulnerable sectors of the population. These measures have led to the definition of a medium-term Primary Healthcare Strategy (Estrategia de Salud Primaria – EAPS) which forms the central plank of the Health Federal Plan agreed upon with all the provinces and adopted by the COFESA in May 2004. The Health Federal Plan is the reference framework for the restructuring and the strengthening of the country’s health system whose financing is being supported by multilateral and bilateral donors.

⁷ <http://www.desarrollosocial.gov.ar/INAI/site/institucional/institucional.asp>

The measures implemented since 2003 have helped to mitigate the devastating effects of the crisis on health conditions, particularly among the most vulnerable groups depending on the public health service. According to official information, a significant proportion of overall morbidity and mortality is due to the quality of primary health care. Persistently high maternal and child morbidity and mortality rates, due to diseases needing to Primary Health care actions, are evidence that, despite the existence of a broad network of health services at the primary level in all provinces and the 50 % rise of demand in primary health centres during the last year, further efforts are still needed in the fields of health promotion and prevention and for the provision of quality services, especially in primary health care.

The Argentine **education** system offers a broad range of services to more than 11 million people. According to the UNDP's report on Human Development (2005), the country allocated 4.0% of GDP to education in 2002. Literacy levels are extremely high (97%). However, after primary education, attendance levels tend to drop dramatically, in particular among vulnerable population groups. Poor adolescents between 15 and 17 have an attendance rate of 83.8% compared to 96.6% among the non-poor. More generally, Argentina has a very low secondary completion rate (only 50%) and the secondary school dropout rate is as high as 39%.

A radical transformation of the education system was brought about by the 1993 federal law transferring the delivery of education services to the provinces. The national government has maintained a coordinating role for the sectoral policy, and the Federal Education Council is the main federal coordinating forum. Progress by the provinces in implementing the reform has been very unequal, depending on political will and availability of resources, which has led to a fragmentation of the national education system.

According to most observers, the 1993 reform led to a sharp decline in the quality of education, particularly in the poorer provinces and among the most vulnerable groups. The system suffers from major structural problems, such as: non-attendance, repeats, very high drop-out levels and over-aged attendance at both primary and secondary level, especially among the poor. These problems are currently addressed by national programmes funded by multilateral donors, including the EC. Nevertheless, major issues remain unresolved, in particular the inequality among provinces, both in relation to access and the other problems mentioned above, with the Northern provinces showing the worst indicators: major inequalities regarding access to and quality of teaching; poor training of teachers; low teachers' salaries and often delayed payment; lack of articulation between education cycles; lack of consistency between curricula and labour market needs. The high level of school drop-outs has also led to the rapid growth of a group of young adults aged between 15 and 25 years lacking the education and skills that are needed in order to find a job and be able to keep it. Addressing this issue is seen as paramount in order to help young adults break the vicious circle of unemployment leading to poverty, which in turn leads to social exclusion. Special programmes are currently being devised by the Argentine Government in this respect.

One sub-sector that has suffered a constant deterioration over time and was also particularly affected by the 1993 reform is that of Vocational Education and Training (VET). The often limited resources available at the provincial level and, in many cases, outdated curricula, have caused a profound deterioration in the quality of the services, which in turn has contributed to the lack of skilled workforce in some productive sectors.

A particularly worrying consequence of the crisis has been the increase in the number of adolescents from poor families who neither study nor work, thus reinforcing the cycle of poverty, lack of qualifications/skills and eventually social exclusion.

To address the inequalities in the financing of public education, the Parliament approved a legislative framework providing for an increase in education expenditure of up to 6% of GDP between 2006 and 2010. In addition, in an attempt to reverse the negative trend in VET, a framework law designed to restructure the country's VET system was approved by the Parliament in September 2005 (Law 26.058 of 7 September 2005).

3.5 Environmental analysis

Argentina faces significant challenges in relation to the preservation of its natural environment. In particular, the expansion of genetically modified (GM) soya cultivation is contributing to the degradation and erosion of the soil, to the loss of biodiversity and to a high index of water contamination. Soil deterioration and erosion are also the consequence of inadequate land use and irrigation control in large parts of the cultivated areas. Deforestation has assumed alarming proportions; during the period 1998-2002 an estimated 200,000 hectares of forest per year have been lost and forecasts for the coming years are alarming. The country's rich wildlife and biodiversity face serious threats due to the deforestation and land deterioration processes, resulting in the reduction of natural habitats, while the weak implementation of hunting laws plus illegal hunting have endangered several native species.

Pollution, i.e. mainly water pollution in urban areas – due to harmful disposal practices – but also in rural areas, is a growing cause for alarm. 20% of urban residents and 83% of people living in the countryside do not have access to running water. Argentina is also increasingly affected by air pollution, particularly in Buenos Aires and other big cities, while the reduction of the ozone layer, in particular in the southernmost areas of the South Pole and Patagonia, has become a primary environmental concern. The southern cone is in fact highly vulnerable to the effects of climate change.

Raising awareness of environment issues has increased since the 1980s, and the legal framework has been improved; but the implementation of policy initiatives and the various government programmes to reduce pollution has suffered from major budget constraints. In addition, the current allocation of environmental responsibilities to several national, provincial and municipal agencies undermines the coherence of policies, enhances the risk of overlapping jurisdictions, weakens controls and is conducive to low compliance levels.

During the past 10 years Argentina has put legislation in place to regulate most of the existing environmental problems, and several provinces have included environmental concerns in their constitutions. Nonetheless, existing environmental laws are often not enforced because of a lack of adequate control mechanisms. A positive development is the preparation by the National Secretariat for Environment and Sustainable Development of a country Environmental Agenda which is due to be published in early 2006.

3.6 Assessing the process of reform

While Argentina has left the worst of the crisis behind, it is still confronted by its devastating consequences and has major challenges to face in the political, economic, social fields and environmental in the years to come.

On the **political** front it is seen as crucial to regenerate citizens' confidence in the state and improve the efficiency of the institutions. Present and future administrations should therefore continue and deepen the process of reform of the state institutions, in particular by reducing the politicisation of the state bureaucracy, pushing forward the crucial reform of the judicial sector and strengthening efforts to combat corruption.

On the **economic** side the years 2002-2005 were characterised by significant achievements such as exceptionally high growth-rates, a sizeable fiscal surplus and the progressive reduction of unemployment. In spite of the good progress made since the beginning of the transition, further significant reform efforts appear necessary to ensure the long-term sustainability of the current pace of the recovery. The weakness of the judicial system which translates into limited legal security, and the inadequacy of the legal and regulatory frameworks, are major disincentives to foreign investments. Commodities' prices are subject to the volatility of international markets, thus endangering the current high level of export earnings, while at the same time the relatively low value of the peso is creating inflationary pressures. Unless the inflationary tendencies which appeared in 2005 are contained, they are likely to reduce the impact of high growth rates. At the same time the tightening of fiscal expenditure has to contend with the pressure of high expectations as regards salary increases.

It therefore appears that for current growth rates to be sustainable and generate the desired economic and social benefits, to boost private economic activity and to raise the confidence of domestic and international investors on a long-term basis, what is needed is more than just export-led growth. The restoration of legal certainty as well as enhanced trade opportunities, structural reforms and a thoroughgoing improvement of the general investment and business climate are seen as essential. Argentina's conclusion of trade agreements, opening markets and increasing exports could also potentially generate more international confidence.

In particular, it is seen as important for the government to do the following: strive to maintain a stable macro-economic framework based on a sound monetary policy and low inflationary levels; maintain the fiscal surplus, both at national and provincial level, while reducing dependency on export levies which are vulnerable to external shocks; contribute to developing the enormous potential of Small and Medium-sized Enterprises; establish and strictly enforce a stable regulatory framework for investments, guarantee legal certainty and the enforcement of property rights and thoroughly reform the banking system.

In the **social** sphere, in spite of the gradual improvement of most indicators during the period 2002-2005, the impact of the crisis is still extremely profound. The numerous emergency assistance programmes established by the government to alleviate poverty, revive the health system and support access to primary education, have been yielding some limited (so far) but important results. It seems therefore appropriate that Argentina should continue to focus its efforts on poverty reduction by developing appropriate medium- to long-term strategies. The main challenges ahead are undoubtedly employment creation and income generation, while still maintaining adequate social assistance levels. The effective implementation of the Federal Health Plan at the level of the provinces and the continued restructuring of the education system are seen as clear priorities. With respect to education it is paramount to ensure the effective implementation of both the Education Funding Law and the Vocational Education and Training Law. For this purpose it is crucial to establish effective programmes aimed at vulnerable and excluded sectors of the population and capable of responding to labour market demands for suitably skilled workers.

With respect to **environmental policy**, strengthening of enforcement and control mechanisms is seen as the major priority. The streamlining of environmental competencies, in particular by reducing the current excessive fragmentation at different levels would undoubtedly improve the governance of this sector and enhance the coherence of policy decisions. Environmental concerns should be effectively integrated in the policy-making process in all relevant sectors (particularly in the manufacturing and industrial sectors).

4. AN OVERVIEW OF PAST AND ONGOING EC CO-OPERATION, COORDINATION AND COHERENCE

4.1 Overview of past and ongoing EC co-operation

4.1.1 *The European Commission*

Argentina became a beneficiary of EC co-operation programmes in 1990 following the signature of the Economic and Co-operation Framework Agreement and has received a total of some € 108 million since then.

A medium-term approach to the allocation of financial resources was adopted in 2000 with the production of the **Country Strategy Paper (CSP) 2000-2006**. The CSP assigned an indicative amount of € 65.7 million for bilateral cooperation (economic, and financial and technical cooperation) with government and other public bodies, both at national and at provincial level. Under the original distribution 50% of the funds were directed to economic co-operation, 40% to support institutional reforms and the remaining 10% to combating poverty. The crisis at the end of 2001, which dramatically changed the situation in the country, prompted a thorough review of the CSP and its programming priorities. The new document, adopted in March 2004, strongly focused on the fight against poverty and social exclusion. Of the € 40 million not committed by 2003, € 15 million were allocated to a primary healthcare programme, € 10 million to support the reform of primary education, € 5 million to a human rights programme and € 9.8 million to economic co-operation (Trade-Related Technical Assistance).

Three programmes for which commitments had been made prior to 2003 continued to operate and are still in existence. They are a “Support for Food Community Projects (Apoyo a los Proyectos Alimentarios Comunitarios – APAC, € 10 m.) introduced in the immediate aftermath of the crisis and focusing on providing food to the destitute; a project for the “Improvement of the Efficiency and Competitiveness of the Argentine Economy” (Mejora de la Eficiencia y de la Competitividad de la Economía Argentina - € 6.2 m.) and one for the “Improvement of Competitiveness of Argentine SMEs in the Industrial Forestry Sector” (Mejora de la eficiencia y de la Competitividad de las PyMEs del Sector Forestal Industrial - € 6 m.).

Support to civil society through the implementation of projects funded on **thematic budget lines** (Environment, Human Rights, NGO co-financing and decentralised co-operation) is an important part of ongoing co-operation. Currently, 11 NGO projects amounting to € 7.2 million are being implemented.

Environmental projects mainly target the protection and management of natural resources, and the observation and monitoring of climate change.

Ongoing **Human Rights** projects support the fight against Human Rights abuses (through the project of a rehabilitation centre for children abducted by the military during the last

dictatorship) and good governance (through a project aimed at promoting the dialogue between civil society and the state).

NGO projects under the co-financing line mainly address integrated rural development, community empowerment and capacity enhancement, youth promotion, support to community development of indigenous people, education of marginalised children, improvement of access to health services and HIV prevention. Finally, decentralised cooperation aims to strengthen civil society networks and agencies involved in local and urban development.

Argentina received humanitarian assistance in 2003 when **ECHO** approved two financial decisions amounting to €1.4 million to assist the most vulnerable sections of the population: a humanitarian aid programme to combat malnutrition, and an emergency aid plan for the population affected by floods in Santa Fé.

Argentina also benefits from **regional programmes**, mainly Mercosur, which are aimed at promoting regional integration and seeking to develop the internal market (Statistics, Standardisation, Customs, Institution-building, etc.).

Argentina is also an active partner in the implementation of the regional AL-Invest, URB-AL, ALFA, ALβAN, @LIS and Science and Technology programmes. The AL-INVEST programme in particular, which finances sectoral meetings between European and Latin American companies, has enjoyed great success in Argentina. Argentine companies account for 33% of participating Latin American companies and 19.5% of all participating companies. The trade volume generated through the sectoral meetings led by the Argentine *Eurocentros* accounts for 25% of the total for Latin America. Argentina also boasted the highest level of participation in the ALFA programme (co-operation between institutions of higher education) during the 2000-2005 phase, with some 40 institutions involved. The ALβAN programme (funding high-level scholarships for Latin America) attracted great interest and 115 scholarships out of the 1031 granted to Latin American participants were awarded to Argentina, worth a total of over €2.5 million. Some 100 cities took part in projects financed in the context of URB-AL (co-operation between Latin American and European local authorities). Argentine organisations were involved in six projects worth over € 13 million and financed under the @LIS programme (Alliance for the Information Society), which aims at strengthening co-operation between the EU and Latin America on information society. Argentine universities are also participating in the OBREAL Programme (EU-Latin America Relations Observatory) while the Federal Revenue Administration (Administración Federal de Ingresos Públicos-AFIP) is a partner in the consortium for the taxation sector under the EUROsocial Programme (Regional Programme for social cohesion in Latin America).

4.1.2 Lessons learned

Although no overall external evaluation of EC co-operation with Argentina has been carried out to date, some important **lessons** can be learnt **from past experience**. In order to better contribute to the formulation and implementation of public policies in Argentina and to maximise the impact of the interventions, it is seen as paramount to concentrate activities on a very limited number of sectors where the EC can offer a clear value added through its co-operation. As far as possible the priorities identified should be mutually reinforcing.

The selection of sound and efficient Argentinean counterparts is essential in order to guarantee timely project implementation in accordance with EC procedures. This is particularly relevant after the process of decentralization of responsibility towards Argentinean counterparts and the elimination of project management units. Efforts should be made to reinforce the capacity of counterparts beyond the TA provided by each project.

In 2002, the Co-operation Framework Agreement with Argentina came into force. The aims of this Agreement, which governs all aspects of co-operation, are to rationalize implementation mechanisms and increase beneficiary ownership. With the new Financial Regulation and the disappearance of management units, Argentina has to take on responsibility for new and demanding tasks of project formulation and implementation. It is therefore recommended that extra support be offered to counterparts, possibly via technical assistance to the National Coordinator and the Argentine Ministry of Foreign Affairs, to help them assume their enhanced responsibilities, and to guarantee the effective implementation of the Framework Agreement.

The dynamism and quality of proposals presented by civil society under thematic lines has substantially improved. This trend reinforces the call for additional support to civil society and decentralized actors via financing through thematic lines, and also to promote coordination with government under bilateral co-operation.

4.1.3 The European Investment Bank (EIB)

Since the launching of its activities in Argentina in 1994, the EIB has extended 10 loans for a total of € 468.7 million, i.e. 15 % of the commitments carried out under mandates for ALA countries. See also annex 3.3: "List of EIB-funded projects in Argentina".

Only one loan was granted to the Argentine government (€ 45 million for the Regional Road Transport Corridors project). However, the Argentine Government stopped honouring its financial commitments in June 2002, and therefore lending to the public sector was stopped and the EIB implemented the EC guarantee due to payments arrears.

All the other facilities benefited the private sector, with local companies having a significant European shareholding. Very often this involved European groups who were prompted to invest in Argentina as part of their international development. Thanks to EIB loans, these companies had access to long-term funds not available in the country and with a mechanism to cover the political risk. The Bank's operations were not spared by the 2001 crisis. Between December 2001 and February 2002, debt servicing of the loans granted to the private sector was delayed, as the Central Bank temporarily suspended the processing of transfers. Since then, debt service has been timely, except for the companies operating in the utilities sector, whose tariffs have been frozen by the government.

In December 2004, the Republic of Argentina settled its arrears with the Bank. However, the US\$ 1.7 million of penalty interest which accrued while the country was in arrears were still unpaid at the end of 2005. The settlement of the penalty interest is a necessary condition for the Bank to resume its activities in the country, in terms of both new lending and participation in debt re-profiling exercises.

4.2 Information on programmes of EU Member States and other donors

Despite the fact that development aid funds allocated to Argentina are gradually declining, Italy, Spain, France and Germany still provide large contributions, mainly in the form of grants and loans. They focus their support on the social field, more particularly to promote education and health, and the business/private sectors. These Member States also devoted substantial funds to emergency aid programmes to help the country confront the crisis and its consequences.

Italy is currently implementing 37 projects in Argentina, with 6 more in the formulation phase, worth a total of € 140 million. The focus of Italian co-operation activities is on support to SME development, the social and healthcare sectors and education.

Spain has a total of 24 projects, worth some € 27 million, currently under way. While it devotes most of its aid to the social field, some of its projects address environmental needs and the sustainable use of natural resources, and cooperation in the education and culture sectors.

Germany has committed significant resources to co-operation with Argentina but is gradually reducing its commitments with a view to phasing them out completely by 2006. It is currently implementing a total of approximately € 39 million in financial and technical co-operation, devoted mainly to environment and support for SMEs, education (mainly post-secondary) and health.

France cooperates mainly in the fields of environment and research and technology, but also runs smaller programmes in the education, health, good governance and agriculture sectors.

The **United Kingdom** focuses its activities on good governance and institutional development while **Austria, Belgium, Finland, Greece, the Netherlands, Hungary, Ireland, Poland and Slovenia** are also active in Argentina with more limited programmes targeting a wide variety of sectors such as good governance, energy, research, education, culture and tourism.

Other donors also run significant cooperation programmes in Argentina:

Japan: JICA, the Japanese International Cooperation Agency, has been active through grants for technical and economic co-operation since 1979. Like Germany, Japan is running down its cooperation activities in the country. Current activities are designed to support the economic recovery, and to promote social development and environmental protection.

Inter-American Development Bank: The Bank's cooperation strategy for the period 2004-2008 earmarks a total of US\$ 5 billion in loans, of which US\$ 3 billion are currently being disbursed. The three major strategic priorities are: good governance, strengthening economic competitiveness and poverty reduction. Two cross-cutting themes are identified:

strengthening public sector management, and improving coordination between national and regional governments.

World Bank: The Country Assistance Strategy has earmarked a total of US\$ 5 billion for a 5-year period. The Bank's activities focus on the promotion of the growth agenda, including i) the consolidation of political and economic stabilisation ii) the re-establishment of a positive investment climate; iii) the definition of a comprehensive social policy agenda including poverty alleviation; and iv) the enhancement of the quality of governance and the restoration of confidence in public institutions.

United Nations Development Programme: As resident co-ordinator of the UN family, in the immediate aftermath of the crisis UNDP launched (together with UNICEF and WHO) an emergency trust fund designed to meet the most urgent health needs in 10 northern provinces. Its current strategy focuses on four main sectors: good governance, social development, development of the productive sector, and sustainable development.

In order to ensure adequate **co-ordination and coherence** as well as the development of possible **synergies** between donors' interventions, the European Commission Delegation is in constant dialogue with all relevant actors present in the country. This takes place at all the different stages of the programming and implementation, from the definition and identification of strategic priorities to the formulation and implementation of specific programmes and projects. In the formulation of ongoing education and health projects, in particular, the EC Delegation has coordinated strategies on areas of intervention and methodologies with the major donors (IADB and World Bank). Donors generally consider the co-ordination process to be very effective and to bring significant added value to their activities.

While most donors take a positive view of their co-operation programmes in the country, they all seem to agree that the marked institutional weakness and the consequent limited capacity of the country make it extremely difficult to identify solid and well designed projects to be funded. Careful co-ordination of EC interventions with relevant donors is therefore seen as all the more important.

In the field of Professional Education and Training, the World Bank is implementing a € 150 million project in the area of rural technical education, complemented by a € 50 million loan by the Inter-American Development Bank on technical education. Both Spain and Italy have selected technical education as one of their major intervention areas, albeit for smaller amounts. Adequate complementarity should be a constant preoccupation during the identification phase.

Small and medium-sized enterprises are the main focus of the Inter-American Development Bank, which allocated US\$ 1.152 million in loans to 7 projects ranging from access to credit to competitiveness in tourism. Despite these huge amounts, the area still attracts the major part of the loans by the Italian Cooperation (€ 75 million). The EC's intervention, which focuses more on generating the necessary enabling conditions than on productive processes themselves, could play a major role in this area.

4.3 Analysis of the policy mix (coherence)

Relations between the EC and Argentina go well beyond the scope of co-operation programmes and encompass a wider and more articulated policy framework. They are regulated by a Framework Economic and Co-operation agreement signed in 1990. Moreover, three sectoral agreements were concluded during the 1990s: on sea fisheries, scientific and technical research, and the peaceful use of nuclear energy.

As a consequence of the crisis that began in December 2001, EU-Argentina relations exceeded the formal framework defined by the agreements. Within the limits of its remit and available resources, the European Commission reacted via a wide range of measures designed to help the country tackle the consequences of the crisis. These varied from humanitarian/emergency assistance measures aimed at producing immediate effects (ECHO assistance, APAC project) to less visible, but equally important actions such as trade measures and co-operation in international financial institutions.

The EU is Argentina's first **trade** partner, and so trade relations are obviously important. In 2004, the EU supplied 26% of Argentina's imports and absorbed 20% of Argentina's exports. The EU is therefore Argentina's main export market, well ahead of Brazil (16%), Chile (11%) and the US (10%), and Argentina's second supplier after Brazil (27%), but ahead of the US (20.2%).

In 2004, the EU and Argentina recorded a trade volume of € 9,8 billion (imports + exports). EU exports to Argentina amounted to € 3,6 billion and EU imports from Argentina to 6,2, thus giving Argentina a trade surplus with the EU of € 2,7 billion. **Agriculture** is by far the most important sector in terms of trade volume, with agricultural products making up two thirds of Argentina's exports to the EU. Argentina is managing to maintain a constant high level of exports to the EU, which have been expanding steadily over the past five years. Improved access to the European market for Argentine agricultural products, as well as the CAP reform, continue to be key issues in the EU-Mercosur negotiations and at multilateral level.

Naturally, access to the European market means complying with the **sanitary and phytosanitary (SPS) regulations** that are applicable in the EU. Through its SPS policy, the EC will continue to guarantee a high level of protection of health, safety and economic interests of the consumers, as well as the protection of public health in the EU. In general terms, the animal and public health situation in Argentina is substantially positive as ascertained by the Food and Veterinary Office (FVO) missions carried out in 2004.

The gradual normalisation of the situation in the country has enabled the EC and Argentina to focus on deepening and re-invigorating their bilateral relationship within the framework of the Economic and Co-operation Agreement. At the 6th meeting of the EC-Argentina Joint Committee, held in Buenos Aires on 13 December 2004, the parties decided therefore to pursue the development of **policy dialogues** as a mechanism to debate issues of common interest. In particular, it was decided to launch the dialogues in five sectors: **information technology and society, satellite navigation** (the GALILEO programme), **economic and financial matters, cooperation on Human Rights, cooperation in the UN**. It was also agreed to continue discussions with a view to a possible future formalisation of other relevant policy areas, notably **civil aviation, environment** (climate change), and **cooperation in the fight against fraud**.

Information and Communication Technologies (ICT) are essential for the social and economic development of any country as they impact on the whole economic fabric. At the end of 2000, the Information Society was selected as a priority for EU economic co-operation with Latin America. Moreover, ICT supports the main objective of our relations with Latin America of improving social cohesion, in particular by contributing to better education, health and public administration.

Co-operation with Latin American countries in this field is being mainly addressed at the regional level, through the @LIS Programme, which is bringing substantial benefits to both regions. Indeed, by fostering major dialogues with that region on policy, regulatory

and standardisation issues in the context of @LIS, our co-operation aims to provide the appropriate framework for the policies, laws and standards required to develop the Information Society.

Argentina has expressed an interest in participating in the **GALILEO satellite navigation programme** currently being developed by the EU. On the basis of the negotiating mandate granted by the Council to the Commission in July 2005, the Commission has started negotiations to conclude a framework agreement with Argentina in this field. Co-operation could focus on areas such as research, industrial cooperation on applications, market development, training and awareness raising, ground segments, regional and local augmentation systems, certification, standardisation and regulatory aspects and cooperation in relevant international forums. The negotiations will be accompanied by a continuing dialogue in the field of satellite navigation to keep the Argentine partners informed about all developments.

With respect to **economic and financial matters**, potential future areas of bilateral dialogue include: the exchange of information and analysis on macroeconomic trends in the EU and Argentina; the reactivation of EIB lending to Argentina (including the pending issue of the payment of the penalty interest associated with the arrears accumulated by the Argentinean state vis-à-vis the EIB); and, although this is part of the EU's cooperation with Mercosur as a region, progress with the EU's technical assistance project in support of Mercosur's macroeconomic convergence scheme.

Co-operation between **scientists** from Argentina and from the EU has been strengthened since the Rio Summit in June 1999, when Latin America and the EU agreed on a plan of action for bi-regional S&T co-operation; a series of six specific bi-regional workshops have taken place. In March 2002 an EU/Latin America Ministerial conference on Science & Technology co-operation was held in Brasilia. This meeting focused on the need for S&T to meet key societal objectives by making scientific research directly relevant to society.

A bilateral agreement on scientific and technical research has been in force since December 2000. An evaluation of the agreement with Argentina was conducted in July 2005, while a project enabling dissemination of information in Argentina on EU programmes and offering a networking platform will get underway in early 2006.

Argentina has actively participated in projects financed under the Fifth Framework Programme (1998-2002) as well as the ongoing Sixth Framework Programme. It is expected that co-operation will be further developed under the 7th EU Research framework programme (2007-2013) in particular with respect to the exchange of researchers.

In general terms, cooperation on S&T with Argentina takes into consideration whenever possible the synergy with other bi-regional initiatives such as α LFA, AL β AN and @LIS.

Transport and energy, as factors of economic and social development and regional integration, are additional potential sectors for co-operation with Argentina; in particular in transport security and safety, at both bilateral and multilateral level, in infrastructure (interoperability and interconnection amongst Mercosur countries) and in promoting the use of renewable energy. Air transport, in particular, is crucial for linking people and businesses and for moving products between Argentina and the EU. In March 2005, the Commission started negotiations with Argentina on an agreement in the field of air transport with the objective of establishing a sound legal basis for air transport between the EU and Argentina.

Moreover, the integration of **environment** in all sectoral development policies is an EU objective and recognises the environmental challenges in Argentina, particularly on renewable energy and water.

Finally, the development of exchanges of **educational and cultural goods and services** within the region, as well as between the EU and the region, should also be seen as a positive factor of longer-term economic and social development and regional integration. It will also contribute to promoting cultural diversity and to developing cultural industries.

Taking all this into account, **the EU's policy mix** could be expected to evolve as follows over the period covered by this strategy: i) the policy dialogue process should be actively developed and possibly extended to other sectors of mutual interest; ii) possible further EU-Argentina trade issues would have to be addressed in the EU-Mercosur negotiations framework; iii) continued attention should be given to Health and Plant Health issues; iv) joint activities in Science & Technology and ICT should continue to develop in order to strengthen long-term growth prospects.

5. THE EC RESPONSE STRATEGY

5.1 Justification of the choice of focal sectors

Based on the analysis set out in earlier chapters, the EC response strategy rests on two main pillars – first, supporting Argentina's political and economic recovery from the dramatic crisis at the end of 2001 while, secondly, strengthening the EC-Argentina bilateral relations. This dual focus reflects the need to concentrate available budgets on a limited number of priority areas, thereby maximizing the impact of programmes. Careful co-ordination and distribution of tasks with other international community donors and IFI's will ensure that support is directed to other areas which, although they may clearly also be priorities according to the above analysis, cannot be financed by the EC owing to budget limitations and lack of comparative benefit.

In spite of the good progress made since the beginning of the transition, the process of reforms in Argentina has to be pushed forward with sustained intensity in the years to come. The country needs to take concrete and sustained action if the objectives of sustainable economic growth, the reduction of poverty and social and regional inequalities, and the reform of state institutions are to be achieved. The EC response strategy is specifically designed to stimulate, support and intensify the ongoing reform process in the country and address the key challenges of creating the conditions for long-term sustainable economic growth, generating employment opportunities and strengthening social cohesion. This justifies a corresponding shift in priorities from the immediate post-crisis social-assistance which formed the focus of EC interventions over the period 2004-2006 to priorities designed to foster medium to long-term economic development and to strengthen social cohesion and employment opportunities.

Funded activities will focus on **three main priorities**: i) the strengthening of Argentina's education, training and human resources development; ii) the improvement of the country's economic competitiveness; and iii) the deepening of bilateral relations and of the mutual understanding between the EC and Argentina.

The choice of the above-mentioned priorities responds to the need to address a number of key constraining factors that represent clear bottlenecks to sustainable growth, the strengthening of social cohesion and the improvement of governance in the country as well as a stronger interaction between the EC and Argentina.

In view of the need to address specifically some constraining factors not covered by the interventions of other donors, and also the relatively limited financial resources, the sector programme approach that had initially been considered was abandoned and a traditional project approach was adopted instead. This approach carefully targets those factors which the thorough analysis of the Government's policies and the objective conditions for poverty alleviation and strengthening of social cohesion had shown to be decisive.

Education has a significant positive impact on poverty reduction, social and political participation, equal opportunities and sustainable economic growth, by providing the core skills that people need to access labour markets. Its positive effect on people's empowerment also helps foster good governance. In addition, education is essential to improve economic competitiveness. Education and the extent to which countries are able to upgrade the skills and training of the labour force have become increasingly important as indicators of a country's future growth potential. A country's ability to absorb new technologies, to produce goods and services that can reach standards of quality and performance acceptable in international markets, and to engage with the rest of the world in ways that are value creating, is intimately linked to the quality of its schools and to the existence and accessibility of specialised research and training centres⁸. As a consequence of the structural weaknesses of the education system as well as of the socio-economic crisis of end-2001, **a significant and ever-growing section of the young population remains excluded from the educational system and lacking the minimum skills** (both social and instrumental) **necessary to access the labour market** in Argentina. Not only does this contribute to rising unemployment levels but it also poses a genuine threat to social cohesion, thus affecting the long-term prospects for economic recovery.

The improvement of the competitiveness of Argentina's economy is inextricably linked with the strengthening of the crucially important **Small and Medium-sized Enterprises sector**. SMEs are the single most important source of employment and economic development in many countries. In Argentina the sector accounts for around 70% of employment and 60% of production and harbours a huge potential for economic growth in the years to come⁹. The SME sector is critically important to the Argentine economy both from a growth/efficiency and equity standpoint; yet, on average, it has so far failed to realise its potential. A number of structural constraints affect the SME sector and are impeding its full development. These include: an unfriendly business environment characterised by costly and lengthy company registration procedures; slow and costly legal procedures, the lack of arbitration mechanisms to solve commercial disputes between firms; limited access to credit and financial services; lack of access to tailored training services and technical assistance; weakness of current SME policies and programmes. These problems clearly help to explain why about a quarter of economic activity is conducted in the informal sector and only half of the labour force is registered with social security. In addition, the sector was deeply affected by the crisis at the end of 2001. It is estimated that some 50 000 SMEs disappeared as a consequence of the crisis. EC co-operation activities will promote the development of a friendlier business environment as well as enhancing the competitiveness, productivity and export capacity of Argentina's SMEs. More generally, EC co-operation will also promote the consolidation of an adequate environment for trade and investment.

Activities in the education and SME development sectors will be highly complementary and mutually reinforcing. Investment in the development of human capital and the generation of skilled labour, favouring employability, will be accompanied in practice by

⁸ World Economic Forum, Global Competitiveness Report 2005-2006, p. xx-xxi.

⁹ "Small and Medium-Sized Enterprises in Argentina. A Potential Engine for Economic Growth and Employment", World Bank Report No. 22803-AR, August 2002

the promotion of employment creation by improving the conditions for the development and the creation of Small and Medium Sized Enterprises.

EC intervention in the education and SME sectors will take into account the potential impact on strengthening social cohesion, in particular by focusing, whenever possible, on the most vulnerable groups of the population (women, young unemployed, indigenous peoples). The SME development programme will be based on the concept of sustainable development and in particular on the promotion of environmentally-friendly methods of production and consumption and of legal and regulatory frameworks which ensure a high degree of environmental protection¹⁰.

Lastly, the strategy seeks to support the strengthening of bilateral relations and mutual understanding between the EC and Argentina. Effective co-operation activities in **higher education** can reinforce the strong historical, economic and cultural links between Europe and Argentina. The intensification of academic links and exchanges through the financing of scholarships for Argentine students will undoubtedly help to deepen the knowledge and enhance the visibility of the EU in the country as well as promoting a better understanding of the EU. It will also promote invaluable networking opportunities for young intellectuals who are likely to be the leading academics or policy makers of the future. In addition, **the development of the bilateral dialogue on the key policy sectors of common interest** identified by the EC-Argentina Joint Committee at its 6th meeting held in Buenos Aires on 13 December 2004, as well as on any additional sectors that the parties might identify in future years, will strongly contribute to reinforcing the ties between the parties. The policy dialogue focuses on sectors that will be key to long-term economic and social development, such as Information Society and Technology and the development of the GALILEO Satellite Navigation System, as well as on the deepening of the bilateral dialogue on key political and economic issues that have major relevance in the context of multilateral forums, such as economic and financial matters, co-operation in the UN and Human Rights.

The priority focal sectors mentioned above and other EC interventions in the country will take account of and include among their concerns the cross-cutting issues common to all Mercosur countries including: (i) the consolidation of regional integration inside Mercosur, and (ii) once the negotiation process has been concluded, the implementation of the Association Agreement between Mercosur and the EU. Since the future Association Agreement will have implications that go well beyond the regional effects, this might involve, upon the request of the Argentine authorities, technical and financial measures to assist its implementation. This might be done by making recourse to the funds made available under the sub-regional EC-Mercosur cooperation.

The priority sectors are chosen on the basis of the significant **added value** that can be generated through EC involvement. Over the years, co-operation at European level within education and training has consistently become stronger through the development of European programmes. The important role of education as an integral part of economic and social policies, an instrument for strengthening Europe's competitiveness and a guarantee for ensuring the cohesion of Europe's societies and the full development of its citizens, have been clearly recognised as an important priority for action at EU level. Education and

¹⁰ The EU interventions in this sector will be based on the recommendations contained in the Communication from the Commission to the Council and the European Parliament titled "*European Community Co-operation with Third Countries : The Commission's approach to future support for the development of the Business sector*" COM (2003)267 final, as well as on EuropeAid's "Guidelines for European Commission Support to Private Sector Development" (February 2003)

training are a crucial and integral part of the EU's "Lisbon Strategy", having the stated aim of making the EU into the most dynamic knowledge-based economy. In addition, the funding of scholarships is designed to promote knowledge of EU affairs as well as the visibility of the EU in the country. The EU's experience in the sector is undoubtedly an important reference in helping to strengthen the development of Argentina's education policy.

The same applies to the SME sector. Because of their considerable economic role, small and medium-sized enterprises (SMEs) have been the subject of specific Community policies or initiatives for a number of years, in particular through the implementation of an enterprise policy whose main objectives are the improvement of the business environment and the development of SMEs. This policy builds both on the European Charter for Small Enterprises, which is a key instrument for encouragement and follow-up and, at an operational level, on the multi-annual programme for enterprise and entrepreneurship, in particular for SMEs. Many other policy areas, such as regional policy, research, vocational training or information society, also aim to improve SMEs' situation and competitiveness. These policies in favour of SMEs also contribute to the implementation of the Lisbon strategy to strengthen European competitiveness.

The priorities and objectives of the proposed strategy were discussed at the beginning of July 2005 with key representatives of Argentina's civil society and government representatives in the course of a four-day seminar organised by the EC Delegation in Buenos Aires. The discussions held during the seminar validated the preliminary analysis and showed a general consensus on the relevance and pertinence of the proposed areas of intervention.

The effective implementation of the measures in the EC response strategy inevitably present a number of **risks** which might undermine its relevance and ultimate impact. These risks are political, economic, social and operational. The **political risk** is any significant erosion of the Government of Argentina's commitment to crucial political, economic and social reforms. In this respect, the 2007 Presidential elections introduce an element of unpredictability which cannot be fully assessed at the time of writing this CSP.

The **main economic and social risks** would be a slowdown of the economy and a dampening effect on growth as a result of inflation, combined with a rise in unemployment levels. However, in light of the current rather positive trends, the above mentioned risks must be considered as a "worst-case scenario" and a fairly remote possibility.

Operational risks centre on problems of absorptive and institutional capacity in the management of large reform-based sector programmes. Argentina has a proven capacity to plan and manage large programmes successfully, but in the case of EU-Argentina co-operation much depends on the specific Argentine counterpart authority concerned, and its competence and commitment to the reform objectives in question. The problem is compounded by the high level of politicization of the civil administration, which leads to a high turnover of staff in the various ministries and inevitably generates a high degree of instability in project management.

ANNEX 1: NATIONAL INDICATIVE PROGRAMME 2007-2013

1.1 Introduction

The present National Indicative Programme is based on the analysis set out in the Country Strategy Paper and outlines the programmes presented in Chapter 5 of the CSP: the EC Response Strategy.

Financing of implementation of operations under the EC/Argentina NIP for the current country strategy paper, with an indicative total of € 65 M, will be financed under the Regulation of the European Parliament and of the Council (EC) No 1905/2006 establishing a financing instrument for development.

The priorities and objectives presented in the NIP have been identified following consultations with representatives of Argentina's civil society and government representatives, in close collaboration with the EC Delegation in Argentina and the representatives of those EU Member States having permanent missions in Argentina.

The NIP will undergo a mid-term review designed to assess its continued consistency with the situation in the country and the initial results achieved in the implementation. The mid-term review will involve all the above-mentioned stakeholders.

1.2 Education (DAC code 110)

Main priorities and goals

To make a relevant contribution to the development of human capital in Argentina by supporting some of the main governmental education and training policies and programmes, in particular those aimed at reducing school drop-out rates, at re-integrating young people (15-25 years of age) into formal education as well as at improving their employability with a view to an effective integration into the labour market.

Specific objectives

The programme aims at strengthening human development in Argentina by promoting the improvement of the education and training systems and thereby enhancing the employability of young people (in particular those most at risk of social exclusion, such as the poor and unemployed). It also aims at promoting the creation of mechanisms to enhance the integration and/or re-integration of young people in the education and training systems and to strengthen the links between education and labour market.

Expected results

Increase in the number of young people from the vulnerable sectors attending education and training courses; rise in the number of students finding employment upon completion of their studies; the number of teaching modules is increased (in particular on IT and new technologies); delivery of relevant training for teachers; establishment of partnerships between schools and businesses and technology centres;

Programmes to be implemented in pursuit of these objectives and the type of assistance to be provided

Strengthening Education, Training and Human Resources Development (DAC code 11110)

The programme will be aimed at supporting the Government policies on the inclusion into the education system of vulnerable young people with a view to providing them with the

proper skills required to effectively integrate in the labour market. Technical assistance, equipment and training will be provided to support activities such as the development of curricula, qualifications and competencies, the provision of modern pedagogical equipment and teacher training, and creating and strengthening links between schools and labour market.

Impact Indicators

Percentage of young people from the vulnerable sectors attending secondary school; percentage of young people from the vulnerable sectors dropping out of secondary school; percentage of direct beneficiaries going on to tertiary education upon completion of studies; percentage of direct beneficiaries finding jobs upon completion of studies; number of new courses on labour-related skills in secondary schools; number of schools refurbished and equipped; number of new courses on job-skills training provided to teachers; percentage of VET schools having partnership agreements with enterprises; number of studies on various specific topics of mutual interest.

Integration of cross-cutting issues

As regards the strengthening of the educational inclusion programme, special attention will be given, wherever possible and appropriate, to the most disadvantaged areas of the country with a view to generating stable employment opportunities for vulnerable sectors of the population (i.e. women and indigenous people, unemployed people from the poorest backgrounds). Whenever appropriate, environmental considerations will be integrated in the development of the programme.

Total appropriations

€ 21.40 million over the 7-year period covered by this strategy will be devoted to the Education sector. The “Strengthening Education, Training and Human Resources Development” programme will be implemented during the period 2007-2010.

Activities under other EC budgetary instruments in the country

The ALβAN programme (high-level scholarships for Latin America) funded through the Regional Programme for Latin America has attracted great interest in Argentina. Over the period 2000-2006, Argentina received 115 scholarships out of the 1031 granted to Latin American participants worth a total of over €2.5 million. The programme will continue in 2007-2013. In addition, the Regional Strategy Paper 2007-2013 for Mercosur will support the creation of European Studies Centres within universities in the countries of the region.

1.3 Economic competitiveness (DAC codes 250 and 321)

Main priorities and goals

The programme will aim to promote the development of a friendly business environment favouring the development of existing Small and Medium-sized Enterprises as well as the creation of new ones. It will also support the enhancement of the competitiveness of SMEs and the strengthening of the public-private sector dialogue for policy development. Environmental considerations will be fully integrated into programmed interventions, both in terms of their environmental impact and with a view to raising awareness on sustainable development.

Specific objectives

To promote the establishment of a predictable and transparent legal framework and regulatory environment which favours the development of businesses and is conducive to increased investment flows. To strengthen the capacity to enforce legislation for speedier resolution of commercial disputes. To favour the streamlining of regulations and procedures concerning licensing and permit systems for enterprises, ease procedures and reduce time and costs for registration of companies. To improve the dialogue between the Government and businesses on enterprise development policy and legislation. To build the capacity of key governmental and non-governmental institutions relevant to SMEs development and contribute to enhancing the competitiveness of the country's SMEs. To promote the development of SMEs in those productive sectors where Argentina holds a comparative advantage (i.e. rural industry, tourism, manufacturing) and to contribute to the sustainable development of under-developed areas of the country. To improve trade facilitation.

Expected results

Licensing procedures and permit systems for enterprises are streamlined and simplified, thus reducing costs and barriers to the creation of businesses. The legal framework for the operation of SMEs and the resolution of commercial disputes is reviewed and improved. Increased provision of non-financial services directed at SME development and enhancement of the market for Business Development Services (BDS). A number of businesses emerge from the informal economy. Increased capacity of the Government authorities to promote the development of SMEs throughout the country and in particular in the least developed areas. A number of entrepreneurs have received management and entrepreneurship training. Increased export diversification. Enhanced trade opportunities.

Programmes to be implemented in pursuit of these objectives and the type of assistance to be provided

SMEs development programme (DAC codes 25010 and 32130)

The programme will operate at three (or any of three) levels:

Macro-economic, through support for the improvement of the legal and regulatory framework for businesses. Technical assistance shall be directed to support the simplification and reduction of licensing procedures and the permit system for enterprises and the effective implementation of simplified and transparent company rules and reporting schemes. Particular focus will be placed on the improvement of legal mechanisms and institutions for the resolution of commercial disputes.

Meso-economic, through the provision of assistance for strengthening the capacity of key public and private sector institutions relevant to SMEs development and the fostering of the public-private sector dialogue. Technical assistance and training shall be directed to key public and civil society organisations (for example entrepreneurs' associations, employers' associations, trade unions, chambers of commerce, etc.) in order to improve the dialogue between the Government and businesses on enterprise development policy and legislation. In the case of civil society organisations the programme will also promote the strengthening of their advocacy capacity and, where appropriate, the increase in their capacity to provide services to businesses.

Micro-economic, through the co-financing of Business Development Services (BDS), based on the principle of cost-sharing, aimed at fostering the productivity and the competitiveness of SMEs. This may include any type of non-financial services to SMEs such as market studies, marketing techniques, technology transfer mechanisms, preparation

and implementation of business plans, clustering and networking, export plans, teachers' training in entrepreneurship and business management and development as well as training for entrepreneurship and the development of management capacities in SMEs. This may also include training to SMEs workers and companies with emphasis being placed on ICT and management skills; promoting entrepreneurship and facilitating the creation and development of new business. Whenever appropriate, tailored support could be made available to specific categories of entrepreneurs (e.g. women).

Given the appropriate conditions for effective implementation, particular emphasis will be placed on the macro-economic level.

Impact Indicators

Faster settlement of commercial disputes; increase in support from public bodies for the development of SMEs; above average increase in the creation/performance of SMEs in new competitive sectors; increased export diversification.

Integration of cross-cutting issues

Programme activities will focus, whenever possible and appropriate, on the most disadvantaged areas of the country with a view to generating stable employment opportunities for vulnerable sectors of the population. The protection of the environment will be an essential reference for all activities supporting SMEs development. This might include the promotion of environmental certification, increasing awareness and understanding of environmental standards in the EU market, assisting smaller enterprises to adopt clean production technologies. Environmental impact assessments will be carried out where relevant.

Financial envelopes

€ 22.75 million over the 7-year period covered by this strategy will be devoted to the SMEs development sector. Two successive programmes will be funded which will amount respectively to € 9.75 million of the available funds during the 2007-2010 period and € 13 million during the 2011-2013 period.

Activities under other EC budgetary instruments in the country

The AL-INVEST programme, in particular, which finances sectoral meetings between European and Latin American companies, has enjoyed great success in Argentina. Argentine companies account for 33% of participating Latin American companies and 19.5% of all participating companies. The trade volume generated through the sectoral meetings led by the Argentine *Eurocentros* accounts for 25% of the total for Latin America.

1.4 Strengthening of bilateral relations and mutual understanding between the EC and Argentina

Main priorities and goals

To reinforce bilateral ties between the EC and Argentina, enhance the bilateral dialogue and strengthen mutual knowledge and understanding. At the 6th meeting of the EC-Argentina Joint Committee, held in Buenos Aires on 13 December 2004, the parties decided to pursue the development of policy dialogues as a mechanism to debate issues of common interest. In particular, it was decided to launch the dialogues in five sectors: i) information technology and society, ii) satellite navigation (the GALILEO programme),

iii) economic and financial matters, iv) co-operation on Human Rights, v) cooperation in the UN. It was also agreed to continue discussions with a view to a possible future formalisation of other relevant policy areas, including civil aviation, environment (climate change) and cooperation in the fight against fraud. The programme intends to foster the strengthening of the bilateral relations between the EC and Argentina by supporting the policy dialogue process.

It also intends to strengthen links and cooperation between the parties in the higher education and research sector through the funding of a scholarships scheme aimed at enabling students and visiting scholars from Argentina to engage in postgraduate study at European Universities.

Specific objectives

To advance the bilateral dialogue between the EC and Argentina on the key sectors jointly identified. To finance relevant activities in different sectors that contribute to the transfer of know-how, the exchange of information and a better mutual understanding between the parties. It also intends to promote mutual understanding and the strengthening of cultural, social and political ties between Argentina and the EU, through higher education exchanges and research activities.

Expected results

A number of studies are conducted on specific topics of mutual interest; a number of small projects is implemented; a number of experts/civil society representatives/academics take part in joint events; a number of study visits are carried out; a number of seminars/workshops and other dissemination activities are developed. Increase in the number of Argentine students carrying out postgraduate studies in Europe; performance of studies on various specific topics of mutual interest; participation of academics in joint events; performance of study-visits.

Programmes to be implemented in pursuit of these objectives and the type of assistance to be provided

Higher education programme for Argentina (DAC code 11420)

The objective is to facilitate access to European Higher Education Area for Argentine postgraduate students and university professionals in order to increase their employability skills and opportunities in their country.

This will in turn contribute to strengthening political, economic and cultural links between the EU and Argentina.

The programme will provide a means of funding scholarships for Argentine postgraduate students and may entail capacity-building for universities and exchange of teachers. A specific university-level scholarship programme will be established to facilitate links between the EU and Argentina in higher education and therefore increase the number of Argentine students who complete postgraduate studies in Europe. The programme should receive the highest visibility in particular through a name that embodies European excellence.

Support to the Policy Dialogue process

The programme would involve the implementation of a series of joint activities with the Argentine authorities, enabling the transfer of know-how, the exchange of good practices, and the deepening of bilateral relations in the already identified priority sectors, as well as

any other sectors the parties might decide to prioritise in the future (i.e. seminars and conferences, experts' meetings, meetings of civil society representatives, small projects on specific sectoral issues identified by the parties as relevant to the dialogue, etc.). The activities will be identified jointly with the Argentine authorities; suitable mechanisms for the purpose will be established, in accordance with EC procedures.

Total appropriation

€ 14.3 million will be directed to financing the Higher Education programme for the period 2007-2013, €6.5 million for 2007-2010 and € 7.8 million for 2011-2013; € 6.5 million over the 7-year period covered by this strategy will go to supporting the Policy Dialogue process. Of this, €3.9 million will be directed to financing activities during 2007-2010 and € 2.6 million for 2011-2013.

Thematic lines and other horizontal instruments

Activities financed by thematic lines and other horizontal instruments should ensure, where possible and appropriate, a high degree of consistency with the present strategy. Adequate coordination mechanisms will be set up in order to ensure coherent and effective use of these instruments. Inputs from the EC Delegation in Argentina, which will closely coordinate with the relevant authorities in the country, can effectively contribute to this end.

National Indicative Programme (NIP) - Summary table of financial allocations

| Sector | 2007 | 2008 | 2009 | 2010 | 2011-2013 | Total |
|--|--------------|------------|------------|------------|--------------|--------------|
| 1. Education | 21.40 | | | | - | 21.40 |
| Strengthening of Educational Inclusion and Work-related Skills | 21.40 | | | | - | |
| 2. Economic Competitiveness | | 3.2 | 3.3 | 3.3 | 13 | 22.8 |
| Support to SMEs | | 3.2 | 3.3 | 3.3 | 13 | |
| 3. Strengthening of bilateral relations and mutual understanding between the EC and Argentina | 2.0 | 2.8 | 2.8 | 2.8 | 10.40 | 20.80 |
| Higher Education Programme | | 2.1 | 2.2 | 2.2 | 7.8 | |
| Support to the Policy Dialogues | 2.0 | 0.7 | 0.6 | 0.6 | 2.6 | |
| TOTAL | 23.40 | 6.0 | 6.1 | 6.1 | 23.4 | 65 |

ANNEX 2: ARGENTINA AT A GLANCE

MAIN POLITICAL AND GEOGRAPHICAL DATA:

| | |
|---------------------------------|---|
| Name: | Republic of Argentina |
| Population: | 38,800,000 |
| Surface: | 2,767 (1000q km) |
| Capital city: | Buenos Aires |
| Border countries: | Bolivia, Brazil, Chile, Uruguay, Paraguay |
| Land boundaries (km): | 9,376 |
| Atlantic Coastline (km): | 4,725 |
| Form of state: | Federal Republic |

| | |
|--------------------------------|--|
| Form of Government: | Presidential Democracy |
| National legislature: | Bicameral Congress: <u>257-member Chamber of Deputies</u> (the lower house) directly elected for a four-year term; one-half of the lower house stands for re-election every two years. <u>72-member Senate</u> (the upper house) directly elected for a six-year term; three senators are elected per state, two from the leading party and one from the runner-up; one-third of the house stands for re-election every two years. |
| Elections: | Next presidential elections due in 2007 |
| President: | Mr. Nestor Kirchner (sworn in on 25 May 2003) |
| President of Congress: | Mr. Alberto Balestrini |
| Central Bank President: | Mr. Martín Redrado |

MAIN POLITICAL PARTIES:

| | |
|-----------------------------------|---|
| Government: | Partido Justicialista (PJ, the Peronist Party) |
| Opposition parties (main): | Unión Cívica Radical (UCR), Frente del País Solidario (Frepaaso), Afirmación para una República Igualitaria (ARI), Movimiento Federal Recrear (MFR) |

MAIN ECONOMIC AND TRADE DATA:

| | |
|--|--|
| GDP: | € 146 billion (2005) |
| GDP/capita: | € 3,766 (2005) |
| Real GDP Growth: | 8.4% (2006 est.) |
| Inflation: | 9.8% (2006) |
| Unemployment rate: | 10.2% (Q3 2006) |
| General Government balance (% GDP): | 3.5% (2006 est.) |
| Trade balance (% GDP): | 5.9% (Q1-Q3 2006) |
| Current account balance (% GDP): | 2.5% (H1-2006) |
| External debt (% GDP): | 66.2% (H1-2006 excluding holdouts) 79.1% (H1-2006 including holdouts) |
| Foreign direct investment (% GDP): | 2.6% (2005) |
| Debt-export ratio: | 3.06 (H1-2006 - excluding holdouts) 3.73 (H1-2006 - including holdouts) |
| Total exports to Argentina from EU: | € 3.86 billion (Jan-Oct 2006) |
| Total imports into EU from Argentina: | € 5.50 billion (Jan-Oct 2006) |

MAIN DEMOGRAPHIC AND SOCIAL INDICATORS:

| | |
|---|---|
| Age structure: | Population under age 15 is 27.1% of the total population, between 15 and 65 is 64.1% and 65 and above is 8.7% |
| Population growth rate: | 1.0% (2003) |
| Urban population: | 90.1% |
| Religions: | Christian Catholic |
| Languages: | Spanish |
| Poverty rate: | 38.5% |
| Extreme poverty rate: | 13.6% |
| Fertility rate (births per woman): | 2.4 |

| | |
|---|---------------------------|
| Infant mortality rate (per 1,000 live births): | 17.0 |
| Under 5 mortality rate (per 1000 children): | 20.0 |
| Sex ratio: | 48.7% male – 51.3% female |
| Life expectancy at birth (years): | 74.5 |
| Literacy level: | 97.2% |
| Primary school enrolment: | 22.2% of total population |
| Secondary school enrolment: | 4.1% of total population |

ANNEX 3: COUNTRY ENVIRONMENTAL PROFILE (Executive summary)

There is general consensus among environmental studies and diagnostics (i.e. Asociación Argentina de Ecología, UNDP, PNUMA, individual scholars), and the most recent analysis (2004) carried out by the competent national authority, the *Secretaría de Ambiente y Desarrollo Sostenible* (SayDS), regarding **Argentina's environmental problems**. In essence, these are: (a) soil deterioration and desertification, with serious degradation and loss of forest surface (b) loss of genetic, species and ecosystem biodiversity; (c) degradation of coastal and marine ecosystem, (d) high index of water contamination, due to lack of treatment of waste water and inadequate management of toxic agents and chemicals products; (e) inadequate use of space and uncontrolled urbanisation, (f) inadequate solid waste management, (g) air pollution caused by atmospheric contamination.

These problems are partly due to Argentina's industrialization process and the development of an export-oriented monoculture model in the last decade, with policies reflecting little concern for environmental consequences. In particular, the expansion of the genetically modified soy monoculture - accompanied by inadequate farming methods - is having widespread effects on the environment, since it affects almost all of the critical issues mentioned above.

From an **institutional** point of view, the country's federal system allocates powers in environmental matters to a number of agencies at national, provincial and municipal levels, which often end up competing for resources and responsibilities. As a consequence, there is quite a high risk of lack of coherence, overlapping of jurisdictions, weak controls, and breakdowns in compliance. At the national level, the Secretariat of Environment and Sustainable Development (SayDS), within the Ministry of Health and Environment, is in charge of environmental policy. In addition to the SAYDS, several national agencies play an important role in adopting and managing policies related to the environment. The body responsible for ensuring nationwide coordination in enforcement and compliance of environmental policies and regulations is the Environmental Federal Council (COFEMA), which groups together the environmental authorities of the provinces, the Nation, and the City of Buenos Aires. The most important law of the environmental legal framework is the General Environmental Law of 2002 (GEL n° 25.675), which includes basic environmental policies, goals and tools.

International cooperation on environmental issues in Argentina takes place through a variety of instruments and actors. Apart from the European Commission and EU Member States, the multilateral agencies (such as UNDP), and development banks (mainly World Bank and Inter-American Development Bank) provide funds and technical assistance for environmental projects and actions in the country. The EC's main tool to promote environmental issues is through thematic budget lines ex B7-6200 or ex B7-6000 mainly aimed at promoting sustainable use of natural resources in specific areas. Given the above mentioned politico-economic constraints, this civil society approach seems to be the most effective in achieving small scale impact and public awareness raising, which might ultimately lead to a wider policy shift.

In terms of **environmental policies**, it has to be taken into consideration that Argentina is currently displaying the features of a dual crisis, i.e. socio-economic and environmental. Indeed, the public is highly aware of the need for full economic and social recovery, and this is one of the reasons why environmental concerns have been left to residual and ex post measures in the government agenda. In this context, the objective must be mainly to move towards policies of productive growth which are designed from the outset to be

environmentally sustainable. There are additional difficulties in integrating environmental issues into sector policies due to the fact that agricultural exports are responsible for a major share of government tax revenue and constitute a significant source of foreign currency, which is useful for repaying the external debt. So far, no solution has been found to the problem of reconciling these interests with the need to ensure sustainable resource management.

There is an encouraging statement of intentions in the “*Bases Para una Agenda Ambiental Nacional*” prepared by SAyDS in March 2004, although this document has not yet been translated into a concrete national plan of action. Another positive sign of change are the steps towards compliance with the Kyoto Protocol through the creation and launching (in September 2005) of the *Fondo Argentino del Carbono*. Argentina is one of the first middle-income countries to introduce such a tool.

Looking at the scenario outlined above, it is possible to put forward a series of **recommendations** to environmental actors and policy makers which should be carefully taken into consideration in the programming and implementation of the EC strategy for Argentina.

In the field of *environmental management*:

- At a local level, include sustainable development issues in local development plans and promote attempts to involve rural communities in sustainable management of natural resources (organic or traditional production techniques, etc);
- At a municipal level, and with the aim of achieving the MDG, pursue the improvement of environmental management related to poverty, especially in the context of the promotion of equitable access to social services, sustainable water management and the provision of clean water, through reinforcement of municipal regulation and monitoring of contracted services;
- At a provincial level, stimulate land use and regional planning which is essential to conservation and sustainable development. Unless spaces are created for dialogue and consensus building between different sectors (State, productive sector and civil society) there is a risk that territorial and environmental management will be left to private and uncoordinated interests. The provision of external resources and technical capacity would provide valuable support for this effort;
- At a national level, 1) design and implement a National Strategy on Mitigation of Climate Change Effects in compliance with the Kyoto Protocol (1997) and the Convention on Climate Change (1992) and monitor implementation of the Clean Development Mechanism 2) promote the updating and implementation of the National Strategy of Biodiversity 3) design and implement a sound National Forestry Plan, to promote conservation and sustainable management of forest resources, as part of a coordinated federal strategy 4) spell out and implement a National Agenda on the Environment in order to facilitate the integration of environmental issues with sectoral policies.

In the field of *SMEs or the industrial sector*:

- Promote a mechanism of voluntary certification of environmental and socially sustainable production, including through the provision of technical assistance to improve environmental performance;
- Introduce economic incentives for Clean Production such as the recently established *Fondo del Carbono*, and monitor their implementation;
- Promote the development of research into clean and environmentally friendly technology through fiscal incentives, credits and investment in training and education;

- Develop tools that will enable smaller enterprises to adopt Clean Production (through training of a cadre of CP professionals etc).

In the field of *governance related to environment*:

- Pursue the effective implementation of environmental legislation at national and provincial level;
- Provide better access to information for stakeholders and increase spaces and opportunities for them to participate in decisions relevant to the environment (strengthen the *Consejos* such as COFEMA, COMIBIE, and increase participation within these institutions etc);
- Create and reinforce institutional spaces for the articulation of interests between the State, industrial enterprises, and civil society
- Reduce fragmentation of responsibilities and strengthen the co-ordination role of COFEMA as well as the policy making powers of SAYDS's;
- Develop the potential of international co-operation to address environmental issues in shared eco-regions (Chaco, Selva Paranense), especially at MERCOSUR level;
- Complement specific environmental policies with adequate support policies (such as teacher training in environmental issues, etc) aimed at building a new environmental consciousness, promoting participation and legitimising the inclusion of environmental issues in the government's agenda;
- Support environmental NGOs and media to promote awareness raising and public debate on sustainability issues.

ANNEX 4: PAST EC CO-OPERATION

| Total EU Grants to Argentina 1991 - 2005 (*) | | | | | | | | | | | | | | | | |
|---|---------|------------------|----------------|------------------|------------------|-------------------|------------------|----------------|------------------|----------------|------------------|---------|-------------------|------------------|-------------------|------------------------|
| CATEGORY | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | TOTAL 1991- 2005 |
| Education | | | | | | | | | | | | | | | 10.000.000 | 10.000.000 |
| Health | | | | 177.000 | 660.000 | | | | | | | | | | 15.000.000 | 15.837.000 |
| Social Services/Nutrition | | | | | | 9.300.000 | 755.000 | | 850.000 | | | | 10.000.000 | | | 20.905.000 |
| Rural Development | | | | | | 6.047.202 | | | | | | | | | | 6.047.202 |
| Agriculture | | 577.000 | | | | 475.500 | | | | | | | | | | 1.052.500 |
| Industry/Technology (PRIVATE SECTOR) | | | | 820.500 | 853.900 | 948.741 | 1.350.000 | | 3.015.000 | | 6.200.000 | | | 6.000.000 | | 19.188.141 |
| Energy | | 540.000 | | 710.725 | 360.039 | 789.275 | | 453.150 | 586.300 | 458.000 | | | | | | 3.897.489 |
| Tourism | | | | | | 198.483 | | | | | | | | | | 198.483 |
| Water | | | | | | 142.244 | | | | | | | | | | 142.244 |
| Environment | | | 363.132 | | 566.434 | | | | | | | | | | | 929.566 |
| Governance | | | | | | | | | | | 3.710.000 | | | | | 3.710.000 |
| Forestry | | | | | | 277.000 | | | | | | | | | | 277.000 |
| TOTAL BILATERAL COOPERATION | -- | 1.117.000 | 363.132 | 1.708.225 | 2.440.373 | 18.178.445 | 2.105.000 | 453.150 | 4.451.300 | 458.000 | 9.910.000 | -- | 10.000.000 | 6.000.000 | 25.000.000 | 82.184.625 |
| HUMAN RIGHTS AND DEMOCRACY (190403) | -- | 20.000 | 129.000 | 437.473 | 175.000 | 510.000 | 542.802 | 120.000 | -- | -- | -- | 395.464 | 640.028 | -- | -- | 2.969.767 |
| ENVIRONMENT (210205) | 370.000 | 400.000 | -- | 825.440 | 450.000 | 775.280 | -- | -- | -- | 693.400 | -- | 997.447 | 1.175.021 | -- | -- | 5.686.588 |
| Drugs (ex B7-6210) | -- | -- | -- | -- | -- | -- | -- | 205.000 | -- | -- | -- | -- | -- | -- | -- | 205.000 |
| HIV/AIDS (exB7-6211) | -- | -- | -- | -- | -- | 1.018.000 | -- | -- | -- | -- | -- | -- | -- | -- | -- | 1.018.000 |
| GENDER (210206) | -- | -- | -- | -- | 124.375 | -- | 20.000 | -- | -- | -- | -- | -- | -- | -- | -- | 144.375 |
| NGOs COFINANCING (210203) | -- | 2.160.270 | 1.711.536 | 2.769.749 | 661.327 | 1.857.596 | 672.852 | 311.096 | 1.340.635 | 750.192 | 958.562 | -- | 2.129.144 | 1.081.716 | -- | 16.404.675 |
| DECENTRALIZED COOPERATION | -- | -- | -- | -- | -- | -- | -- | 161.362 | -- | -- | -- | 249.415 | -- | -- | -- | 410.777 |

| | | | | | | | | | | | | | | | | |
|---|----------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|--------------------|
| (210213) | | | | | | | | | | | | | | | | |
| TOTAL THEMATIC LINES | 370.000 | 2.580.270 | 1.840.536 | 4.032.662 | 1.410.702 | 4.160.876 | 1.235.654 | 797.458 | 1.340.635 | 1.443.592 | 958.562 | 1.642.326 | 3.944.193 | 1.081.716 | -- | 26.839.182 |
| Block Grant | -- | 387.720 | 443.558 | 394.915 | 414.324 | 402.423 | 91.789 | -- | -- | -- | -- | -- | 156.513 | -- | -- | 2.291.242 |
| ECHO | -- | -- | -- | -- | -- | -- | -- | 500.000 | -- | -- | -- | -- | 1.385.000 | -- | -- | 1.885.000 |
| Jean Monnet | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 12.000 | -- | -- | -- | -- | 12.000 |
| Youth Programme | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 270.097 | 69.323 | 339.420 |
| Synergy | -- | -- | 240.364 | 395.797 | 112.762 | 230.450,00 | 275.400,00 | -- | -- | -- | -- | -- | -- | -- | -- | 1.254.773 |
| Thermie | -- | -- | -- | -- | -- | -- | 304.506 | -- | -- | -- | -- | -- | -- | -- | -- | 304.506 |
| Others | -- | -- | -- | -- | 24.456 | 58.525 | 205.000 | -- | -- | -- | -- | -- | -- | -- | -- | 287.981 |
| TOTAL Various | -- | 387.720 | 683.922 | 790.712 | 551.542 | 691.398 | 876.695 | 500.000 | -- | -- | 12.000 | -- | 1.541.513 | 270.097 | 69.323 | 6.374.922 |
| TOTAL/Año | 370.000 | 4.084.990 | 2.887.590 | 6.531.599 | 4.402.617 | 23.030.719 | 4.217.349 | 1.750.608 | 5.791.935 | 1.901.592 | 10.880.562 | 1.642.326 | 15.485.706 | 7.351.813 | 25.069.323 | 115.398.729 |
| Grand Total 1991-2005: € 115.398.729 | | | | | | | | | | | | | | | | |
| (1) Formulation Phase | | | | | | | | | | | | | | | | |
| (2) Total 1991-2005 | | | | | | | | | | | | | | | | |
| (*) Does not include Horizontal Cooperation & Science and Technology Programmes | | | | | | | | | | | | | | | | |

ANNEX 5: DONOR CO-OPERATION

| Donor/ Sector | Budget policy | Monetary policy | Agric., food sec. and rural devel. | Integrated social development ⁽¹⁾ | Education ⁽²⁾ | Health | Water | Urban developm., housing | Gender | Environment | Governance, institut. building | Justice, Human Rights | Private sector, SMEs, Micro-enterprises | tourism | culture | cience/ technol. | trade | others | Total |
|--|---------------|-----------------|------------------------------------|--|--------------------------|------------|-------|--------------------------|-----------|-------------|--------------------------------|-----------------------|---|---------|---------|------------------|-------|--------------|-------|
| Multilateral | | | | | | | | | | | | | | | | | | | |
| IMF | | | | | | | | | | | | | | | | | | | |
| World Bank | 125 0.0 | | 166.6 | | 25.0 | 1083. 0 | 47.5 | 157.0 | 13 3.0 | | | 54.6 | 84.0 | 34.0 | 753.0 | | | | |
| Inter American Development Bank | 416. 7 | | 105.1 | | 698.7 | 253.3 | 941.6 | 8.3 | 41 8.7 | 512.5 | 6.3 | 333.3 | 44.2 | 96.1 | 704.1 | | | 304.8 | |
| UNDP | | | | | | | | 12.9 | | | | 8.8 | | 0.8 | | 0.1 | | 0.7 | |
| EU-MS | | | | | | | | | | | | | | | | | | | |
| Italy ⁽³⁾ | | | 7.0 | 4.5 | 6.0 | 1.4 | | | | | | | 18.4 | | | | | | 37.3 |
| Spain ⁽⁴⁾ | | | 3.0 | 0.2 | 0.2 | 0.4 | 0.1 | 0.3 | | | 0.2 | 0.6 | 0.4 | 0.1 | | | | (+++) 3.0 | 8.5 |
| France | | | 0.6 | 0.4 | 1.2 | 1.0 | | 0.2 | | 2.1 | 0.2 | | (++) | | 0.3 | 0.3 | | | 6.3 |
| Germany ⁽⁴⁾ | | | | | | | | | | 2.1 | | | | | | | | | 2.1 |
| United Kingdom | | | | | 0.1 | | | | | 0.1 | 0.5 | 0.2 | | | | | | | 0.9 |
| Others ⁽⁶⁾ | | | | | 0.1 | 0.2 | | | | | 0.1 | 0.3 | | | | | | | 0.7 |
| Total MS | | | 10.6 | 5.1 | 7.6 | 3 | 0.1 | 0.5 | 0 | 4.3 | 1.0 | 1.1 | 18.8 | 0.1 | 0.3 | 0.5 | 0 | | 55.8 |
| EC ⁽⁵⁾ | | | (+) 10.7 | 1.1 | 10.6 | 15.7 | 0 | 0 | 1.0 | 2.2 | 0 | 5.6 | 12.2 | 0 | 0 | 0 | 9.7 | | 68.8 |
| Total EU | | | 21.3 | 6.2 | 18.2 | 16 | 0.1 | 0.5 | 1.0 | 6.5 | 1.0 | 6.7 | 31.0 | 0.1 | 0.3 | 0.5 | 9.7 | | 124.6 |

(1) Multisectoral social programs, children programs

(2) Including professional training, (training for) employment

(3) plus 75mio loan for private sector development, 25mio loan for health, education

(4) does not include bilateral and (contribution to) multilateral regional programs

(5) bilateral (incl. programs in preparation) and NGO funding, figures do not include horizontal, regional & Mercosur programs

(6) EU-MS with smaller cooperation programs include Finland, Netherlands, Ireland

(*) incl. 10mio APAC (community kitchen)

(**) funds from other bilateral sources used for economic cooperation/investment promotion

(***) micro-credits

ANNEX 6: ARGENTINA MILLENNIUM DEVELOPMENT GOALS

INFORMES DEL CUMPLIMIENTO DE LOS OBJETIVOS DE DESARROLLO DEL MILENIO EN ARGENTINA SISTEMATIZACION COMPARATIVA EFECTUADA POR PNUD 2002-2005

| ARGENTINA– 2003- Objetivos y Metas propuestos | Situación Actual y Tendencias | Estimación de cumplimiento a tendencias de los 90 | Desafíos y Prioridades | |
|---|--|--|--|----------------------------|
| <p>1. Erradicar la Pobreza Extrema y el Hambre</p> <ul style="list-style-type: none"> ▪ Erradicar la Indigencia y el Hambre ▪ Reducir la pobreza a menos del 20% | <ul style="list-style-type: none"> ▪ <i>En el 2000, 4.1% de argentinos tenía ingresos diarios inferiores a \$1 PPP. Esta tasa era el doble a la de 1990, la cual registraba un 2.0%. La tasa de desempleo aumenta de 6.1% en 1990 a 14.6% en 2000 y 21.5% en 2002.</i> ▪ <i>Entre 1990 y 2002 el coeficiente de Gini pasó de 0.23 a 0.47.</i> ▪ <i>La participación del quintil mas pobre el conjunto del ingreso nacional bajó entre 1995 y 2002 de un 4.4% a un 2.7%.</i> ▪ <i>Una característica central en el análisis de la situación social del país es su importante y creciente heterogeneidad. La pobreza y la indigencia se distribuyen en forma muy desigual y las disparidades vienen aumentando tanto entre las provincias, como en el interior de ellas.</i> ▪ <i>Entre 1990 y 2002, se observo un crecimiento del coeficiente de Gini desde 0.43 a 0.47. La participación del quintil mas pobre en el conjunto del ingreso nacional bajó entre 1995 y 2002, del 4.4% al 2.7%.</i> ▪ <i>Si bien el informe no indica datos de desnutrición infantil y/o subnutrición, se destaca que existe creciente preocupación por el aumento de la inseguridad alimentaria.</i> | <p>Probable</p> | <p>Políticas Sugeridas en el informe</p> | <p>Costeo de las metas</p> |
| | | | <ul style="list-style-type: none"> ▪ Erradicar la pobreza extrema y reducir la incidencia de la pobreza requiere como condición necesaria la recuperación de la senda del crecimiento económico. ▪ Se deben llevar a cabo profundas reformas estructurales en organización económica, funcionamiento de instituciones básicas e inserción internacional. ▪ No es suficiente sólo el crecimiento económico sino las políticas que aseguren un modelo de crecimiento influyente y equitativo. Algunas prioridades son: <ol style="list-style-type: none"> 1. Promoción y reconstrucción de micro, pequeña y mediana empresa. 2. Refuerzo de los componentes de capacitación y asistencia técnica, acceso a programas de asistencia crediticia y tecnológica. 3. Reforma de la política fiscal, más progresiva y con menores niveles de evasión. 4. Política social más universal, complementaria del ingreso proveniente del empleo, y que asegure mayores niveles de inclusión. | <p>na</p> |

| | | | | |
|---|---|-----------------------------|--|-----------|
| <p>2. Alcanzar la Educación Básica Universal</p> <ul style="list-style-type: none"> ▪ Asegurar que en el año 2010, todos los niños y adolescentes puedan completar los 3 niveles de educación básica. ▪ Asegurar que en año 2015, todos los niños y adolescentes puedan completar todos los niveles de educación (3 niveles de Educación General Básica y Polimodal) | <ul style="list-style-type: none"> ▪ <i>La educación básica ha tenido en Argentina un papel fundamental en la organización y constitución de la Nación. Desde finales del XIX se estableció la enseñanza básica, gratuita y obligatoria, y el Estado hizo significativos esfuerzos por garantizar condiciones que permitieran concretar los fines perseguidos por dichas políticas.</i> ▪ <i>En 1990 sólo el 1.7% de la población entre 15 y 24 años era analfabeta. En 2001 el porcentaje se redujo a 1.1%</i> ▪ <i>En 2001 el porcentaje de niños/as escolarizados era de 95%</i> ▪ <i>De acuerdo a datos del 2000, el 88% de los alumnos/as que ingresan en la escuela primaria logran completarla, aunque existen marcadas heterogeneidades entre las provincias.</i> ▪ <i>Existe un serio problema de segmentación social: donde asisten los niños/as pobres las escuelas tienen menores logros en tasas de ingreso, egreso, rendimiento y calidad educativa.</i> | <p><i>Probable</i></p> | <ul style="list-style-type: none"> ▪ Es necesario reasignar recursos y prioridades, lo cual exige un debate amplio y participativo de toda la sociedad. Las prioridades y recursos reasignados deben apuntar a: <ol style="list-style-type: none"> 1. Revertir el proceso de segmentación social, completando el desarrollo de la oferta educativa en las provincias, municipios y zonas rezagadas. 2. Reforzar las iniciativas por mejorar la eficiencia del sistema, apuntando a reducir el desgranamiento, producto de la repitencia y del abandono. 3. Proseguir y extender el proceso de capacitación docente, para mejorar los niveles de calidad hasta ahora alcanzados. 4. Enfrentar los nuevos desafíos, en particular el de la retención y reinserción al sistema de los adolescentes excluidos. <p>Invertir en educación es ineludible para generar condiciones que posibiliten superar el perverso ciclo de reproducción de la pobreza y ofrecer condiciones que favorezcan el desarrollo humano y una expansión de la ciudadanía.</p> | <p>na</p> |
| <p>3. Promover el Trabajo Decente</p> <ul style="list-style-type: none"> ▪ Reducir en el año 2015 el desempleo a una tasa inferior al 10% ▪ Incrementar la cobertura de protección social a dos terceras partes de la población ▪ Erradicar el trabajo infantil | <ul style="list-style-type: none"> ▪ El desempleo es, en términos históricos, un problema económico y social relativamente nuevo en el país, puesto que aun en períodos de crisis hasta comienzos de la década del 90 se había mantenido por debajo de los dos dígitos. ▪ Con la crisis del Tequila en 1995, el desempleo alcanzo un valor del 18%, y en el 2002 alcanza un valor de 21.5%. ▪ La tasa es particularmente alta entre jóvenes con menor nivel de instrucción en zonas urbanas. ▪ Durante los 80 se expandió el trabajo no registrado e informal, el cual de acuerdo a estimaciones de la oficina nacional de estadísticas, alcanza a un 45% de los trabajadores del país. ▪ La proporción de cotizantes de la seguridad social en relación a la población económicamente activa no alcanza un 40%. | <p>Poco Probable</p> | <ul style="list-style-type: none"> ▪ Es vital para alcanzar los ODM incorporar la dimensión empleo en las políticas económicas y sociales, para recuperar el crecimiento y superar la crisis de los 2000. ▪ Se trata no solo de aumentar los niveles de empleo sino atender al mejoramiento de las condiciones laborales y la protección social vinculada al empleo. ▪ Es indispensable la concreción de un pacto con el sector empresario, las organizaciones de trabajadores y el estado, para acordar un programa de promoción del trabajo decente. ▪ Se requiere la aplicación de políticas específicas orientadas a: <ol style="list-style-type: none"> 1. Promover la creación de empleo, iniciativas rentables y demandantes de mano de obra. 2. Fortalecer el vínculo de las empresas con el sector educativo y de formación de profesionales. 3. Introducir reformas para conformar un sistema de previsión social sostenible y universal. 4. Erradicar el trabajo infantil como medida intersectorial. | <p>na</p> |
| <p>4. Promover la igualdad de género</p> <ul style="list-style-type: none"> ▪ Alcanzar una mayor equidad de género mediante una mejor participación | <ul style="list-style-type: none"> ▪ En el sistema educativo las igualdades fueron ya alcanzadas. La relación entre tasas de alfabetización femenina y masculina en el tramo de edad de 15 a 24 años era del 100,5% en 1991, mientras que las tasas de femineidad eran del 97% en los niveles primario y secundario del sistema educativo, y del 100% en el conjunto del | <p>Probable</p> | <p>La consolidación de la creciente participación de la mujer en la actividad económica, acompañada de mejor educación y calificación, permitirá observar una paulatina mejora en la proporción de mujeres que ocupen posiciones de responsabilidad en el sector público y en el privado. Este proceso paulatino se traducirá también en una reducción de los diferenciales en los ingresos, que, a igual educación y</p> | <p>na</p> |

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| <p>económica de la mujer, una reducción de la brecha salarial entre varones y mujeres, manteniendo los niveles de igualdad de género alcanzados hasta el 2000 en el ámbito educativo</p> <ul style="list-style-type: none"> ▪ Aumentar la participación de la mujer en niveles decisorios (en instituciones públicas y privadas) | <p>sistema. En el 2001 esta participación se elevó a 101% y 105% respectivamente.</p> <ul style="list-style-type: none"> ▪ La participación económica de las mujeres creció de un 34% a un 40% en los años 90. ▪ Sin embargo se mantienen altas tasas de segregación en tareas subordinadas y de menor rango en mujeres. En 1993 la media de ingresos era un 30% inferior al de los hombres con igual nivel de instrucción y calificación ocupacional. ▪ En el campo político, la ley de discriminación positiva permitió que 30% de los miembros de miembros de la Cámara de Diputados sean mujeres, y un 35% en Senadores. | | <p>calificación ocupacional, todavía se observa entre hombres y mujeres. Como recomendaciones para fortalecer los niveles de igualdad de género alcanzados, será necesario considerar:</p> <ol style="list-style-type: none"> 1. Nuevas estrategias de promoción de la igualdad de género. 2. Mayor control social en el cumplimiento de la normativa vigente. 3. Una renovada oferta de capacitación tanto por parte del Estado como de las empresas para calificar la demanda de trabajo, a fin de incrementar la participación de la mujer en empleos de mayor calidad. <p>Es también previsible que los cambios culturales vinculados al creciente proceso de participación de la mujer se trasladen paulatinamente a otras esferas y permitan aumentar la proporción de cargos de responsabilidad.</p> | |
| <p>5. Reducir la mortalidad infantil</p> <ul style="list-style-type: none"> ▪ Reducir en 3/4 la mortalidad de menores de 5 años y en un 20% la desigualdad entre provincias | <ul style="list-style-type: none"> ▪ Entre 1990 y 2000 la mortalidad infantil se redujo un 33%. ▪ Se destaca igualmente un descenso de 40% en la mortalidad postneonatal. ▪ Existen sin embargo inequidades de acuerdo a las provincias y zonas rurales-urbanas. ▪ Las vacunaciones alcanzaron entre 80 y 90% en los 90. ▪ El Sistema de atención en el país es muy fragmentado y con serios problemas de articulación. Ello dificulta un óptimo aprovechamiento de los recursos que están disponibles y afecta la eficiencia y eficacia del sistema en su conjunto. | <p>Probable</p> | <ul style="list-style-type: none"> ▪ Impulsar una mayor capacidad resolutive de los servicios y alentar que los servicios de la salud asuman la responsabilidad del cuidado de la salud de la población a su cargo, mejorando la cobertura y calidad de los controles prenatales y pediátricos. ▪ Alcanzar un mayor compromiso en el apoyo y control de los niveles centrales nacionales y provinciales en las acciones que llevan a cabo los servicios públicos y privados. ▪ Llevar adelante una intensa acción comunitaria promoviendo la calificación de la demanda, valorando los derechos y obligaciones de la ciudadanía y de los servicios de salud. ▪ Desarrollar intervenciones de capacitación del personal, incorporación de tecnologías y equipamientos apropiados, juntamente con una adecuada organización del sistema de atención. ▪ Apoyar con mayor intensidad provincias y zonas que evidencian menos avance, asegurando cobertura y calidad más homogénea. | <p>na</p> |
| <p>6. Mejorar la salud materna</p> <ul style="list-style-type: none"> ▪ Reducir en 2/3 la tasa de mortalidad materna y en un 20% la desigualdad entre provincias | <ul style="list-style-type: none"> ▪ En 1990 la tasa de mortalidad materna (TMM) era de 52 por cada 100.000 nacidos vivos. En el 2000 la tasa se reduce a 35 por cada 100.000 nacidos vivos, logrando una reducción del 33%. ▪ La causa principal de muerte es por causas vinculadas al aborto. Las tasas de internación hospitalaria por complicaciones de abortos crecieron en un 45% entre 1995 y 2000. ▪ Por cada muerte materna, otras 500 mujeres sufren alteraciones permanentes en su estado de salud, como consecuencia de hemorragias, toxemia, problemas de base como la anemia y causas vinculadas al embarazo, parto y puerperio. | <p>Probable</p> | <ul style="list-style-type: none"> • Para alcanzar las metas propuestas serán necesarias líneas de política que procuren: <ol style="list-style-type: none"> 1. Extender el proceso ya iniciado desde fines de los 80 y durante la década de los 90, de desarrollo de servicios integrales de salud de la mujer, acompañados de programas de educación y comunicación social que promuevan la procreación responsable. 2. Promover el uso de preservativos, lo que impactaría además positivamente en la reducción de la incidencia del VIH/SIDA y enfermedades de transmisión sexual. 3. Intensificar el proceso de capacitación de los equipos de salud. 4. Mejorar la organización de la red de atención perinatal, para aumentar la calidad de la atención de la madre y del recién nacido, procurando también una mayor humanización en la atención del parto en las maternidades. 5. Promover la programación local, mejorando el acceso y adecuando los horarios de atención a las necesidades de la | <p>Na</p> |

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| | | | <p>población.</p> <p>6. Organizar un sistema de regionalización perinatal, asegurando el suministro de insumos básicos.</p> | |
| <p>7. Combatir el VIH/SIDA, paludismo y otras enfermedades</p> <ul style="list-style-type: none"> ▪ Haber detenido e iniciado la reversión de la propagación del VIH/SIDA en el 2015. ▪ Reducir la incidencia de la tuberculosis un 80% anual y la tasa de mortalidad por tuberculosis un 10% anual, y haber certificado la interrupción de la transmisión vectorial de Chagas en todo el país | <ul style="list-style-type: none"> ▪ La tasa de incidencia del HIV/SIDA creció de 1,5 en 1990 a 7.9 por 100.000 habitantes entre 1990 y 1996. En el 2000 la tasa se redujo a 5,1 y 3,7 en 2001. ▪ La mitad de la población con SIDA tiene entre 25 y 34 años. ▪ La relación hombre/mujer paso de 9 a 3 entre 1990 y 2000. ▪ En los mayores de 12 años la principal vía de transmisión ha sido el uso de drogas intravenosas, pero se ha modificado el patrón de la epidemia pues en los años 2000 y 2001 la vía de transmisión más frecuente fue heterosexual (41% y 43% de los casos respectivamente) ▪ La tasa de incidencia de tuberculosis Bayó de 4,2 a 2,1 por 100.000 habitantes. ▪ El mal de Chagas es la enfermedad infecciosa más ampliamente extendida, afectando a la población más pobre de las provincias con menor desarrollo relativo. Se produjo una disminución de la seroprevalencia de menores de 15 años, de 6,3% a 1,9%, entre 1992-2000, y de 11,8% a 6,8% en embarazadas. ▪ Cuatro provincias certificaron la eliminación de la transmisión vectorial de la enfermedad. | <p>Probable</p> | <ul style="list-style-type: none"> ▪ Para profundizar el proceso de reversión del VIH/SIDA iniciado en 1997, será necesario: <ol style="list-style-type: none"> 1. Mantener la provisión oportuna y regular de medicamentos e insumos 2. Promover la realización de pruebas del VIH en embarazadas, como medida para reducir el contagio a sus niños, teniendo en cuenta el éxito que las drogas antiretrovirales tienen en el tratamiento de las futuras madres. 3. Concretar una acción pública sostenida de prevención y reducción de daño que incluya activas campañas de comunicación social y de promoción en el uso de preservativos particularmente entre jóvenes, así como acciones tendientes a evitar la discriminación y proteger los derechos de los pacientes 4. Mejorar el Sistema de Vigilancia epidemiológica, aumentando la oportunidad de las notificaciones y reduciendo el subregistro. ▪ En el caso de la tuberculosis será necesario incrementar la cobertura de aplicación efectiva del TAES de la tuberculosis y continuar reduciendo la proporción de casos vacuíniferos que abandonan en tratamiento sin finalizarlo, para reducir el riesgo de la población sana. ▪ Para el mal de Chapas la experiencia recogida permite prever que con una adecuada supervisión y control, y con una articulación entre el Ministerio Nacional, los ministerios provinciales, los gobiernos locales y la organización comunitaria, es posible alcanzar la meta para el año 2005. | <p>na</p> |
| | | <p>Probable</p> | | |

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| <p>8. Asegurar un medio ambiente sostenible</p> <ul style="list-style-type: none"> ▪ Haber logrado que todas las políticas y programas del país hayan integrado los principios del desarrollo sostenible y se haya revertido la pérdida de recursos naturales. ▪ Reducir en 2/3 la proporción de la población sin acceso al agua potable. ▪ Reducir en 2/3 la proporción de la población sin acceso al saneamiento básico. ▪ Haber reducido a la mitad la proporción de la población residente en villas miserias y asentamientos irregulares. | <ul style="list-style-type: none"> ▪ Existe falta de información adecuada para identificar las prioridades y la magnitud de los problemas en materia de ambiente. ▪ Se estima que la superficie de bosque nativo se redujo de 35 a 30 millones de ha. ▪ Sólo el 2/3 de la superficie protegida legalmente contaba con efectiva implementación en 1996. ▪ Solo un 68% de la población accede en los años 90 al agua potable. En 2001 la proporción aumenta a un 89%. ▪ En los años 90 un 36% de las viviendas estaba conectada a redes cloacales. En 2001, un 42,5%. ▪ La proporción de la población residente en villas fue el 2% de los hogares en 1997 y el 3,1 de los hogares en 2001. Este incremento se relaciona con el aumento de la pobreza y desempleo en dicho período. | <p>Poco Probable</p> | <ul style="list-style-type: none"> ▪ Para alcanzar un medio ambiente sostenible se destacan las siguientes prioridades: <ol style="list-style-type: none"> 1. Generación y difusión de mayor información sobre indicadores referidos al uso de recursos naturales, la calidad medioambiental y el acceso a servicios de saneamiento. 2. Articulación de políticas en los planos social, económico y ambiental para un uso sustentable de los recursos naturales y la protección ambiental. 3. Fortalecimiento institucional y adecuación de la normativa ambiental a la realidad de las posibilidades de implementación, con cronogramas de avance para alcanzar las metas fijadas por las leyes. 4. Inversión en infraestructura para el acceso de la población a redes cloacales, particularmente en sectores de menores recursos. 5. Concreción de proyectos de urbanización y erradicación de asentamientos marginales. | <p>na</p> |
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ASSESSMENT OF THE LIKELIHOOD OF MEETING MILLENNIUM DEVELOPMENT GOALS

MERCOSUR COUNTRIES AND CHILE REPORTS 2000-2005

| Millennium Development Goals ¹¹ | Extreme Poverty | | Education | Gender Equality | Child Mortality | Maternal Health | HIV/AIDS | Environmental Sustainability | Global Partnerships |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------------------------|---------------------|
| | Poverty | Hunger | | | | | | | |
| Argentina | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | .. |
| Brazil | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | .. |
| Chile | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | .. |
| Paraguay | Potentially Unlikely | Potentially Unlikely | Likely | Likely | Likely | Likely | Likely | Likely | .. |
| Uruguay ¹² | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | Potentially Unlikely | .. |

LIKELY
POTENTIALLY
 UNLIKELY

¹¹ Projections based on the Millennium Development Goals' Country Reports, in consultation with country teams. Check the reports at <http://www.undp.org/rblac/mdg>. Status: 21 completed reports. 4 ongoing reports: Ecuador, Belize, Suriname, and Trinidad & Tobago. Note: Panama's MDGs Report does not provide projections.

¹² National MDGs Report coordinated by the government. Translated from Spanish "idóneo, potencial, remoto"

.. Indicates no data available

FUENTE: UNDP: www.undp.org/rblac/mdg/CountrycomparisonsJune24.doc

ANNEX 7: LIST OF ABBREVIATIONS

| | |
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| @LIS: | Alliance for the Information Society |
| ALFA: | América Latina - Formación Académica |
| AL-Invest: | A Programme of Business Meeting by the European Commission |
| ALβAN: | European Union Programme of High Level Scholarships for Latin America |
| ARI: | Argentina por una República de Iguales |
| AR\$: | Argentine peso |
| BDS: | Business Development Services |
| COFEMA: | Environmental Federal Council |
| COFESA: | Federal Health Council |
| CSP: | Country Strategy Paper |
| EAPS: | Primary Healthcare Strategy |
| EC: | European Communities |
| ECHO: | Directorate General for Humanitarian Aid |
| EIB: | European Investment Bank |
| EU: | European Union |
| EUROsocial: | Regional Programme for social cohesion in Latin America |
| FDI: | Foreign Direct Investments |
| FMD: | Foot and Mouth Disease |
| GDP: | Gross Domestic Product |
| GM: | Genetically Modified |
| GSP: | Generalised System of Preferences |
| HIV: | Human Immunodeficiency Virus |
| HQB: | High Quality Beef |
| ICSID: | International Court for the Settlement of Investment Disputes |
| ICT: | Information and Communication Technologies |
| ID: | Identity Documents |
| IFIs: | International Financial Institutions |
| IMF: | International Monetary Fund |
| IPR: | Intellectual Property Rights |

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| JICA: | Japanese International Cooperation Agency |
| LAC: | Latin America Countries |
| MDG: | Millennium Development Goals |
| NGO: | Non Governmental Organisation |
| NIP: | National Indicative Programme |
| OIE: | World Organisation for Animal Health |
| OBREAL : | EU-Latin America Relations Observatory |
| OSC: | Organisations of the Civil Society |
| PAMI: | Instituto Nacional de Servicios Sociales para Jubilados y Pensionados |
| PNUD: | Programa de Naciones Unidas para el Desarrollo |
| PNUMA: | Programa de Naciones Unidas para el Medioambiente |
| PyMEs: | Pequeñas y Medianas Empresas |
| S&T: | Science and Technology |
| SMEs: | Small and Medium-Sized Enterprises |
| SPS: | Sanitary and Phytosanitary Standards |
| TA : | Technical Assistance |
| TBT: | Technical Barriers to Trade |
| UCR: | Unión Cívica Radical |
| UN: | United Nations |
| UNDP: | United Nations Development Programme |
| UNEP: | United Nations Environment Programme |
| URB-AL : | Urban Local Development |
| US\$: | United States dollar |
| VET: | Vocational Education and Training |
| WB: | World Bank |
| WTO: | World Trade Organisation |