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**Second country cooperation framework for Argentina
(2002-2004)**

Contents

	<i>Paragraphs</i>	<i>Page</i>
Introduction	1–2	2
I. Situation analysis	3–11	2
II. Past cooperation and lessons learned	12–17	3
III. Proposed programme	18–26	4
A. Democratic governance	19–22	4
B. Poverty reduction	23–24	5
C. Environment	25–26	5
IV. Programme management, monitoring and assessment	27–32	6
Annexes		
I. Results and resources framework for Argentina (2002-2004)		7
II. Resource mobilization targets for Argentina (2002-2006)		12

Introduction

1. This document was prepared with reference to the actions outlined by the Government to respond to the acute political, economic and social crisis affecting Argentina. It reflects the results of consultations with Government authorities, political and social actors, multilateral financial institutions and United Nations system organizations conducted within the framework of the Argentine Dialogue which the Government convened in January 2002 with assistance from the Argentine Conference of Bishops and technical, methodological and logistical support from UNDP.

2. Given that the mandate of the present Government expires in December 2003, the programme encompasses the two years of the current term and the first year of the subsequent administration. The programme may have to be revised during that period, as the crisis develops.

I. Situation analysis

3. The Argentine Republic is in the throes of an unprecedented crisis, as evidenced by a steep increase in poverty, unemployment and inequality between social groups and between the different regions and provinces of the country. Such inequality and exclusion is conspiring against the very existence of society, its democratic institutions and its economic development.

4. The political crisis came to a head in December 2001, when the former President resigned against a backdrop of mass demonstrations, supermarket lootings and extreme repression. The Legislative Assembly immediately chose a President (who lasted only a week), then two further Presidents (who remained in office for a few days) and, finally, the current President (whose term expires in December 2003).

5. The country is experiencing an ongoing economic decline. After four years of recession and over ten years of monetary convertibility with extremely unfavourable exchange rates for exports, its production system has been practically destroyed. Between 1998 and the end of 2001, GDP decreased by about 16 per cent and the estimated decrease for 2002 is 13 per cent. A considerable drop in fiscal revenue and dysfunctions within the financial system led to restrictions on the movement of funds deposited in banks (*corralito*). In December 2001, the order was given to suspend repayments of the country's massive external debt.

6. At present, almost half of all families do not have a steady income or access to basic goods and services. This is a result of high unemployment and underemployment rates (18.6 and 16.3 per cent respectively, official figures for October 2001, and 24 and 22.4 per cent, current estimates) and reductions in salaries, pension payments and other income during the recession, particularly since January 2002, when convertibility was terminated leading to a devaluation of the peso of over 300 per cent. If this trend continues and the crisis deepens, current levels of exclusion will rocket, the attainment of the millennium development goals will be seriously compromised and, furthermore, the very existence of the institutional regime will be called into question.

7. Poverty now affects 51.4 per cent of the population, that is to say 18.2 million people, of whom 8.3 million are under the age of 18. There are 7.8 million people living in absolute poverty on an average monthly income of 266 dollars for a family of four, which is not sufficient to purchase basic foodstuffs, the price of which increased by 42.6 per cent between January and May 2002.

8. The social policy which the country developed over many decades is now totally inadequate to maintain even minimal social cohesion. A new economic and social policy must be formulated so as to reintegrate the vast sections of society which are currently excluded and ensure that those groups have access to acceptable health care, education, living conditions and social services.

9. There has been a general loss of confidence, which has undermined citizens' trust, destroyed the credibility of public institutions and altered basic social coexistence pacts. In the absence of solidarity, there is an overriding feeling of mistrust and a belief that only the restoration of a climate of confidence will make economic recovery possible (Argentine Dialogue, February 2002, <http://undp.org.ar>).

10. The Argentine Dialogue has demonstrated to the international community that the Argentine social crisis is a pressing one that calls for a special and urgent commitment to complement national efforts and creation of a favourable climate for international negotiations to obtain sufficient cooperation resources, thereby contributing to the country's recovery.

11. In short, the current situation is characterized by deep-seated social, economic and political unrest which calls for awareness on the part of the authorities and the population as a whole. It is essential to embark upon a transition process so as to preserve the institutions, restore social peace and provide clear solutions to the problems which are laying waste to Argentine society.

II. Past cooperation and lessons learned

12. During the previous cooperation framework (1997-2001) the UNDP Office placed the emphasis on a strategy of support for programme and project management and on continuing to facilitate the improvement of public spending and capacity-building through increased use of the national execution modality (mid-term review, September 2001).

13. During that period, it also embarked upon other areas of action. It took steps to contribute to the national debate on development policies and to the development of new criteria to address poverty eradication and job creation, promotion of social capital and democratic participation. The Office played an important role in the study of the development situation (Argentine Human Development Report), citizen's perception of democracy (Report on Democracy in Argentina) and community capacity (Civil Society Development Index).

14. During the current crisis, UNDP has played a key role in supporting the Argentine Dialogue convened by the Government; at the end of the first phase, this became a reliable and valid forum with broad-based participation, including from sectors which are generally marginalized. There was a genuine, almost unanimous, willingness to engage in dialogue and there was agreement regarding the need to continue with the sectoral coordination committees and to seek agreement on

emergency measures and medium- and long-term strategies on social, employment and production issues, political and State reform, judicial reform, education and health. The most important challenge that lies ahead is the implementation, by means of specific measures, of the agreements reached by each committee.

15. The time is right for the UNDP Office to provide the country with a new portfolio of services that includes traditional project management, but with a new perspective of total quality, and new strategies for tackling the serious crisis, promoting dialogue between citizens and the State and contributing to new dynamics of development.

16. The management capacities of UNDP have produced positive results as regards the implementation of projects in critical areas, such as provision of social services and modernization of public management. During this cycle, a significant quantity of official resources were mobilized at the national, provincial and municipal levels and at the level of international financial institutions. The execution amount — 800 million dollars, peaking at 197 million in 1999 — exceeded by 310 per cent the level estimated when the programme was approved.

17. During the 1997-2001 cycle, considerable progress was made in coordinating United Nations system organizations, as evidenced by the joint publication of several key documents, including the first Common Country Assessment in 1997, and by the participation of those organizations in the Argentine Dialogue. It is now time to move ahead with joint preparation of the report on the millennium goals and with the programming of new initiatives.

III. Proposed programme

18. Bearing in mind the deep-seated political, economic and social crisis affecting the country, the need to support the current transitional process and the general elections to be held in March 2003, three programme areas which have been identified correspond to three of the six UNDP areas of concentration.

A. Democratic governance

19. Political and institutional capacity must be strengthened in order to ensure governance and promote economic and social development. This programme area contributes to the millennium development goals, which include a commitment to governance.

20. The Argentine Dialogue and the conclusions of the report on democracy have shown that Argentine society is ready to analyse its problems and set out its options through participatory deliberations and dialogue leading to specific agreements and results and transparent management mechanisms.

21. UNDP, in conjunction with the Argentine Ministry of Foreign Affairs, will engage in intense negotiations with the international financial community, bilateral donors and international civil society bodies and will draw their attention to the current situation and the need for external support.

22. There is also a need to strengthen civil society dialogue processes and institutional capacity, with special emphasis on the reform of the public sector in

general and of the justice system in particular, and to enhance local development. Links with the Government — at the national, provincial and municipal levels — the church, the media, international financial institutions and civil society as a whole will be reinforced.

B. Poverty reduction

23. This social emergency calls for an effective and transparent response that will foster social cohesion within the framework of harmonized policies to eradicate poverty. This programme area contributes to the millennium development goals which include the goal of eradicating hunger and poverty.

24. A new social policy must be formulated and coordinated with an economic policy to create jobs so that the vast sectors of society which are currently excluded can be reintegrated. At the same time, given the seriousness of the crisis, it is vital to establish social safety nets to reduce its impact and the risks of social disintegration. International financial institutions have reoriented their work with a view to supporting the social emergency measures introduced by the Government, which focus on the supply of food, medicine and benefits to vulnerable groups (unemployed heads of poor households, pregnant women, at-risk infants and school-age children, unemployed poor young people, elderly people over 70 without social security). Social auditing mechanisms will be strengthened, as will links with the Presidency of the Nation, especially the Coordinating Committee for Social Policy, the Ministries of Social Development, Employment and Health, provincial and municipal governments, particularly those in the most precarious situations, and international financial institutions and civil society bodies.

C. Environment

25. The promotion of sustainable development and the rational use of natural resources contribute to the millennium development goals which include the goal of ensuring environmental sustainability.

26. Although the current crisis has drawn attention to emergency situations, it is also necessary to take into account environmental problems, particularly global changes resulting from atmospheric pollution and deforestation, inter alia climate change, thinning of the ozone layer and loss of biological diversity (the rich fauna of the Patagonian coast is in danger of extinction). Environmental and sustainability issues must be incorporated into national public policy and strategies must be defined to fulfil the commitments undertaken pursuant to international conventions. There will be a strengthening of the links with the environmental offices of the Ministries of Foreign Affairs and Social Development, of the provinces having the most urgent problems and of the Department of Tourism and the Administration of National Parks, and with international financial institutions, bilateral donors and civil society bodies.

IV. Programme management, monitoring and assessment

27. The structure and functions of the UNDP Office have been redefined, in accordance with the new guidelines from the Administrator. The role of the Resident Coordinator is being strengthened, together with the capacity to assist the country with advice and dialogue about public policy, development services and support for the other United Nations system organizations.

28. The sustainability of the management strategy is based on maintaining the volume of shared costs and reducing the Office's costs. This will generate extrabudgetary resources which can be used to support new initiatives and provide high-level advisory services.

29. Efforts will be made to strengthen an institutional culture based on knowledge and learning by making effective use of the UNDP global information networks, including the subregional resource facility (SURF), and establishing strategic links at the local, regional and international levels.

30. UNDP classified Argentina as a net contributor country, and therefore it has not received cooperation resources since 2000. However, in view of the current situation and the sharp drop in per capita GDP since devaluation, it is possible that Argentina may once again be eligible for financial assistance. In June 2002, the Government requested the Executive Board to reclassify it. The Board provisionally suspended Argentina's net contributor country (NCC) status and its financial contributions, pending certification by the World Bank of the GDP figures for 2002.

31. Meanwhile, alternative sources of financing must be found for activities relating to promotion, advice and dialogue concerning public policy and for projects to deal with the emergency, with a view to laying the foundations for the country's recovery. This action will focus on attaining results, introducing the concept of total quality in the activities of UNDP, creating new links and strengthening existing ones and on responsible management.

32. For the main part, the programme will adopt the national execution modality and UNDP will provide advisory and capacity-building services. Programme monitoring and evaluation will be based on the Strategic Results Framework (SRF) and follow-up will be detailed in the results-oriented annual report (ROAR).

Annex I

Results and resources framework for Argentina (2002-2004)

Objective A: Strengthen political and institutional capacity

<i>Strategic area of support</i>	<i>Intended outcomes</i>	<i>Indicators of outcome</i>	<i>Outputs</i>	<i>Resources (estimated figures) (in thousands of US dollars)</i>
Dialogue on strategic areas for public policies.	Expansion of the public debate and the public use of the concept of sustainable human development.	<p>Effective use of: National Report on Human Development, Report on Democracy and Civil Society Development Index, to expand the debate on human development and encourage changes to public policies.</p> <p>Starting point: Elements of the Report on Human Development incorporated into the Constitution (1994).</p> <p>Goal: Use of the concept of human development in the national social debate and increased capacity for civil society bodies on human development issues.</p>	<p>National Report on Human Development.</p> <p>Report on Democracy in Argentina.</p> <p>Civil Society Development Index.</p> <p>Support for the National Plan on Human Rights.</p>	<i>Other resources:</i> Shared costs: 200
	Greater use of the concepts and elements of human development in the elaboration and implementation of public policies.	<p>Concepts and elements of human development reflected in public policies and official statements.</p> <p>Starting point: Deep-seated political, economic and social crisis which requires dialogue and agreement.</p> <p>Goal: National agreements on strategic areas for national development.</p>	<p>Technical, methodological and logistical support for the Argentine Dialogue and sectoral committees (health; justice; society, employment and production; political reform).</p>	

<i>Strategic area of support</i>	<i>Intended outcomes</i>	<i>Indicators of outcome</i>	<i>Outputs</i>	<i>Resources (estimated figures) (in thousands of US dollars)</i>
	Expansion of a competitive, market-oriented private sector.	National and provincial programmes to promote the growth and development of small and medium-sized enterprises. Starting point: Marked weakening of small and medium-sized enterprises during the recession. Goal: National plan for the rehabilitation of small and medium-sized enterprises.	Programme for the strengthening of small and medium-sized enterprises.	Shared costs, IADB/World Bank: 5 000
Administration of justice and greater access to judicial remedy.	Efficient and impartial administration of justice.	National and local programmes to improve the administration of justice. Starting point: Key areas identified by the relevant committee established under the Argentine Dialogue to deal with the crisis in the legal system. Goal: Reform process under way.	Support for World Bank programmes on reform of the legal sector.	Shared costs, World Bank: 5 000
Decentralization policies and allocation of resources at the subnational level.	Financial and human resources mobilized and allocated to support decentralization and local governments in rural and urban areas.	Programmes to strengthen local governments, with growing participation from civil society bodies. Starting point: Weakening of local governments as a result of the crisis and the recession. Goal: Local reform and strengthening programme under way.	Large conurbations programme (Rosario section). Programme concerning the decentralization and reform of the Government of the City of Buenos Aires.	Shared costs, IADB: 20 000 Shared costs, local governments: 2 000

<i>Strategic area of support</i>	<i>Intended outcomes</i>	<i>Indicators of outcome</i>	<i>Outputs</i>	<i>Resources (estimated figures) (in thousands of US dollars)</i>
Efficiency and accountability in the public sector.	Efficiency and equity in the provision of public services.	National and provincial programmes to improve the performance of the public sector and the provision of services. Starting point: Deep-seated crises in all areas of the State, at both the national and provincial levels. Goal: Programme for the reform and strengthening of the public sector.	Programme to support the Federal Public Revenue Service (AFIP). Public debt management system for the provinces. Reform programmes for the provinces (Córdoba, Buenos Aires, La Rioja, San Juan, etc).	Shared costs, IADB: 55 000 Shared costs, Government: 200 Shared costs, Government: 15 000

Objective B: Respond to the social emergency in an effective and transparent manner in order to ensure social cohesion, within the framework of harmonized policies to eradicate poverty

<i>Strategic area of support</i>	<i>Intended outcomes</i>	<i>Indicators of outcome</i>	<i>Outputs</i>	<i>Resources (estimated figures) (in thousands of US dollars)</i>
Reduction of the impact of HIV/AIDS on the most vulnerable sections of the population.	Strategies to reduce the impact of HIV/AIDS on the most vulnerable sections of the population.	Regional and provincial strategies to reduce the impact of HIV/AIDS on the most vulnerable sections of the population. Starting point: National Strategic Plan 2002-2003 drawn up. Goal: Prevention and treatment programmes for the most vulnerable groups (vertical transmission, drug addicts).	Global Fund to Fight AIDS, Tuberculosis and Malaria. National Plan to Combat AIDS (ILUSIDA). Reduction of harmful effects on drug addicts/HIV.	<i>Other resources:</i> Global Fund: 16 000 Shared costs, World Bank: 1 800 UNDCP: 250 UNAIDS: 200

<i>Strategic area of support</i>	<i>Intended outcomes</i>	<i>Indicators of outcome</i>	<i>Outputs</i>	<i>Resources (estimated figures) (in thousands of US dollars)</i>
Access to basic social services and social risk management.	Social protection systems to care for the most vulnerable groups.	National, provincial and municipal programmes to create social safety nets. Starting point: Deep-seated social crisis and increased levels of poverty and absolute poverty. Goal: Effective and transparent formulation, implementation and monitoring of programmes to tackle the social emergency.	Support for the Governing Council for the Right of Social Inclusion (Ministry of Labour).	Shared costs, private sector: 12 000
			Support for emergency programmes with external financing (IADB/World Bank): Medicines, Information System for Social Programmes — SIEMPRO/SISFAM — Rosario Habitat. Support for medicine management in the provinces. Support for the Coordinating Council for Social Policy. Social monitoring of social programmes funded by international financial institutions.	Shared costs, IADB/World Bank: 20 000 Shared costs, provinces: 10 000 Shared costs, IADB/World Bank: 100
Administrative and programming coordination and collaboration within the framework of the Resident Coordinator System (at the country level).	More effective and continuous mechanisms at the country level in the area of the planning and programming of the Resident Coordinator System.	Number of activities jointly formulated, implemented and financed. Starting point: Three inter-agency groups up and running. Goal: Report on the Millennium Development Goals.	Systematic reports and assessments on the attainment of the Millennium Development Goals carried out with UNDP coordination.	Resident Coordinator's resources: 50

Objective C: Promote sustainable development and the rational use of natural resources

<i>Strategic area of support</i>	<i>Intended outcomes</i>	<i>Indicators of outcome</i>	<i>Outputs</i>	<i>Resources (estimated figures) (in thousands of US dollars)</i>
National and provincial capacity for sustainable development: environment.	Contribution towards the expansion of national and provincial capacity for formulating and implementing sustainable development and environmental policies.	National and provincial programmes which promote integrated environmental regulation. Starting point: Absence of integrated management in environmental programmes. Goal: Instruments to achieve integrated environmental regulation, adopted and utilized.	Support for programmes to manage and regulate natural resources. Support for programmes to manage and regulate water resources. Support for programmes to prevent and combat pollution. Support for sustainable energy programmes. Support for the National System of Protected Zones.	<i>Other resources:</i> Shared costs, World Bank: 6 000 GEF: 8 500
International commitments made pursuant to conventions.	Contribution towards expansion of national capacity for negotiation and observance of the commitments made pursuant to international conventions.	Programmes to fulfil the commitments made pursuant to international conventions.	Support for the fulfilment of the commitments made pursuant to international conventions (biological diversity, desertification, climate change). Support for Argentine participation in the Johannesburg World Summit and for the fulfilment of subsequent agreements.	Montreal Protocol: 500
			Total	177 800

Annex II

Resource mobilization targets for Argentina (2002-2006)

<i>Source</i>	<i>Amount</i> <i>(In thousands of United States dollars)</i>	<i>Comments</i>
UNDP core funds		
Estimated carry-over	0	Carry-over from TRAC 1, TRAC 2 and previous AOS allocations.
TRAC 1.1.1	0	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	50	
SPPD/STS	0	
Subtotal	50^a	
Non-core funds		
Government cost-sharing	140 300	
Third-party cost-sharing	0	
Funds, trust funds and other	37 450	
comprising:		
GEF	8 500	
Multilateral Fund for the Implementation of the Montreal Protocol	500	
Other	28 450	
Subtotal	177 750	
Total	177 800^a	

^a Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.
Abbreviations: AOS = administrative and operational support; GEF = Global Environment Facility;
SPPD = support for policy and programme development; STS = support for technical services;
TRAC = target for resource assignment from the core.