



COMPREHENSIVE GROWTH STRATEGY

ARGENTINA

A. ECONOMIC OBJECTIVE AND KEY POLICY COMMITMENTS

Economic Objective

Argentina fully supports an increased degree of ambition regarding our objective of achieving strong, sustainable and balanced growth, but with an emphasis on the need to make sure that such growth is inclusive, so that its benefits can be shared widely, given that this kind of growth is the only one that has proved to be sustainable over time.

The country's growth strategy is focused on the reindustrialization process. Industrial development has significant increasing returns to scale in the long term and fosters quality employment and social inclusion. This, in turn, guarantees the expansion of aggregate demand, thus leading to a new round of expansion in aggregate supply and productivity. With this view, our reform priorities are concentrated in the areas of investment, especially infrastructure, industrialization, employment and social inclusion.

Regarding investment, Argentina will focus on significantly increasing the resources channeled to energy production and infrastructure, transport and logistics. Although the investment rate has increased significantly as from 2003, and infrastructure investment has risen from negligible levels to new records in recent years (with more than half of the funds allocated to closing the energy gap), still higher levels of investment are required to sustain a rapid and sustainable rate of growth. In infrastructure investment, the public sector will maintain its leading role, but the objective is also to attract private and external funding/operation when rates of return demanded are deemed to be adequate.

With regard to employment and social inclusion, the generation of an increasing level of employment, but especially of quality jobs, is one of the pillars of the strategy of inclusive growth that Argentina has been pursuing and will continue to implement. Only a deliberate policy to achieve this aim can generate a sustained improvement in the population's living standards. In this regard, formal employment grew by 80% as from 2003. With the aim to continue to make progress on that front, Argentina needs to introduce additional measures to further consolidate the improvements achieved in the labor market and to, simultaneously, promote overall economic development with an emphasis in the reduction of inequality.

The policy measures identified below are designed to strengthen Argentina's economic potential by fostering strategic investments in the economy, particularly in infrastructure and energy, which are currently considered to be the main structural challenges the country must tackle to achieve a Strong, Sustainable and Balanced Growth (SSBG). The success of this strategy will lead to improved standards of living for the population, boost the growth in trade with the rest of the world and the mutually beneficial collaboration in the development of our country's resources with our partners from other nations, thus contributing to our SSBG objective at the global level. Moreover, the continuous improvement in financial regulation, as well as the control of money laundering and tax evasion, will allow Argentina to reach full compliance with the best international practices in those areas, with the consequent benefit for all our member countries.

Key Commitments

1. To increase the production of oil, gas (including non-conventional sources) and refined fuels taking advantage of the leading role to be played by YPF (mixed company with a majority public-sector share) and boost hydroelectric power by means of the construction of two large dams.
2. To continue increasing employment, improving its quality and the skills of the workforce, and fighting against informality and any form of precarious employment.
3. To continue raising pension coverage with the aim of augmenting it to benefit 100% of those people that have reached the retirement age.
4. To increase the capacity and improve the performance of the main freight railway in Argentina, as well as that of the metropolitan passenger railway system, in one of the most ambitious investment programs that have been undertaken in this area.
5. To reinforce Central Bank's policies to increase the financing available for SMEs and less developed regions, by means of different mechanisms and incentives.

B. ECONOMIC OUTLOOK AND CHALLENGES TO GROWTH

Current and Future Growth Prospects

	Key Indicators**				
	2013	2014	2015	2016	2017
Real GDP (% yoy)	2.9%	0.5%	2.8%	2.9%	3.2%
Nominal GDP (% yoy)	21.8%	24.0%	19.7%	15.8%	12.6%
Inflation (% yoy)*	n/a	n/a	15.6%	13.2%	9.9%
Fiscal Primary Balance (% of GDP)	-0.7%	-1.9%	1.0%	n/a	n/a
Unemployment (%)	7.1%	n/a	n/a	n/a	n/a
Savings (% of GDP)	16.8%	n/a	n/a	n/a	n/a
Investment (% of GDP)**	20.9%	21.0%	21.0%	21.0%	21.0%
Current Account Balance (% of GDP)	-0.8%	n/a	n/a	n/a	n/a
Trade Balance (% of GDP)	1.3%	1.5%	1.8%	1.8%	1.7%

* Inflation is not informed for 2013 due to the methodological changes made in the fourth quarter of 2013.

** Constant prices.

Key Drivers

Argentina's growth strategy is mainly focused on the domestic components of aggregate demand. Since consumption is the largest component, it has a key role in stimulating the whole economy. Under this view private investment is primarily determined by demand pull from consumption and accelerator-type mechanisms, and so is the case with the level of employment. Moreover, the favorable evolution of employment in Argentina, together with the measures to support lower-income households, make it possible to continue improving the distribution of income, which can, in turn, contribute to boosting aggregate demand and achieving a virtuous and balanced growth process. The Government understands that this strategy has been very fruitful so far, deems the current relatively unfavorable conjuncture to be transitory, and intends to maintain this course.

Assessment of Obstacles and Challenges to Growth

The country grew very fast from 2003 to 2011, though growth has decelerated in recent years. While this was mainly due to a more adverse external environment, due to the deceleration of the global economy, particularly of Argentina's main trading partners, Argentina needs to tackle some challenges to continue growing fast in the future.

In particular, the country needs to support the expansion in the economy's productive capacity. This requires pursuing policies of a structural nature to remove supply-side bottlenecks and, in particular, it demands an increase in investment in infrastructure and energy. These efforts should also contribute to improving the economy's overall competitiveness, the increase in productivity and the diversification of exports.

These efforts will be coupled with our policies focused on continuing to make progress regarding employment and the distribution of income. In this regard, the macro, labor and social policies implemented in the past ten years made it possible to increase the rate of growth in employment to an average of 3% per year. This process of job creation reduced the unemployment rate from over than 20% to almost 7% nowadays. Also the rate of informal employment fell approximately 15 percentage points, reaching a minimum of around 32%. Nonetheless, Argentina considers that employment creation and reducing informality remain as key challenges, and current policies continue to seek to address these issues.

Moreover, Argentina is currently facing the additional challenge posed by holdout vulture funds, which needs to be addressed in a way that it does not threaten the country's growth and development potential, not only in the short run, but also in the medium- and long term. The erroneous interpretation of the *pari passu* clause by a US court together with the injunction which is preventing holders of exchange bonds to collect the payments duly made by Argentina, have generated an unprecedented situation. In particular, this precedent jeopardizes future sovereign debt restructurings, which severely limits the growth potential of overindebted countries and generates negative spillover effects that harm the stability of the global financial system and, as a consequence, global growth. Several international institutions, such as the United Nations, OAS and IMF, have publicly shared this concern.

In this context, we categorically reaffirm Argentina's willingness and capacity to pay 100% of its creditors in a fair, equitable, sustainable and legal manner, and the crucial importance of preserving the right of holders of restructured debt to get paid. In fact, Argentina has been

making significant efforts in the recent past to normalize its external economic relations: the signature of a payment agreement with the Paris Club last May, the cancellation of debts under ICSID litigation procedures and the agreement with Repsol at the beginning of this year to compensate the company for the increase in the public sector's share in the company YPF.

C. POLICY RESPONSES TO LIFT GROWTH

New Macroeconomic Policy Responses (including Reforms to Frameworks)

Fiscal policy aims at maintaining the strategy followed in previous years, focused both on implementing a countercyclical policy (fiscal impulse was positive in the first quarter of 2014), while maintaining a low and manageable debt-to-GDP ratio.

The scope for countercyclical fiscal policy is supported by the increased tax collection, partly originating in an improvement in the efficiency. In addition, the tax structure has become more progressive by means of the increase in the share of the income tax. Export duties have a similar effect, to the extent that they make it possible to finance social expenditure on the basis of taxes on sectors with high profitability. On the expenditure side, there has been an expansion of public spending mainly on components with high multiplier effects, such as the social security net and investment in infrastructure, especially on those projects that aim to achieve energy self-sufficiency. The multiplier effects of this type of investment are twofold, because in addition to the direct impact on employment and the generation of value added, there is the savings from the reduction in energy imports.

Moreover, the Government is committed to a policy of improving the allocation of public spending, both in productive and social investment. Regarding the latter, it has a policy of gradually reducing subsidies on energy consumption and public transport. This policy was of fundamental importance in the past, given the need to protect significant sectors of the population from the hardships generated by the 2001-2002 crisis and the 2009 international crisis. However, current income levels allow for the reduction in subsidies in medium- and high-income sectors, which will be complemented by an improved targeting, so only lower-income households will benefit from them in the medium and long-term. Another expected outcome is a reduction in excessive consumption of energy by higher-income households, as a result of the price signals generated by the partial reduction in subsidies. Moreover, it is worth noting that all the policies to remove subsidies being implemented have as their main objective to encourage the rational use of energy, thus generating positive externalities on the environment as a result of greater care in the use of non-renewable sources of energy.

With respect to monetary and exchange-rate policy, by the end of 2013 the economy was facing a fall in international reserves and considerable pressures in the foreign exchange market, which led to a depreciation in the exchange rate in January 2014. After that, the government implemented a set of measures, including a gradual rise in interest rates and a flexibilization of the requirements for residents to access the foreign exchange market for portfolio investments, which were successful in stemming the drop in reserves and in reducing depreciation pressures in the exchange market. The market has positively reacted

to the coordinated monetary-fiscal policy efforts as it was reflected in a turning point in the evolution of international reserves, which have been recovering since April 2014.

In June 2014, the Central Bank made some regulatory changes with the aim of fostering credit in more favorable conditions to households. A regime of benchmark interest rate for personal and auto pledge-backed loans was implemented. According to the regulation, financial institutions were divided into two groups, each of which has different reference rates. Interest rate caps for purchases of loan portfolios were also established. Simultaneously, taking into account the development of financing by non-bank credit providers, particularly in locations that lack the provision of services by financial institutions, the central bank has created a register to enrol them. This action is a first step to strengthen the oversight and regulation of shadow banking in Argentina, in line with international trends in this area.

Moreover, the Central Bank of Argentina has also signed with the People's Bank of China an agreement for a peso-yuan swap on July 18, with the purpose of providing liquidity support for the bilateral economic and trade activities and maintaining financial market stability. The size of the swap facility is 70 billion yuan (equivalent to US\$11.3 billion) and the agreement is valid for three years.

In order to support growth, it is of the utmost importance to guarantee financial stability. Therefore, Argentina implemented a macro-prudential and micro-prudential regulatory framework that has proved to be robust. Banks have withstood successfully several stress episodes, as the last international financial crisis and the tapering.

The macroprudential toolkit consists of a set of policies, regulations and governance arrangements. That toolkit seeks to prevent system wide risks by addressing specific potential imbalances, as well as limiting risk taking by financial institutions and borrowers. These macro-prudential approach aims to moderate the pro-cyclical nature of the banking sector, and of the financial sector in general, which has significant feedback effects on the real sector. Grounded in the experience of our own financial system, the macro-prudential approach has also promoted initiatives such as the restriction of unlimited speculative short-term capital inflows, limit to direct and indirect currency mismatching in the banking system and the reduction in the exposure of banks to public financing through prudential regulation.

Argentina is committed to completing the adoption of the three Pillars in Basel II and the new elements in Basel III. The Central Bank has taken measures that in fact exceed the initiatives on liquidity and solvency in the new Basel standards, and is the regional leader in this area. The adoption of international standards for asset and risk measurement reflects the continuity of BCRA's efforts in its regulatory and supervisory activity designed to encourage credit for production and investment, accompanying a macroeconomic model intended to achieve growth and social inclusion.

Due to this robust macro-prudential and microprudential regulatory framework in line with international standards, the banking system remains well-capitalized, liquid and profitable. Moreover, the banks were not affected by the recent turbulence, in which the deposits have continued growing.

To sum up, fiscal, monetary and macroprudential policies are expected to improve the economic perspective and contribute to macroeconomic stability in the short term, while

longer-term structural policies continue to be implemented. Therefore, macroeconomic policy will maintain in the near future a countercyclical expansionary stance in both the fiscal and monetary front.

New Structural Policy Responses

Investment and Infrastructure

The National Government with the understanding that investment in infrastructure is a key to support the country's economic growth and encourage job creation, has undertaken since 2003 an aggressive public investment program to overcome the restrictions faced by the private sector to undertake investments in large-scale projects with very long maturities in the areas of production and distribution of energy, and in the transport sector.

Regarding **energy**, taking advantage of its majority shareholding position in the national state oil company YPF, and through agreements with several industry leaders under the Promotion of Investment Regime for the Exploitation of Hydrocarbons (sanctioned in July 2013), the government is giving a strong boost to production and investment in this strategic sector with multiple objectives. These are (i) promote growth and employment, (ii) increase the domestic supply of hydrocarbons, (iii) provide greater FX stability through reduced foreign exchange requirements for imports of these products, and (iv) develop new technologies that can benefit the economy's overall technological capabilities.

According to YPF's strategic plans, the company **production of oil, gas and refined fuels** will increase by 29%, 23% and 37% respectively, in the period 2013-2017 vis-à-vis the period 2011-2012. It will also create 10,000 new jobs. This is a result of both a strong public sector effort as well as higher foreign private investment, largely through its participation in the important *Vaca Muerta* area, one of the largest reserves of non-conventional oil in the world. The latter will be key for achieving levels of production that will make it possible to significantly reduce dependence on external sources. Moreover, the nuclear plant "*Atucha II*" will start operating by late 2014/early 2015, and the Government has just signed a framework trade agreement with China for the supply of equipment, components, raw material and technical and engineering design services for the construction of the fourth nuclear plant in Argentina, *Atucha III*.

In mid-2013 the Government awarded the construction of **two hydroelectric dams** in the province of Santa Cruz with international funding of about US\$4.5 billion. The objective of this project is the generation of electric energy with 1740Mw of installed power and an annual electric energy generation of 5000Gwh per year. Besides, the **Genren**, program of Renewable Energies, which aim is to develop electricity generation from renewable sources in a sustainable way, will continue. More than 200 MW of power has already been installed and the expectation is that these kind of energies will increase over time.

Regarding gas, the government has recently signed the contracts for the first stage of the **Northeast Gas Pipeline project**, with the objective of extending of the domestic gas network in 7 provinces. This initiative implies a budget expansion of \$7.4 billion (US\$895 million) in 2014 to finance the pipeline's construction, which will extend the natural gas network to the provinces of Salta, Formosa, Chaco, Misiones, Corrientes, Santa Fe and

Entre Rios, thus reaching 1.3 million people. This project will be developed in two stages and involves a total investment of \$16.9 billion (US\$2.04 billion). The contracts for the first stage imply the construction of 798 km of pipeline that will cross 23 towns and reach 120,000 habitants, for a total investment of \$4.9 billion (US\$596 million). The works corresponding to the second stage were auctioned recently and will involve an investment of \$11.9 billion (US\$1.5 billion), with the construction of 2,242km of gas pipeline crossing through 80 towns and benefitting 1.1 million habitants.

In the area of **transport infrastructure**, with the aim of significantly reducing transport costs and improving logistics, especially in regional economies located far from the ports, the government created the **Belgrano Cargas and Logistics S.A.** company to boost the development and growth of provincial economies. Investment agreements were signed with foreign companies to modernize the equipment of the *Belgrano Cargas*, the country's most important freight railway, which will allow a higher frequency and an increase in total load capacity and, in general, will increase logistics efficiency and will improve market access for local producers. The investments will imply the renovation of more than one thousand kilometers of track, the acquisition of almost 100 new train engines and 3,500 wagons, and the repair of around 2,000 wagons, which will imply 3 years of work for local repair shops. The project involves private sector financing for most of the contract and a local public contribution.

Moreover, the government has undertaken the most ambitious **revamping of the metropolitan area passenger railway system** in 50 years. This will make it possible to reduce travelling times and costs for millions of workers in the metropolitan area and alleviate congestion and its associated costs. It involves the purchase of more than 25 formations of 9 train cars for the Sarmiento Railway, 300 electric train cars for the Roca Railway, 30 formations of 6 train cars for the Mitre railway, 96 diesel rail carts for the Mitre and Sarmiento Railways and 81 diesel rail carts for the Belgrano Sur Railways. Total investment costs amount to more than US\$1 billion. Long-distance services between Buenos Aires capital and the province of Buenos Aires have been improved as well, through the purchase of train engines and train carts to revamp the service. Lastly, works on the railway line Buenos Aires-Rosario will start this year, with the aim of extending the lines that connect these two central cities of Argentina; the investment in this project will amount to around AR\$5 billion (almost US\$600 million). Of a more preliminary nature, the relaunching of the Maipú Agreement with Chile to connect both countries by means of a railway border crossing is also being evaluated.

Furthermore, the National Government is evaluating two other projects for the near future, like the extension of the **new electric transport lines** between Yaciretá-Resistencia, which is intended to give the system stability, security and reliability, and will also make it possible to improve the electric connection between the NOA (Northwestern electric system) and the NEA (Northeast electric system); and the **General Cerri-Mar del Plata project** that implies the construction of a thermoelectric plant that will help meet the country's growing demand for electricity.

Therefore, total projects in the railway system involve more than US\$12 billion and represent the most ambitious revamping of the national railway system that Argentina has undertaken in the last 50 years.

Finally, there have been significant efforts to improve the **airport infrastructure** with a relevant participation of the private sector. Nowadays, there are more than 33 commercial airports in the country successfully operated by private administrators under the regulation of the national government. With more than 20 million passengers in 2013, the demand for air transport has closed a decade of continuous growth, after rising by more than 80% between 2003 and 2013. According to the latest five-year forecast, the average annual growth should be around 5%.

The constant growth of the demand for air transport has generated the continuous development of this sector, with a direct impact on the more than 40,000 jobs that are contracted through the more than 2,400 companies that develop commercial aeronautical and non-aeronautical activities in the Argentine airport system. The majority of the investments are allocated to passenger terminals, installation of sleeves, construction of control towers, repair of tracks, signposting and electrical jobs. In 2013 they involved AR\$600 million (US\$73 million) and they are projected to reach AR\$1.8 billion (US\$222 million) in 2014.

In the area of **telecommunications**, the investment plan for 2014-2017 involves AR\$14.2 billion (US\$1.7 billion, 0.4% of GDP) in four main areas of the communication strategy: REFEOF (Optical Fiber Federal Network), Satellites, Digital TV and Datacenter stations. Considering the 2007-2017 period, the invested amount rises to more than AR\$25 billion (US\$3 billion), where 47% correspond to the REFEOF, 25% to Digital TV, 22 % to Satellites and 6% to Datacenter and others. In this regard, on October 16 Argentina launched its first, domestically designed geostationary satellite (Arsat-1), which will make it possible to reduce telecommunication costs and increase the coverage to service areas of the country where adequate communication links (including digital tv) were lacking.

On another area, the **Investment Plan for Science and Technology** contemplates the construction of laboratories which aim to strengthen the infrastructure of the national scientific and technological system and foster technological activities that lead to development, innovation and technology transfer. This plan envisages the construction of more than 60 laboratories in the whole country, 35 of which have already been inaugurated, representing a total surface of 49,381 square meters. Nowadays, there are 17 buildings in execution and 11 are projected for the upcoming future, covering a surface of 80,400 square meters. All these projects represent an investment of AR\$614 million (US\$75 million).

On the financing front, Argentina has been implementing measures to develop alternative means to **finance investment**, given the still modest level of development of domestic capital markets and the scarcity of traditional private funding for many priority sectors, as well as the existence of the usual bias toward consumption loans by the financial sector.

The Central Bank will implement these additional policies to spur investment by SMEs and less developed regions, with the aim of increasing funding for business investment and infrastructure projects.

The significance of these alternative mechanisms to traditional intermediation is planned to increase in the future. This involves two key credit programs: a) The **Credit Line for Productive Investment** (Línea de Créditos para la Inversión Productiva) of the Central Bank, which requires financial institutions to allocate a percentage of their deposits to finance

capital expenditures by SMEs, with a tenor of at least three years and a cap on interest rates at 19.5%. Relatively large banks must allocate at least an amount equal to 5.5% of total private sector deposits to this line. The Central Bank is planning an allocation of AR\$ 51.8 billion (the programme represents 1.8% of GDP) to the productive sector during 2014; b) the renewal of the **Bicentennial Productive Financing Program**, which provides loans to the private sector for investment projects that have a positive impact on job creation, increased production or import substitution through commercial banks at subsidized rates (funded by BCRA financing), of which around two thirds have been channelled to the industrial sector. The amount allocated reached AR\$8.1 billion (0.2% of GDP).

In line with the aim of supporting productive investment projects, the **Law for the Insurance Sector** has been changed, and requires companies to allocate a percentage of their investment portfolio in production or infrastructure projects with a medium- to long-term maturity, with the objective of stimulating those productive sectors and providing greater stability to the investment portfolio of the insurance sector. Moreover, the **Pension System Law** requires the public pension fund to invest between 8% and 30% of its portfolio in production or infrastructure projects.

In addition, the **National Bank of Argentina (BNA)** and the **Investment and Foreign Trade Bank (BICE)**, both public banks, have an important role in the provision of funding to the private sector, especially SMEs. In this regard, the BNA has awarded 75% of the Bicentennial Productive Financing Program mentioned above. The BICE, which provides medium- and long-term loans for production investment and foreign trade, has channeled more than half of its loans to less developed regions, where traditional funding is limited and difficulties faced by business sector are higher than in the more advanced regions. These banks will continue in the next years focusing its financing to sectors with limited access to credit by private banks or capital markets.

In addition, the **PRO.CRE.AR Program** aims to increase access to housing finance by means of mortgage loans at subsidized rates, and has flexible eligibility criteria. The program not only attempts to reduce the housing gap, but naturally also creates employment and boosts demand in the construction sector, with an estimated impact on GDP and employment of 2 pp and 104,000 jobs in the period 2013-2015, respectively. The program was launched in 2012 but at the end of 2013 two new types of credit lines had been added to accelerate the impact on growth. This led to the undertaking of 72 new urban development projects, which will imply a commitment of AR\$2.3 billion (US\$300 million).

With a short-term countercyclical aim, the **PRO.CRE.Auto Program** has the objective of facilitating access to financing for the purchase of new and domestically-produced vehicles, by means of flexible credits from the National Bank of Argentina. This program aims to raise the production of vehicles up to 700,000 units, thus contributing to strengthening the sector and preventing the loss of jobs.

Finally, the **Fund for Argentine Economic Development (FONDEAR)** is a fiduciary fund recently created and with an estimated allocation of \$10 billion (0.3% of GDP), whose objective is to expand the supply of credit channelled to strategic and technological projects and to the regional economies by different mechanisms, including loans, capital contributions, lower interest rates and non-refundable contributions.

Employment and Social Protection

I. Employment

Since 2003, labour institutions have been strengthened through a broad set of measures: (i) a new legal framework for both collective and individual labour rights; (ii) reinstatement of workplace inspections, (iii) promotion of collective bargaining and increases in the minimum wage; (iv) recovery of the Ministry of Labor's capacity to mediate in labour conflicts; v) reinforcement of commitments to improve training and education; and vi) improved matching between the supply and demand of labor through public employment services at the local level.

The performance of the past decade shows differences in the relationship between informality, overall economic performance and the domestic and the global policy context. This period can be divided in stages: before the international crisis, a stage characterized by a high rate of job creation, together with the predominant creation of formal jobs, especially between 2006 and 2008, when the rate of non-registered employees fell 7 percentage points. In 2009, the international crisis led to a slowdown in the rate of job creation, as a result of the impact of the collapse in international trade and finance on the domestic economy. After the crisis, between 2010 and 2011, a recovery stage started, characterized by a higher creation of formal jobs as compared to informal ones or others kind of employments. However, since 2012, and as a consequence of a slowdown in economic activity, both job creation and formalization decelerated, posing situation which requires for the implementation of a new set of policies.

The measures that are currently being implemented deal simultaneously, and in a coordinated way (within the framework of the "umbrella" Proempear strategy), with the different challenges on the labor front: they include the Progresar Program, aimed at including most (low-income) youths in the social protection system, which was launched at the beginning of 2014; the regime for microfirms and that for the promotion of hiring by companies, which are in the implementation phase; the Repro Program, which aims to protect jobs in firms that are facing economic difficulties, and has recently been modified; and the policies that provide or support training or facilitate entrance to the job market, as well as the agreements of shared trade-union responsibility (both these policies are being modified). Those measures can be classified by their objective, as follow.

1. Employment creation and reducing informality

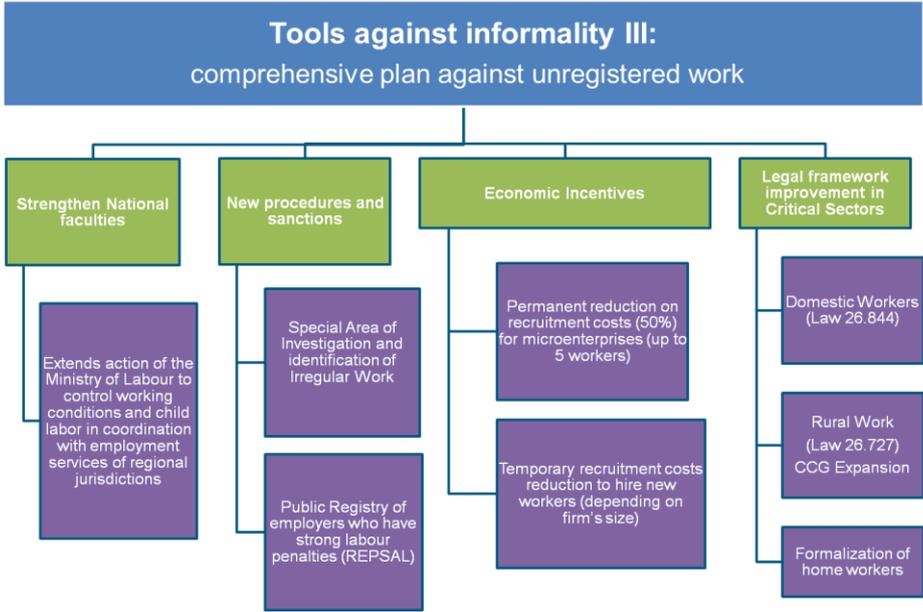
Reducing informality is an important challenge for Argentina because informality implies there is a lack of labor protection and workers' rights, which is associated with lower productivity and competitiveness across the whole economy, lower fiscal resources and unfair competition, which is detrimental to formal employment. The recently presented bill (**Law 26,940**) is the centrepiece of the strategy to fight informality, has as its main objective to significantly expand incentives in order to increase employment formalization by a combination of benefits for compliance and sanctions for those not complying with the law.

This comprehensive plan also extends actions of the Ministry of Labour, Employment and Social Security to control working conditions and child labor at the national level, in

coordination with the employment services of the local jurisdictions. Among the new important systems and procedures is the creation of a special unit of Investigation and identification of Irregular Work inside the Ministry of Labour, and a public Registry of Employers with unregistered employees, child labor or a trafficking situation. Sanctioned employers remain in the Registry for a period of time during which they cannot access any benefits provided by public policy in the areas of financing, tax benefits and subsidies.

In order to improve economic incentives, these policies award a permanent 50% reduction in the rate of employer contributions on all workers of firms employing up to five workers, provided they do not exceed a certain annual turnover, and establishes a temporary reduction in employer contributions for the hiring of new workers that generate a net increase in total staff. The reduction in the tax rate varies according to company size: for employers of up to 15 employees, a 100% reduction in the first year and 75% in the second; for companies from 16 to 80 workers, it establishes a reduction of 50% for 24 months, and for companies with a payroll exceeding 80 employees, a reduction of 25% for 2 years.

With respect to the improvements in the legal labor frameworks in critical sectors, a **new system for rural work** (Law 26,727) was established to guarantee labor rights and social protection for workers in this sector. This law had not been updated since 1944. Moreover, the Law 26,844 put the rights of rural sector workers on the same level as those of workers in the other sectors of the economy. The same view led to a change in the regulation of domestic work, which aims to improve working conditions (decent jobs) in an activity that typically suffers from high rates of informality.



2. Professional training for the youth

In addition, as part of the efforts to reduce income inequality, promote social inclusion and improve the entrance of young people into the labor market, the Government recently launched the “**Support Program for Argentine Students**”¹ (Progresar in Spanish), aimed at including all young people in the social protection system. The program encourages beneficiaries (young people who do not work or work informally or who have a salary lower than the minimum wage) to complete their studies and/or their professional training, thus increasing their chances of productively joining the labor force.

This program, which requires the coordination of activities among different areas of the public sector, was launched in January 2014. Recent changes allow youths to work under internship schemes for six months, which provide a AR\$2,000 payment. If the company eventually hires the youth after this period, the state commits to covering AR\$2,700 of the wage costs for up to twelve months, depending on the scale of the hiring firm.

There are currently almost 450,000 young people enrolled. In particular, the professional training courses provided under the program, which is the responsibility of the Ministry of Labor, already benefit 130,000 young people.

3. Sustain the social dialogue through collective bargaining and minimum wage policies

In recent years, **collective bargaining** has been fully maintained even in periods of declining economic activity due to the impact of the global crisis. In this line, the government will continue to have as important objectives to increase the share of labor income in national income and to keep determining pay raises in a tripartite setting. Nowadays, this policy covers 85% of formal private employment, a high rate that is expected to be maintained.

4. Preserving employment

The **Repro Program** has been strengthened to maximize its impact in the short term, given the need to support employment in those firms that are facing a situation where, otherwise, they would tend to reduce their payroll. The main changes consist of: improvements in the diffusion of the program and technical advice, with a focus on SMEs; lengthening of the period during which the firms can receive the benefits; increase in the fixed annual amount given to the workers in the firms that have joined the program from AR\$1,500 to AR\$2,000; faster assessment of the application form and speedier approval process, so that the program has a faster response to employment needs.

II. Social Protection

Regarding social protection, the coverage of older workers has been broadened since 2006 to include over 94% of the age group, thus establishing a social protection floor. Moreover, as from 2009 there are two automatic increases in pensions per year, in order to sustain the

¹Program for youth aged between 18 to 24 to begin or complete their studies at any educational level, and who are not working, or have informal jobs, or salaries lower than the minimum wage and their families are in the same situation. The program provides professional training, counseling and job placement through the Ministry of Labor, Employment and Social Security.

real incomes of this population group. The future policy commitment consists of maintaining these benefits.

Regarding measures that are going to be put into effect in the near future, Argentina has recently approved the bill for the **second stage of the Retirement Inclusion Plan**. This initiative establishes a pension for all the citizens who have reached the retirement age but have not made the necessary pension contributions. Thus, 473,814 new citizens will be added to the pension system, which already benefits six million members, and aims to reach the 100% level of coverage. Moreover, to guarantee fiscal sustainability, the value of the contributions will be regularly updated.

Once the bill is completely approved, Argentina will have an important tool to achieve the goal of universal coverage. In this sense, the priority will be the most vulnerable sectors of society, taking into account the taxable capacity of the potential beneficiaries. This initiative goes in line with the reduction in income inequality, as well as in gender inequality, given that 73% of pensions in the previous moratorium were awarded to women.

This policy adds to the existing income measures, where the **Universal Child Allowance** (in Spanish AUH) stands out. The recent 40% increase will benefit 3.4 million children and will have a positive impact on income distribution.

Competition

Argentina considers that improving the competition can establish a valuable source of growth for the economy. In this sense, one of the main priorities of our country is to establish the appropriate regulatory framework that allows competition in predictable and clear conditions, in line with the objective of sustainable and inclusive growth.

In this sense, and to face the new challenges in this area, the government is launching by public tender the **adjudication of the bands of frequency of all communication services**. The objective of the measure is to expand the supply of bands of frequency, thus allowing the increase of mobile telephone operators in quality, quantity and diversity. Related to the expected impact on one hand, is to generate the entrance of new competitors, assuring competition in the market, and, on the other, to improve the quality of the existing services.

This new regulatory framework promotes the national competition, and given that the implementation considers a unique zone for the whole territory, a fair competition would be assured at a national level for all companies participating in the sector.

Moreover, the measure establishes that companies that already possess installed infrastructure in the sector must allow the utilization of this infrastructure by future successful bidders companies, diminishing entry barriers.

Another relevant policy to foster competition is the law 26,552 "**Audiovisual Communication Media Law**", which aims to increase the degree of competition in this sector, by preventing any economic group from having an excessive share of the total market, as used to be the case in Argentina (the main group had reached a 41% share). Moreover, the law is intended to foster the diversification of communication firms, and reserves a special role for the non-for-profit sector. Significantly licenses will be allocated by

public tender and participation is limited of 35%.

In particular, the Law limits the total quantity of licenses by provider (24) and forbid to a same license holder to own audiovisual communication services in a number and combination different than the one expressed by the Law. This foster competition by setting a maximum level of firm size that is the same for all. On the other hand, the law fosters the vertical disintegration by preventing firms that have ownership of radio licenses to have licenses of free-to-air television (FTA) and vice versa.

Trade

Argentina considers that the most decisive and useful contribution that a country can make to boosting global trade is to strengthen its own growth process, its industrial sector, its domestic market and its employment levels. This, in turn, will result in an increase in its production scale and purchasing power, therefore raising exports and imports in a sustainable manner.

In this context, it is worth noting that the Argentine economy has experienced remarkable growth. The country's GDP expanded at an average annual rate of 5.5% over the last decade. Over this period, for each percentage point of increase in its GDP, Argentine exports grew by 2.8% and its imports grew by 4.2%. It is important to point out that as a country with intermediate levels of industrialization, Argentina demands not only final goods from the rest of the world, but also intermediate and capital goods necessary for domestic production.

Concerning trade flows, Argentina has significantly contributed with the G20 pledge to increase trade and aggregate demand as a means to sustain the global economic recovery since 2008. Indeed, while global imports grew in the period 2008-2012 at an average rate of 2.6%, Argentina's import growth reached an annual average of 5% during that period, and rose from 57.4 billion dollars in 2008 to US\$73.6 billion in 2013. It is worth highlighting the increase in the industrial manufactures component of imports, which grew at an annual average of 4% during the period 2008-2013, reaching that year a participation of 80% in total imports. And Argentina's exports also increased during the period, but at a lesser pace, from US\$70 billion in 2008 to US\$81 billion in 2013.

At national level, Argentina has been undertaking in the past years a range of actions aimed at strengthening its production matrix, enhance competitiveness, diversify its export pattern, add greater value and technology to the production process, and promote a dynamic insertion in global trade flows.

Argentina is also undertaking a varied range of programs in areas which offer a synergy potential to expand trade opportunities, for instance national initiatives to foster technological innovation, training programs for improving SMEs' exporting capacities, and programs to deepen the linkages between national universities and firms, among others. To complement these efforts, Argentina is also further extending its financing programs for development and technological innovation to raise SMEs' productivity and competitiveness, and also its programs to support technological transfer.

Within this vision, two ambitious programs that have been launched recently are:

- **“Program for Export's Growth and Diversification”** (PADEX, by its Spanish acronym): The overall goal of the program is to improve the quality and quantity of Argentine exports, strengthening Argentina's integration to global trade. PADEX is

aimed at promoting traditional exports, contributing to raise regional economies' export potential, increasing the number of exporting companies and diversifying exports in terms of products and their destinations. The program has identified a variety of priority products that will be subject to specific trade promotion actions. Implementation of PADEX in 2014, includes the participation of local companies in 252 international fairs; 70 sector-specific and multi-sector trade promotion missions; and 22 reverse trade missions of potential importers to Argentina.

- **“Country Value Plan”**: Based on a broad agreement between the public sector and the representatives of the main value chains within the Argentine economy, the goal of this program is to increase production levels, value added, employment and exports over the 2014-2015 period. To this end, the program has developed specific tools for financing productive investments and special incentives for companies to hire workers that are being incorporated into the formal labor market. This program will also result in an increase in imports of raw materials, intermediate and capital goods that will be demanded by the different sectors of the economy to sustain growth.

Argentina also applies measures to facilitate trade through improved management of customs risk and customs cooperation with trading partners. In this sense, there are two important programs that are being implemented and constantly adapting to new circumstances:

- **Customs Records Information Exchange (INDIRA)**: It is a computerized system implemented among the member states of MERCOSUR. The Customs Administrations exchange international information through an online data base. This tool improves the analysis of risks and the controls along the international supply chain, thus creating an efficient control/facilitation equation.
- **Customs System of Reliable Operators (SAOC)**. This program allows foreign trade operators to streamline their operations, optimize costs and work with Customs to fulfill their mission in the field of security, as established by the WCO (World Customs Organization) in the *Framework of Standards to Secure and Facilitate Global Trade* (SAFE Framework). Also, another goal of the program is the signature of Mutual Recognition Agreements (MRAs) of authorized economic operators with other customs administrations. This program is being strengthened in order to increase the amount of certified companies and negotiations to achieve underwriting future MRAs. Also, Argentina, Brazil and Uruguay are preparing a pilot MRA of Terrestrial Transit Project.

Within this context, Argentina aims at enhancing its insertion in global trade, including through active participation in both multilateral and regional organizations and fora, as well as in regional trade agreements.

As regards the multilateral trade system, Argentina has made a wide and deep contribution to services trade liberalization and to market openness in the Uruguay Round, despite reaching only modest progress in agricultural market access.

Besides, Argentina continues promoting enhanced transparency of the multilateral trade system, including through the notification mechanisms of WTO, its active participation in trade policy review and dispute settlement mechanisms, which constitute fundamental pillars to strengthen predictability in the multilateral trade system.

Also, Argentina has continued making progress in enhancing regional trade and trade among

developing countries, which remain the engines of economic growth.

Foremost, Argentina is part of Mercosur, and is actively involved in the efforts to deepen the integration process and to achieve the objective of establishing a common market, as depicted by the Asunción Treaty. To further expand regional trade, Mercosur has promoted the integration of new countries; such is the case of Venezuela, who joined in 2012, and the ongoing process to complete Bolivia's full participation.

Some additional initiatives to increase economic cooperation and expand trade flows, especially among developing countries, include the following:

Regional trade agreements and other mechanisms negotiated or under negotiation by Mercosur:

- Free trade agreements (Israel, Egypt, Palestine)
- Agreements of fixed preferences: India, SACU.
- Frame agreements: Morocco, Jordan, Pakistan, GCC, Turkey, Syria.
- Dialogue mechanisms: Singapore, Korea, EFTA, Australia, New Zealand, Japan, China, ASEAN.
- Free trade agreements with ALADI members: Chile, Bolivia, Colombia, Ecuador, Cuba, Perú.
- Strategic association agreements: Guyana, Suriname.
- Economic complementation agreements: Cuba, Mexico.
- Ongoing negotiations: EU.
- Furthermore, Argentina continues to strive for trade liberalization within ALADI.
- Argentina's aid for trade initiatives targeted at LDCs include, among others, its participation in technical cooperation programs in Africa, supported by the African Development Bank and the World Bank.
- "GSTP" (Global System of Trade Preferences among Developing Countries), conceived as a framework for the exchange of trade preferences among developing countries members of the G77+China. At present 43 countries, including Argentina, are part of the agreement. Its Third Round of negotiations was concluded in 2010 at the margins of the Mercosur Summit in Foz de Iguazu and included an agreement of a linear cut of 20% in a universe of 70% of tariff lines, expanding trade diversification opportunities among developing countries, which at present are the main drivers of global trade.

Other measures

Financial regulation: As Argentina went through several episodes of financial stress in the past, which had long-persistent detrimental consequences, guaranteeing financial stability is of the utmost importance in itself, but also because of its impact on investment productivity and growth. In this context, Argentina is committed to completing the adoption of the three Pillars in Basel II and the new elements in Basel III. In particular, the Central Bank has made

special efforts regarding the following issues:

- Announcing the higher capital requirement for D-SIBs during 2014, which will be introduced gradually between January 2016 and 2019
- Concerning the Liquidity Coverage Ratio (LCR), a supervisory reporting requirement was published in November 2013. The LCR will be adopted in January 2015.
- A reporting requirement for monitoring the Leverage Ratio (LR) will be published during 2014. As from January 2015 supervised financial entities will be required to publish their Leverage Ratio (LR). The LR will take effect as from January 2018, as established by the BCBS.

Moreover, we will continue to introduce regulatory changes to increase competition in the banking sector, and strengthen transparency and consumer protection, within a strategy that has, as one of its main objectives, to increase lending to the private sector and achieve a higher degree of financial depth in the economy.



ANNEX: NEW POLICY COMMITMENTS

Investment and Infrastructure

Vaca Muerta	YPF strategic plans to increase the Production of oil, gas and refined fuels
<p>Implementation path and expected date of implementation</p>	<p>According to the latest 2013 EIA (U.S. Energy information Administration) report, the obtained results permitted to confirm that Vaca Muerta has an enormous potential to obtain gas (802 TCF) and that it counts with very important oil resources that can reach the amount of 27 billion barrels, making it one of the largest such basins in the world and the most promising anywhere outside of North America. This implies the multiplication by tenfold of the current reserves of Argentina.</p> <p>In 2013, the first cluster of shale oil development was launched in Loma Campana, in association with the company Chevron, as well as the first pilot program of shale gas in El Orejano block in Vaca Muerta, in association with the company Dow Chemical. On the other hand, the potential of Vaca Muerta continues to be evaluated in the Neuquén Basin.</p> <p>Investment of the pilot project of Loma Campana will reach US\$ 1.5 Billion. It's estimated that once the pilot project is finalized, YPF and Chevron will continue with their investments, compromising investment in equal amounts.</p> <p>Investments in El Orejano reach US\$ 188 million, from which the private sector will contribute with approximately two thirds.</p> <p>Moreover, the development of non conventional resources in the Vaca Muerta formation will demand significant capital resources. As the company progresses in the learning curve, economies of scale and productivity of wells will increase.</p> <p>It is estimated that for 2017, 100,000 bpd will be produced and 13 million of m3/d of gas coming from shale gas formations, which represents an increase of production of oil and gas of around 40%.</p> <p>Moreover, In late August this year, Malaysia's Petronas signed a Term Sheet with YPF to develop a shale oil pilot project in the 187-square kilometer La Amarga Chica block in Neuquén province, with a joint investment of up to US\$550 million. Initially, during the pilot stage – expected to commence in the first quarter of 2015 – more than 30 horizontal and vertical wells will be drilled, and based on the results, it is estimated that the project, once in factory mode, will require an investment of over US\$1 billion in the first five years. For YPF, this move represents its first collaboration with a national oil company in shale exploration.</p>
<p>What indicator(s) will be used to measure progress?</p>	<p>This project will not only have a direct impact on the production of oil, gas and refined fuels and explored wells, but it will also impact directly on job creation and boost investment in related projects.</p>
<p>Explanation of additionality (where relevant)</p>	<p>N/A</p>

<p>President Nestor Kirchner and Jorge Cepernic Dams</p>	<p>This project consists of the construction of two dams for the hydroelectric use of river Santa Cruz. The main objective of this project is the generation of electric power with a 1740 Mw of installed power and an annual generation of 5000 Gwh per year.</p>
<p>Implementation path and expected date of implementation</p>	<p>The investment will amount to nearly US\$ 4.7 billion, in collaboration with the private sector.</p> <p>These projects will improve the energy matrix of our country and when it starts operating will generate an annual saving of more than US\$1,000 million in fuel imports.</p> <p>The project will be finalized in five years and it is expected to generate 5,000 new jobs.</p>
<p>What indicator(s) will be used to measure progress?</p>	<p>Once finished the dams will generate electric power for the National electric System</p>
<p>Explanation of additionality (where relevant)</p>	<p>N/A</p>

<p>Revamping of the national railway system</p>	<p>The government has undertaken the most ambitious revamping of the national railway system in 50 years. Total projects in the railway system involve more than US\$12 billion.</p>
<p>Implementation path and expected date of implementation</p>	<p><i>Purchase of train cars and engines.</i> The investments involve the purchase of 76 train engines, and 1,166 train cars, and involve a total amount of US\$1.5 billion.</p> <ul style="list-style-type: none"> • Purchase of 24 train engines and 160 train cars for the San Martin railway. • Purchase of 20 train engines and 220 train cars for the long distance railway services. • Purchase of 225 train cars for the Sarmiento railway system and 180 train cars for the Mitre railway system. • Purchase of 300 train cars for the Roca railway system. • Purchase of 81 train cars for the Belgrano Sur railway system. • Purchase of 32 diesel train engines for the Mitre and Sarmiento railway systems. <p>Depending on each Railway system, the purchases took place in 2013- 2014 and delivery will take between 24 and 30 month.</p> <p><i>Belgrano Cargas:</i> Freight railway. The project consists of the renovation of more than 1,000km of track, the purchase of 100 new train engines and 3,500 train cars, and the repair of 2,000 train cars which will imply 3 years of work for local repair shops. The project involves a total amount of around US\$2.47 billion, financed by an external private and a local public contribution. The project also involves a second stage that will involve an additional investment of US\$0.4 billion.</p> <p><i>Revamping of the Buenos Aires - Mar del Plata railway system.</i> The project implies the recovery and modernization of the railway services of long distance. It involves a total amount of nearly US\$1 billion. The implementation path starts in 2014 and will take 24 months.</p> <p><i>Revamping of the Buenos Aires – Rosario railway system.</i> The project implies the recovery and modernization of the railway services of long distance. It involves a total amount of around US\$2.5 billion. The implementation path starts in 2014 and will take 30 months.</p> <p><i>Revamping of the metropolitan area passenger railway system</i> It involves a total amount of about US\$4.3 billion for the recovery and modernization of the whole metropolitan railway services. Including the renovation of rails and stations, and the electrification of the Urquiza railway system. The implementation path of these projects varies, but on average this revamping projects will take 30 months.</p>
<p>What indicator(s) will be used to measure progress?</p>	<p>Since this is a very ambitious program, it will imply the construction and revamping of Kilometers of rails, impacting directly in the amount of passengers and loading capacity to the benefit of local economies. In this sense, these projects will be measured by these indicators: Kms revamped, number of passengers, local economies reached and expansion of loading capacity.</p>
<p>Explanation of additionality (where relevant)</p>	<p>N/A</p>

<p>Northeast Gas Pipeline</p>	<p>The construction of the Northeast Gas Pipeline has the objective of expanding the network of natural gas to more than 1.3 million people in the provinces of Salta, Formosa, Chaco, Misiones, Corrientes, Santa Fe and Entre Ríos.</p>
<p>Implementation path and expected date of implementation</p>	<p>Through an expansion in the 2014 Budget of AR\$7.4 Billion (USD 895 Million), the government will finance the construction of Northeast Gas Pipeline (GNEA). The project consists of two stages:</p> <p>The First Stage was awarded on the 4th of August 2014 and will demand an investment of AR\$ 4.9 billion (USD596Million). In its Santa Fe province tranche it will pass through 15 locations of this province. It will count of three tranches: the first through the province of Salta will be done by Vertúa S.A. company, the second tranche through Formosa will be in charge of Techint-Panedile and the third tranche trough Santa Fe will be executed by the consortium Helport-CPC-Rovella Carranza and Contreras Hnos.</p> <p>For the Second Stage, AR\$ 11.9 Billion (US\$ 1.5Billion) will be invested, where 2,242km of gas pipeline will be constructed, crossing through 80 towns and benefitting 1.1 million habitants</p> <p>The complete Project will account for an investment of about AR\$ 17 Million and it is expected to generate around 10,000 new jobs, between direct and indirect new hirings. Moreover, it will implicate an extension of 3040 kilometers of gas pipelines and will provide gas to more than 1.3 million people.</p> <p>The core trunk of the Northeast Gas Pipeline will be practically concluded by the end of 2015, leaving only medium and fine distribution networks to be concluded with the support of the national state.</p>
<p>What indicator(s) will be used to measure progress?</p>	<p>The impact will be measured not only by the new jobs generated by the construction process but also by the extension covered in each stage of construction, people reached and municipalities through which the gas pipeline will go through.</p>
<p>Explanation of additionality (where relevant)</p>	<p>N/A</p>

<p>Electric transportation between General Cerri-Mar del Plata</p>	<p>This energy generating project accounts for a plan made by the company AES Argentina and the Government to meet the growing electricity demand of the country, using the latest technology available worldwide.</p>
<p>Implementation path and expected date of implementation</p>	<p>The Guillermo Brown thermoelectric plant is a project with an estimated total cost of investment of US\$ 900 Million in an area comprising 150 hectares (located at the 704 kilómeter of route 3) and contemplates also the construction of a bridge in Puerto Galván.</p> <p>This Project counts with two stages. The first one consists of the installation of two turbines with the capacity to generate 600 Mv of energy (MV) and an investment of US\$500 Million. Second stage will demand USD 400 Million and allow the addition of another 300 Mv, through the reutilization of steam/vapor generated by the turbines mentioned in the previous stage.</p> <p>This project also foresees complementary investments: The execution of a high voltage energy line of 500 MV, another similar line of 9 kilometers that will link the new thermoelectric plant with the Interconnected National System, and a gas pipeline of 2 kilometers intended to supply the plant from the Gas of the South transporter plant.</p> <p>The energy complex should be operative by April/May 2015.</p>
<p>What indicator(s) will be used to measure progress?</p>	<p>When completed, it is estimated that the power plant Guillermo Brown will feed the National Interconnected System (SIN) with power equivalent to the consumption of 1.8 million homes. The project's impact will be measured by the amount of people reached and the power generated.</p>
<p>Explanation of additionality (where relevant)</p>	<p>N/A</p>

<p>Electric Transport between Yacyterá-Resistencia</p>	<p>The electric power line is intended to give the system stability, security, and reliability, allowing the enhancement of the electric connection between the NOA (Northwestern electric system) and the NEA (Northeast electric system).</p>
<p>Implementation path and expected date of implementation</p>	<p>The general objective is to satisfy the incremental need for electric transmission forecasted in the Federal Plan of Electric Transport.</p> <p>This project comprises a 270 km interconnection of an extra high tension line of 500 Kv, from Yacyretá dam located in Rincón Santa María (Ituzaingó) to Puerto Bastiani in Resistencia.</p> <p>The project of electric interconnection between Yacyretá and Resistencia implies an investment of USD 354 Million which involves an external funding of USD150 Million to be subscribed between Argentina and the Andean Development Corporation (CAF).</p> <p>For the execution of the Project, five (5) components will be developed:</p> <ol style="list-style-type: none"> 1. Line of Extra High Tension of five hundred (500) kilovoltios (LEAT) between the Transformation Plant Rincón Santa María and Transformation Plant Resistencia; 2. Paraná river crossing; 3. Expansion of Transformation Plants of Rincón Santa María and of Resistencia; 4. Inspection and Environmental costs and; 5. External audit, financing commission and evaluation expenditures. <p>This project is in execution since June 2014. And it is expected to be executed in 27 months.</p>
<p>What indicator(s) will be used to measure progress?</p>	<p>Since the objective of the program is to give the system stability, security, and reliability on the supply of electric power, the impact will be measured by the enhancement of the electric connection between the NOA and the NEA of the country.</p>
<p>Explanation of additionality (where relevant)</p>	<p>N/A</p>

Atucha II	Atucha II is a nuclear electric power plant that will provide the National interconnected system with 695 Mw. Atucha II will be the third nuclear power plant of the Argentine electricity system that is completed by Embalse (600MW) and Atucha I (335 MW)
Implementation path and expected date of implementation	<p>If we compare the power of a plant with the electricity consumed by an Argentinean province, we can say that in a year Atucha II can feed the consumption that a province like Tucumán (22,000 km²) will need in a 3 years period, in 5 years for Salta (155,000 km²) and 9 years for Santiago del Estero (136,000 km²).</p> <p>The cornerstone of Atucha II was placed in 1982, and between 1994 and 2006 was paralyzed, until the relaunchment of the Argentine Nuclear Plan promoted by the national government.</p> <p>On May 29, 2014, the Nuclear Regulatory Authority granted Nucleoeléctrica Argentina SA the license to start Atucha II.</p> <p>In this sense, the nuclear plant started loading heavy water with boron neutron absorbing material, in the primary system and the moderator of the plant. In the short run, the boron will be extracted progressively till the point where a controlled nuclear reaction will be produced in the reactor. This important event is technically known as the first criticality of the reactor and it will be the primary source of energy of the central.</p> <p>Once it becomes operational it will be the largest machine in unitary power in the system. Moreover, this nuclear plant will become fully operational by late 2014/2015.</p>
What indicator(s) will be used to measure progress?	Impact of this nuclear power plant will be measured by the generated power that it will feed to the National interconnected system.
Explanation of additionality (where relevant)	N/A

<p>PRO.CRE.AR. (Argentine Credit Program for the Bicentennial)</p>	<p>The program aims to increase access to housing finance by means of mortgage loans at subsidized rates, and has flexible eligibility criteria. The program not only attempts to reduce the housing gap, but also creates employment and boosts demand in the construction sector</p>
<p>Implementation path and expected date of implementation</p>	<p>The PROCREAR Program aims to facilitate access to home ownership, and stimulate economic activity and employment generation, by providing financing to the construction sector. It includes direct loans for construction as well as the development of urban projects, and takes advantage of the building sector's multiplier effect on economic activity and employment.</p> <p>The program was created by the Decree N°902/12 and operates by means of a fiduciary fund, which is financed and managed by different public institutions (ANSES; MECON; AABE, MPFIPyS and the Banco Hipotecario, as the fiduciary).</p> <p>The problem of access to housing in Argentina requires multiple public-sector responses that take into account the heterogeneous housing needs of the population. Consequently, the PROCREAR includes several different credit lines: for construction, enlargement, repair and purchase of a new house. There is also a credit line to buy new houses constructed under the program in fiscal lands (urban developments).</p> <p>In order to facilitate access to loans, the program has flexibilized its requirements regarding the borrower's job and in terms of financial risk. Moreover, it is working with a scheme of tiered subsidized rates according to household income.</p> <p>The Program was launched in July 2012 and the expected implementation plan lasts for 4 years, with a target of around 400,000 loans.</p> <p>By September 2014 the program had started 93,000 projects under the individual-loan modality, which implies a commitment of AR\$30 billion (US\$3.8 billion). Of those projects, 88,000 are constructions already initiated (AR\$28 billion; US\$3.5 billion) and, of these, 55,400 are finished houses. Moreover, 72 new urban development projects are under construction in fiscal lands (urban developments modality), which implies a commitment of AR\$2.3 billion (US\$0.3 billion).</p>
<p>What indicator(s) will be used to measure progress?</p>	<p>Progress will be measured by the quantity of approved loans and the amounts disbursed, the level of employment thus generated, and the number of effectively completed housing projects.</p>
<p>Explanation of additionality (where relevant)</p>	<p>While the program was launched in 2012, the government has plans to continue increasing the number of houses built with these loans in 2014 and 2015. Those are new commitments and therefore will have an impact on growth.</p>

Support Investment for SMEs and infrastructure projects	Develop alternative means to finance investment, given the underdevelopment of domestic capital and financial markets
<p>Implementation path and expected date of implementation</p>	<p>In order to Spur investment by SMEs and increase financing for business investment and infrastructure projects, the Central Bank has renewed the two key credit programs:</p> <p>a) A credit line for productive Investment provided by the Central Bank, which requires financial institutions to allocate a percentage of their deposits to finance capital expenditures by SMEs, with at least 3 years tenor and a cap on interest rates of 19.5%. Relatively large banks must allocate at least an amount equal to 5.5% of the private sector deposits to this line. This line was established in 2012 but there is a plan to allocate AR\$51.8 billion (1.8% of GDP) to the productive sector during 2014.</p> <p>b) The Bicentennial Productive Financing Program, which provides loans to the private sector for investment projects that have a positive impact on job creation, increased production or import substitution through commercial banks at subsidized rates (funded by BCRA financing), of which around two thirds have been channelled to the industrial sector. The amount allocated reached AR \$8.1 billion (0.2% of GDP). The program has been renewed this year in order to continue increasing the amount allocated.</p>
<p>What indicator(s) will be used to measure progress?</p>	<p>Every month information about these lines is available in the Monthly Monetary Report of the Central Bank</p>
<p>Explanation of additionality (where relevant)</p>	<p>While these programs were launched in 2011 and 2012, the Central Bank has plans to continue increasing the amount allocated in order to boost private investment and, consequently, the impact on employment and growth.</p>

Employment

<p>Law for the Promotion of Registered Employment and the Prevention of Labor Fraud (Law N° 26,940)</p>	<p>Reduction in employment costs and improvement in control mechanisms to reduce informality and increase labor demand, with a focus on SMEs</p>
<p>Implementation path and expected date of implementation</p>	<p>The measures include:</p> <ul style="list-style-type: none"> • Permanent 50% reduction in the rate of employer contributions on all workers of firms employing up to five workers. • Temporary reduction in employer contributions according to company size if the total staff increases in net terms: for employers of up to 15 employees, a 100% reduction in the first year and 75% in the second; for companies from 16 to 80 workers, a reduction of 50% for 24 months, and for companies with a payroll exceeding 80 employees, a reduction of 25% for two years. • The Repro Program, to preserve employment in companies that are facing a situation where, otherwise, they would have to reduce their payroll. There have been changes that have increased the amount of the subsidy, reduced the delay until the first disbursement and extended the period during which firms can obtain benefits. In addition, the program will be significantly front-loaded. • Strengthening of the Ministry of Labor's rights to control working conditions through the signing of agreements with the provinces and the exchange of relevant information; • Creation of a Special Unit to investigate and identify cases of irregular work with the joint efforts of the Ministry of Labor, the tax collection agency (AFIP) and the Ministry of Economy and Public Finance. Development of a public digital system to establish a Public Registry of Employers with unregistered employees, child labor or a trafficking situation; • Implementation of joint actions with relevant social actors to guarantee compliance with the new legal framework for critical sectors (rural and domestic workers). <p>These measures will be implemented over the 2014-2015 period, with the exception of the Repro Program, which will record a peak impact in the rest of 2014.</p>
<p>What indicator(s) will be used to measure progress?</p>	<p>Progress will be measured by the unemployment rate, which is expected to reach a level below 7% at the end of 2015, and by the reduction in the rate of informality to around 30%.</p>
<p>Explanation of additionality (where relevant)</p>	<p>The new, recently put into effect, policy framework aims to strengthen the mutual coordination between the different (labor) programs.</p> <p>The reduction in employers' contributions for those firms increasing employment in net terms are new (Law 26.940). The Repro Program was first implemented in 2009. However, its current design is sufficiently different to merit including it again.</p> <p>Moreover, the above-mentioned policies represent a significant tightening in the control of labor informality, and together with sanctions should increase the incentives in favor of formal employment.</p>

Reform of Financial regulation	Completing the adoption of the three Pillars in Basel II and the new elements in Basel III in order to guarantee financial stability
Implementation path and expected date of implementation	<p>The measures aim to continue in the process of fully adopting international regulatory standards, and consist of:</p> <ul style="list-style-type: none"> • Announcing the higher capital requirement for D-SIBs during 2014, which will be introduced gradually between January 2016 and 2019. • Regarding the Liquidity Coverage Ratio (LCR), a supervisory reporting requirement was published in November 2013, and the LCR will be adopted in January 2015. • Publication during 2014 of a reporting requirement for monitoring the Leverage Ratio (LR). Moreover, as from January 2015 supervised financial entities will be required to publish their Leverage Ratio (LR). The LR will take effect as from January 2018, as established by the BCBS.
What indicator(s) will be used to measure progress?	Effective implementation of the different regulatory requirements and widespread adoption by supervised institutions.
Explanation of additionality (where relevant)	These are new requirements in accordance to the new international regulatory standards.

PROG.ES.AR. (Support Program for Argentine Students)	The program aims to include young people in the social protection system and encourages beneficiaries (young people who do not work or work informally or who have a salary lower than the minimum wage) to complete their studies and/or their professional training, thus increasing their chances of productively joining the labor force.
Implementation path and expected date of implementation	<p>The program aims to create new opportunities for social and labor inclusion for vulnerable youth through integrated actions of professional training, counseling and job placement, as part of the government's efforts to reduce income inequality and promote social inclusion.</p> <p>It is directed to youths aged between 18 to 24 to begin or complete their studies at any educational level, provided they are not working, or have informal jobs, or salaries lower than the minimum wage, and their families are in the same situation .</p> <p>The program constitutes a new right for the youth and was launched in January 2014. It has currently around 450,000 young people between 18 and 24 years of age enrolled, who receive a monthly allowance of AR\$600 in exchange for continuing their studies. In particular, the professional training courses provided under the program already benefit 130,000 young people.</p> <p>Recent changes allow youths to work under internship schemes for six months, which provide a AR\$2,000 payment. If the company eventually hires the youth after this period, the state commits to covering AR\$2,700 of the wage costs for up to twelve months.</p>
What indicator(s) will be used to measure progress?	Progress will be measured by the number of young people enrolled. Moreover, beneficiaries hired under internship schemes will be evaluated.
Explanation of additionality (where relevant)	This is a new measure launched at the beginning of 2014 and recently reinforced, so that it is expected to have a stronger impact on growth and employment.

Social Inclusion

Second stage of the Retirement Inclusion Plan	The initiative establishes a pension for all the citizens who have reached the retirement age but have not made the required pension contributions
<p>Implementation path and expected date of implementation</p>	<p>The initiative has a preliminary approval by the Senate (the approval of the House of Deputies is pending) and it is expected to be put into effect this year (2014).</p> <p>The objective is to establish a payments plan (moratorium) for those people that have reached or exceed the retirement age but have not accumulated the required contribution years (30) in order to have the right to benefit from a pension. In particular, this Law will extend the legal period (working years) that allows for legal compliance with pending contributions from 1993 to 2003. Moreover, to guarantee fiscal sustainability, the value of the payments under the moratorium will be regularly updated. Also, the priority will be the most vulnerable sectors of society, taking into account the taxable capacity of the potential beneficiaries.</p>
<p>What indicator(s) will be used to measure progress?</p>	<p>Progress will be measured by the coverage level of the pension system. With the bill's approval, Argentina will have another important legal tool to reach the objective of universal coverage of its population of pensionable age. In particular, 474,000 new citizens will be added to the pension system which already benefits 6 million members (80% of the age group).</p>
<p>Explanation of additionality (where relevant)</p>	<p>This Law is a new measure which intends to strengthen the initiatives aimed at decreasing not only income inequality but also gender inequality, given that 73% of the new pensions in the previous moratorium were awarded to women. In this regard, this Law, together with the measures to support lower-income households, makes it possible to continue improving the distribution of income, which can, in turn, contribute to boosting aggregate demand and achieving a virtuous growth process.</p>

Competition

Audiovisual Communication Media Law. Law 26,552.	The new law 26,552 regulates the Audiovisual Communication Media Sector
Implementation path and expected date of implementation	<p>The law 26,552 (Audiovisual Communication Media Law) aims to increase the degree of competition in the Audiovisual Communication sector, by preventing any economic group from having an excessive share of the total market. The law is intended to foster the diversification of communication firms, and reserves a special role for the not-for-profit sector. Significantly licenses will be allocated by public tender and participation is limited of 35%.</p> <p>This law differentiates between the public sector, the private sector and the not-for-profit private sector. For the private sector it requires any company to be dedicated only to the audiovisual media sector and the partnership cannot participate in a public services firm as a shareholder. The not-for-profit private sector has the exclusive ownership of 33% of the allocation of radio frequencies.</p> <p>In particular, the Law limits the total quantity of licenses by provider (24) and forbids any license holder from owning audiovisual communication services exceeding the number and combination established by the Law. This fosters competition by setting a maximum level of firm size that is the same for all. On the other hand, the law promotes vertical disintegration by preventing firms that have ownership of radio licenses to have licenses of free-to-air television (FTA) and vice versa.</p> <p>Moreover, the licenses will be awarded for 10 years with the possibility of an extension only once in order to foster competition in the media market, where the main economic group used to have 41% share of the total market.</p> <p>The law entered fully into force in October 2013 and media sector firms are currently presenting their plans to adapt to the provisions of the Law.</p>
What indicator(s) will be used to measure progress?	<p>Progress will be measured by the total share of the two main media holdings.</p>
Explanation of additionality (where relevant)	<p>N/A</p>

Adjudication of the frequency bands for all communication services.	Public tender of frequency bands for communication services
Implementation path and expected date of implementation	<p>Argentina considers that improving competition can establish a valuable source of growth for the economy. In this sense, one of the main priorities of our country is to establish the appropriate regulatory framework that allows competition under predictable and clear conditions, in line with the objective of sustainable and inclusive growth.</p> <p>To face the new challenges in this area, the governmentt is auctioning the frequency bands for all communication services. The objective of the measure is to expand the supply of frequency bands, thus allowing the increase of mobile telephone operators in quality, quantity and diversity. The expected impact is, first, to generate the entrance of new competitors, assuring competition in the market, and, second, to improve the quality of the existing services.</p> <p>This new regulatory framework promotes competition in the national market, and given that the implementation establishes a single zone for the whole territory, fair competition will be assured at the national level for all the companies participating in the sector.</p> <p>The measure establishes that companies that already possess installed infrastructure in the sector must allow the use of this infrastructure by future successful bidding companies, with the consequent reduction in entry barriers.</p> <p>The public auction will take place between this year and 2015.</p>
What indicator(s) will be used to measure progress?	<p>Progress will be measured by the number of mobile telephone operators</p>
Explanation of additionality (where relevant)	<p>N/A</p>

Trade

PADEx (Program for Export's Growth and Diversification)	Improving the quality and quantity of Argentine exports, strengthening Argentina's integration into global trade
Implementation path and expected date of implementation	PADEx is aimed at strengthening the country's export potential, contributing to developing regional economies, increasing the number of exporting companies and diversifying exports in terms of both their product range and number of foreign markets. For 2014, the aim is to conclude 344 actions. The program is currently programmed to last until the end of 2015.
What indicator(s) will be used to measure progress?	Progress will be measured by the numbers of actions carried out (participations in international fairs, sector-specific and multi-sector trade promotion missions; trade missions of potential importers to Argentina) as well as by the changes in the structure of exports and country's export profile.
Explanation of additionality (where relevant)	N/A

Country Value Plan	Increasing employment, production levels, value added, and exports
Implementation path and expected date of implementation	The goal is to encourage companies to hire workers who are entering the formal labor market for the first time. This program will also result in an increase in imports of raw materials, intermediate and capital goods by different sectors of the economy to as to sustain growth. The program will be implemented in the period 2014-2015.
What indicator(s) will be used to measure progress?	Progress will be measured by specific changes in the evolution of the labor market, the productive matrix and the import/export structure of the different sector of the economy. The follow up will be specific to each sector.
Explanation of additionality (where relevant)	N/A

Trade Facilitation (I)	Prevent, investigate and punish illegal customs operations, allow better application of customs legislation, analyze risk on a more effective basis and improve controls along the international supply chain.
Implementation path and expected date of implementation	Implementation of Information Exchange Customs Records System (INDIRA) together with the states of the MERCOSUR. The goal is to strengthen the management of customs risk through the exchange of information. The system is in continuous revision, incorporating new data and consultations at the request of States Parties to MERCOSUR. The MERCOSUR States Parties are currently working on a project to improve the system, reviewing its structure and expanding the universe of possible statements to be consulted, as well as modifying the consultation methods.
What indicator(s) will be used to measure progress?	Progress will be measured through the monitoring and analysis of information obtained from online databases. Each MERCOSUR State Party makes available to other States Parties import and export data (by number of destination, tariff item, identification number of operator, etc.).
Explanation of additionality (where relevant)	N/A

Trade Facilitation (II)	Ensure the safety and fluidity of customs operations, providing greater competitiveness to operators and improving the allocation of customs resources.
Implementation path and expected date of implementation	Implementation of Authorized Economic Operator Program (AEO, in Argentina Customs System of Reliable Operators, SAOC) established by the WCO in 2005. The operators benefit from the streamlining of their operations and cost optimization. It is based on the concepts of collaboration and mutual assistance in order to improve the export/import performance and all aspects of international trade operations. Moreover, the program aims at signing Mutual Recognition Agreements (MRAs) of authorized economic operators with other customs administrations. This program is being strengthened in order to increase the amount of certified companies and negotiations to achieve underwriting future MRAs. Besides, Argentina, Brazil and Uruguay are working on a pilot MRA project for road transit (Venezuela and Paraguay participate as observers). This project is in the stage of implementation.
What indicator(s) will be used to measure progress?	Progress will be measured through monitoring and changes in signing Mutual Recognition Agreements with other customs administrations and monitoring of certified firms that result from these agreements.
Explanation of additionality (where relevant)	N/A