

Argentina Investment Conference Remarks

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As Prepared for Delivery

It's a pleasure to be here, and I'm very excited to be back in Buenos Aires. Let me get right to the point: Argentina has experienced economic turmoil in the past few decades and more recently, but the World Bank Group – and I personally – believe in the leadership of this country and in a bright future for Argentina.

Argentina is the 8th largest country in the world – **2.8 million square kilometers** with abundant natural resources. For the first half of the 20th century, Argentina was among the wealthiest countries in the world: one hundred years ago, Argentina's income per capita was 93 percent of the per capita income of the average of the 10 wealthiest countries. Today, this same ratio is **38 percent**; a massive relative decline. Argentina is the only country in the world that has entered the “middle-income trap” from above.

How did this happen? Argentines had the same aspirations for growth and prosperity as anyone living in a high-income country, but Argentine history is full of volatility, sharp institutional turns and intense battles over the distribution of its vast resources.

Time and time again, boom periods went hand in hand with unfortunate policies which led to the rest of the world deciding to stop financing Argentina. Deep economic recessions followed. The record includes three periods of hyperinflation, two international defaults and major, abrupt changes in

economic policy. Inflation in 1989 topped **3,000 percent**; the country risk of Argentina reached **7,200 basis points** in 2002. Since 1950, only one country in the world has spent more time in recession than Argentina.

One of the key reasons for these boom-bust cycles was ideology. There was a debate here in Argentina – and in other parts of the world – about which economic system to embrace: market capitalism vs. countries with planned economies that mostly traded with each other.

As we all know, that debate is largely over. In 2017, President Xi Jinping of China, the head of the world’s largest communist party said that the global market is the “vast ocean” we all swim in and cannot escape from:

At the World Bank Group, our job is to help every country swim in that vast ocean. For decades, we must admit, the Bank was squarely on one side of the ideological debate and ideology influenced our recommendations for our client countries, sometimes with disastrous results. Today, we’re much more focused on evidence – what really works to help countries prosper and meet their development goals.

We’re also helping countries navigate the crises of today – climate change, famine, fragility, conflict, migration – and prepare for the emerging, complex future—the digital revolution, the changing nature of work, and the shifts in economic power.

We’re doing everything we can to make sure that every country understands the nature of the competition they face in the world. That’s my key message to every head of state and minister of finance, and President Macri has a particularly acute understanding of that competition.

Since 2015, President Macri and his Government have done a lot to improve the economic situation that developed over decades. His government inherited some tough challenges: one of the most closed-off economies in the world with no access to capital markets, a double exchange rate, a huge fiscal deficit, and unreliable statistics.

Under President Macri, Argentina clearly is moving from ideology to evidence. Today, there's a new competition framework, discretionary import policies have stopped, and the price of vital ICT has plummeted as protection was dismantled. A new capital market law aims to provide a boost to the still very small financial sector.

Across the country, the ICT revolution is also laying a path for more transparency and openness. Recently, the government took major steps to guarantee access to information from the public sector, and the legislature is debating new ethics laws.

The repercussions from the Cuaderno Scandal have reinforced the country's determination to fight corruption, including holding both public officials and those in private companies accountable. The new law on criminal liability for the private sector is an important step. I believe that these reforms are here to stay.

The road ahead will not be easy. There will be a recession this year, but we believe that it will bottom out soon. The most critical task is to stabilize the economy, and with an unprecedented international support package, the commitment to an independent Central Bank and a path for fiscal consolidation, we believe that Argentina is on the right path.

The World Bank Group has leaned forward strongly to support Argentina, and we will continue to do so. From the start of the current turmoil through the middle of next year, the Bank Group will make **3 billion dollars** in financing available. We just approved **1 billion dollars** this month in new financing to support business climate reforms, fiscal consolidation, and social protection for the poorest and most vulnerable.

The speed and size of our response is unprecedented during my tenure at the WBG. It's the clearest expression of our faith in the Macri Administration and our sense of the importance of the Argentine economy for the region and for the world.

It's a critical time for everyone to engage to help Argentina achieve its potential – and we can do that by finding win-win solutions, where investors get a good return and Argentina gets the capital it needs.

As investors, you can play a critical role in shaping Argentina's future. As you decide where to put your financial resources, we're eager to help you better understand both the risks and the opportunities in this region.

I know that all of you have followed Argentina's international credit rating. It's good that the high country-risk premium has started to decline.

The international support package – led by the IMF and complemented by the Multilateral Development Banks – is strong. And there are tremendous investments opportunities here in Argentina: natural resources, higher value-added services, tourism, infrastructure financing and FINTECH.

One example is renewable energy. Around the world, wind and solar alone represent a **270 billion dollar a year market**, and with the support of the World Bank Group, Argentina has started to unlock some of this potential.

The RenovAr program has awarded **4.8 Gigawatts** of new wind and solar capacity from competitive auctions, representing over **5 billion dollars** of investments over a 20-year period. Given our strong belief in this sector and the country, the Bank offered a guarantee of **730 million dollars** to de-risk private investments.

As you know, tomorrow, with the Argentine Government, we're hosting a Global Investor Forum in the run-up to the G20 summit this weekend. The Forum will bring together investors, fund managers, and top Government officials from the G20 countries. Our goal is to find solutions that increase the flow of capital toward long-term sustainable investments in G20 countries and beyond.

We will focus on specific outcomes in areas such as mitigating risks, regulatory reform, increasing incentives and removing disincentives for long-term sustainable investments. When you invest in infrastructure, in education,

in renewable energy, in health systems – you're investing to build a better future for countries like Argentina.

We are committed to doing everything we can to ensure that those investments are also profitable. Our goal at the World Bank Group is to be an honest broker to help find win-win solutions and help developing countries like Argentina reach their full potential.

Argentina is a critical leader in Latin America, and the G20 Presidency has given it a chance to lead on the world stage, helping shape how the world's 20-largest economies grapple with global challenges such as the future of work, and financing for sustainable infrastructure.

I believe that Argentina will build on this momentum and continue to be a strong and constructive voice, regionally and globally. It's important for you as investors to stay engaged in Argentina. There will be bumps on the road ahead in the short run, but this country has a very bright future, and you can help change its course by leaning forward.

For those of you who want to be part of building a stronger, more prosperous, brighter future in Argentina, we're eager to be your partner.

Muchas gracias.