

*Finance*

BUILDING  
LEGITIMACY FOR  
WORKABLE  
SOLUTIONS

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*G20*

PROMOTING  
INCLUSIVE  
DEVELOPMENT  
THROUGH  
FINANCIAL  
INCLUSION

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EMBASSY OF ARGENTINA, WASHINGTON, D.C.

# ARGENTINA IN FOCUS

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JUNE 2020 // NEWSLETTER

## BUILDING LEGITIMACY FOR WORKABLE SOLUTIONS

In a virtual meeting hosted by the Americas Society/Council of the Americas (AS/COA), Minister of Economy Martín Guzmán discussed with a large audience the Argentine response to COVID-19 in a context of crisis and also gave an update of the ongoing negotiations with private bond holders.

The event was part of the Southern Cone Series, an AS/COA initiative to address the challenges that this region will face in a post-COVID-19 era.

Minister Guzmán highlighted President Alberto Fernández' guiding principles to address the challenges for the economy of a pandemic environment, namely: i) set public health as priority number one within the policy framework; ii) protect the most vulnerable; and iii) last but not least, protect the know-how of workers and firms.



Minister Martín Guzmán at AS/COA Southern Cone Series event

With the above referred goals in mind, the Ministry of Economy together with other government agencies took early actions in three main fronts: by setting an extended emergency cash transfer scheme for families in a situation of vulnerability; expanding insurance for the unemployed; and reducing taxes to firms while partly subsidizing wages for firms that kept their payroll throughout the crisis.



I am pleased to bring to you once again our Embassy's Newsletter. In this issue, we share with you an article on Minister of Economy, Martín Guzmán participation in an AS/COA Southern Cone Series event in which he underlined the need to find a legitimate workable solutions for the current economic challenges.

This issue also includes an article on importance of strengthening bilateral cooperation in higher education for the benefit of both Argentina and the United States.

Finally, you will find an example of the G20's key efforts in reducing poverty, inequality and increasing prosperity through financial inclusion.

Jorge Argüello  
Ambassador to the United States

*BEING A MEMBER OF THE IMF  
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Those necessary measures entailed a significant fiscal cost though and, therefore, the fiscal balance this year will not meet the target and the projections made before the COVID crisis unfolded. In that vein, Minister Guzmán assured the audience that he and his team would take all measures needed to keep the fiscal deficit under control since fiscal consolidation remains to be not only a policy objective but also a key building block to restore macroeconomic sustainability.

Turning both to the ongoing debt restructuring negotiations with private bond holders and the forthcoming negotiations on a new program with the IMF, Minister Guzmán emphasized efforts made and needed in order to build the necessary legitimacy of the Argentine society and of the international community, as precondition for success.

Regarding the current state of play in the discussions with private creditors, Minister Guzmán informed that three rounds of discussions within the framework of non-disclosure agreements had already taken place in a process he described as positive and constructive.

As a result of said engagement and discussions with private creditors, the Minister informed there is a satisfactory level of mutual understanding with some creditors while with some others misunderstandings still persist although the country is trying to overcome this situation in a constructive way.

The Minister illustrated his point with a reference to the legal terms included in one specific creditor group proposal, which, if accepted, would entail backsliding on all progress achieved in the last years to strengthen the contractual framework through enhanced collective action clauses.

As Minister Guzmán recalled, the enhanced collective action clauses developed by the International Capital Market Association were also endorsed by the IMF and by the G20 leaders, in 2014.

Minister Guzmán gave reassurances that being a member of the IMF and also being a G20 member, Argentina would not depart from established international standards. Furthermore, Minister Guzmán further explained that the country sole purpose is to achieve an orderly debt restructuring within the existing legal framework and existing standards and will not be pushing for innovation in this realm.





Ministry of Science, Technology and Innovation

## EDUCATION: PROSPECTS FOR THE BILATERAL COOPERATION

On March 11th, the World Health Organization (WHO) declared COVID-19 a pandemic and the world had to adopt strict containment measures. Education was not excluded from these efforts. The challenges that emerged from this new reality forced governments to make decisions regarding their educational systems at all levels. These measures had a huge impact on their operations, and a return to normalcy is still uncertain.

In this context, international education and academic mobility between countries has been significantly disrupted, both by the interruption of face-to-face classes and by the suspension of student exchanges due to the cancellation of international flights and border closures.

Over the years, educational cooperation has been a key issue on the agenda of the bilateral relationship with the United States, as well as part of the daily tasks at our Embassy. Continuing that path and adapting to current challenges is a priority for Argentina.

International education is a cornerstone for building a more empathetic and peaceful world, by removing stereotypes and strengthening ties, as it helps create a better understanding and respect between different cultures.

However, COVID-19 presents new challenges, many of them not yet visible, that compel us to be creative so that we can take advantage of the opportunities that all crises bring about.

During these uncertain times, it is even more important to move forward with cooperation mechanisms that facilitate a joint assessment of the new reality, its impact on current programs and initiatives to increase student and academic exchange, as well as explore feasible alternatives to strengthen our bilateral relationship.

These tasks are contemplated on the Joint Working Group referred to in the Memorandum of Understanding between the Argentine Ministry of Education and the State Department signed in Buenos Aires in late 2018. This agreement provides an appropriate framework to undertake diverse educational activities and programs, allocation of scholarships, as well as other initiatives that promote international academic mobility and facilitate cooperation between subnational entities, such as local governments, universities, educational and academic institutions.

Just as in the 19th century Domingo Faustino Sarmiento, former President of Argentina and ambassador to the United States, aimed to shape and consolidate Argentine public schools, inspired by the United States' system, the current challenge is to interpret the new dimensions of global cooperation and new information technologies that allow to continue bringing people closer together through education.

In this regard, strengthening bilateral cooperation based on the exceptional conditions and the offer of higher education in both Argentina and the United States will increase educational and academic exchanges for the benefit of both countries.

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# PROMOTING INCLUSIVE DEVELOPMENT THROUGH FINANCIAL INCLUSION

Financial Inclusion is key in reducing poverty, inequality and increasing prosperity. Economic and financial empowerment of vulnerable people - particularly women and youth - is essential to achieve real equality. It gives people the means to improve their own lives. The G20, through the Global Partnership for Financial Inclusion (GPFI), has for a long time focused on addressing these issues.

Access to and the use of affordable financial services and products that meet the needs of all individuals and businesses has the potential to improve the living standards of the most vulnerable people.

Through financial inclusion, governments can tackle inequality, empower women and reduce poverty. Despite the efforts made by public and private sectors over the last years, many obstacles and challenges remain to empower vulnerable people economically, and even more so, in the actual context of the pandemic.

Before the COVID-19 crisis the world was already showing high levels of inequality. According to the International Labor Organization (ILO), more than two billion people, or 60 per cent of the world's employed population, are in the informal economy, with women and youth being the most affected.

On top of that, financial inclusion is a key development concern. There are still more than 1.7 billion adults unbanked. And, according to UNCTAD, in 2017, only 63% of adults in developing economies had an account at a bank or another type of financial institution, well below the 93% in developed economies. Those excluded from financial services are disproportionately, the poor, less educated, youth and women. Women in developing countries remain 9 percentage points less likely than men to have an account.

Around the world, approximately one billion women do not have access to formal financial services.

Global Partnership for Financial Inclusion Meeting



## FIRST GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION MEETING

January 23-24, 2020 | Riyadh, Saudi Arabia



FIRST GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION MEETING

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This undermines women's rights to make their own economic decisions such as participating in the workforce, controlling assets, establishing and accessing to finance. On the other hand, almost half of the world's young adults (15-24 years old) are financially excluded, which prevents them to deciding their future in terms of how to continue their education or training get a job or start a business. This is due to a number of circumstances such as their living place, their gender or their social and economic environment.

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This is reinforced by the situation of Small and Medium Size Enterprises (SMEs). Although SMEs are an important driver of job creation and economic activity in the world - accounting for 60 percent to 70 percent of the gross domestic product (GDP) of low-income, middle-income, and high-income countries - SME face difficulties in obtaining the necessary financing to start, maintain and grow their businesses.

The G20 Financial Inclusion agenda is turning ten years in 2020. At the G20 Seoul summit in 2010, Leaders recognized financial inclusion as one of the main pillars of the global development agenda. They also reiterated their strong commitment to financial inclusion and recognized the benefits of universal access to financial services.

The GPFI is an inclusive platform for all G20 countries, interested non-G20 countries and relevant stakeholders. It was launched with the objective of helping countries put into practice the Principles for Innovative Financial Inclusion, strengthening data for measuring financial inclusion, and developing methodologies for countries wishing to set financial inclusion targets. That objective is still relevant. Especially in the current juncture.

During the Saudi G20 Presidency – under the Finance Track- the GPFI decided to focus its work on harnessing digital and innovative technologies to boost the financial wellbeing of youth, women and SMEs.

To that end, the GPFI is developing High-Level Policy Guidelines on the Digital Financial Inclusion of Youth, Women, and SMEs. It seeks to contribute to the economic empowerment of women - as well as to achieve gender equality -; to provide more opportunities for young people, poverty reduction and the promotion of SMEs - through increased access to finance - as a source of employment.

Digital access to financial services can be transformative for people that engage exclusively in cash transactions due to lack of effective access to formal financial services (approximately 2.5 billion adults - mostly poor and low-income adults -), particularly for women's and youth. Digital Financial Inclusion is the way to empower people economically, allowing them to make payments and transfers, receiving and saving money and acquiring credit and insurance. It has the potential to improving their life, allowing them to plan for the future.



With the COVID-19 outbreak, the world is facing a crisis that has no equivalent in modern history. As a response, G20 Leaders met virtually in March and pledged to do whatever it takes to "protect human life, restore global economic stability, and lay out solid foundation for strong, sustainable, balanced and inclusive growth". In this context, the work of the GPFI becomes more relevant than ever.

To address the economic, health and social consequences of the pandemic, the critical need for digital access to affordable financial products and services for individuals has expanded. The High-level Policy Guidelines are a key element in continuing to promote digital financial inclusion and consumer protection in a challenging context such as the one the world is facing.

For Argentina, financial inclusion is critical to improve the population's welfare, to promote economic growth and to reduce informality. Since President Alberto Fernandez took office in December 2019, Argentina started to develop a comprehensive program focused on access to opportunities and protection of vulnerable people.

The Ministry of Economy has, since the beginning of 2020, been working to give more opportunities to those who are excluded and over indebted. The main objective is through the development of digital financial tools and instruments, as well financing programs, to help vulnerable population – including women and youth - achieve the transition from social assistance to formalized work. Giving access to financial services would allow people to get financing for their ventures.

To address and overcome the effects of the COVID-19 crisis Argentina's government is implementing policies to directly transfer money to the people, households and SMEs. Financial inclusion and the development of payment systems are very important to making this money available to the most affected.

Argentina has taken decisive steps to protect its population. One key policy, among other measures, is the Emergency Household Income (IFE). This policy was introduced by Argentina's National government and represents a direct cash transfer targeted to informal workers; lowest income categories self-employed and Universal Child Allowance and Progresar recipients. It was also targeted to domestic workers. This is very important, since is a sector particularly affected by the confinement measures, has the highest degree of feminization in comparison to the rest of the economic activities of Argentina (96,5 per cent of workers in domestic work are women), and has high levels of informality (less than 30 per cent of domestic workers contribute to social security, and 25 per cent of Argentina's informality is explained by domestic work.)

Regarding SME's, the government established financing lines for wage payments and credits, and non-reimbursable contributions to boost the production of inputs, equipment and technological developments in the face of the current health emergency. In addition, Argentina recently established a program of Emergency Assistance to Work and Production, in which the government supplements part of monthly wage for private sector workers in hard hit sectors that seek assistance.



This crisis recognizes no borders. It is time to reflect and take advantage of this unique moment to create solutions. This is our opportunity to create a more egalitarian and supportive world, where growth is shared, dynamic and inclusive for all. ■

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