



Public Policy under the Macri Administration

Fiscal Responsibility, Economic
Growth and Renewed Prosperity

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Re-establishing a Business and Investor-Friendly Environment

- While other LatAm countries have become increasingly vulnerable to populist politics (Venezuela, Ecuador, Bolivia), corruption scandals (Brazil, Peru) and tenuous leadership stemming due to weak approval rating (Chile, Mexico), the Macri administration has steered Argentina towards stability and international respect by rejecting the reckless economic policies of former president Cristina Fernandez de Kirchner.
- Argentina is now at a historical inflection point. Buoyed by President Macri's balanced policies as well as the caliber of his team -- highly qualified business executives and academics with proven track records in the private sector -- confidence is building that the political and economic transition is durable and will open a range of opportunities for business enterprises and long-term investors.
- When the Macri administration took office, it inherited a legacy of misguided macroeconomic and microeconomic policies and programs and a severely damaged reputation. From a macro standpoint, the economy was relying on unsustainable levels of domestic consumption for growth amid increasing fiscal deficits and low levels of savings and investment. From a micro perspective, to avoid falling into a balance of payment crisis, the former government implemented arbitrary trade and foreign exchange controls.
- Lacking a sufficient source of funds for the Treasury, and having locked itself out of the global capital markets by declining to settle unpaid debts to creditors, the government relegated the central bank to printing money to finance growing budget deficits, triggering a plummet into uncontrolled inflation and foreign reserves leakage.
- With this backdrop, the Macri Administration launched a campaign of economic growth based on classic orthodox economics, free-market principles and a more responsible and farsighted public policy agenda. The government's approach is to rely on foreign financing while setting declining, gradual deficit-reduction targets over the medium term. As the economy improves, it will be less challenging to make spending adjustments than if such measures were taken in during a recession. Underlying the policy agenda is a view that a more balanced program of responsible social and economic policies will create opportunity for citizens rather than just handouts that lead to persistent economic burden.
- The ticking bomb has now been dismantled. Having eradicated currency controls and foreign trade restrictions, appointed a new Central Bank Board, restored credibility in inflation statistics and improved public accounts transparency, the Government has set the groundwork for deeper institutional, tax and energy reform. In particular, the Administration is committed to tackle the country's energy deficit via public-private partnerships wherein the public sector will collaborate with private investors and businesses to capitalize on Argentina's abundant natural resources and launch aggressive infrastructure renewal and alternative energy initiatives to build a durable base for economic growth and prosperity.

Summary of Key Reforms and Initiatives

- The Macri administration instituted an inflation targeting policy to reach single-digit CPI by 2019
- Removed capital controls and repatriation restrictions
- Resolved defaulted debt and regained access to global financial markets
- Removed export taxes and import restrictions
- Implemented government e-platform for tenders and public accounts
- Created the Argentina Investment and Trade Promotion Agency
- Established regulatory framework for Public-Private Partnerships (PPP)
- Re-launched the National Statistics Bureau (INDEC)
- Established a 4-year plan to eliminate the primary fiscal deficit
- Plan for renewal of nationwide infrastructure
- Established goals and financial incentives to promote the development of alternative energy sources

Infrastructure Renewal Initiative

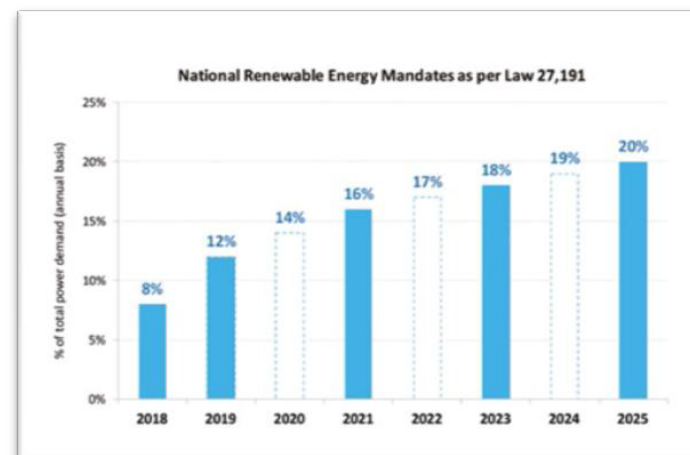
- Mission: To implement the most ambitious infrastructure plan in the history of the Argentine Republic, fostering growth and development
 - Enhance productive corridors
 - Diversify logistics matrix
 - Develop the domestic air market
 - Improve the quality of public transport
 - Create a more strategic connectivity, attracting investments and new opportunities
- The lack of investments for many years has set the stage for investment opportunities in almost all the strategic sectors of the economy and throughout all the regions and provinces

	Public Investment (millions of USD)				Private Investment	TOTAL
	2016	2017	2018	2019		
Airports	200	245	240	225	350	1,260
Freight Railways	300	700	800	800		2,600
Urban Rails	1,400	3,000	3,200	2,700		10,300
Urban Mobility	165	310	240	225		940
Roads	2,800	3,400	3,100	3,200	5,000	17,500
Ports	70	125	115	115	200	625
TOTAL	5,135	9,380	9,095	6,565	5,550	33,225

Source: [Infrastructure as an Engine for Growth](#), Ministerio de Transporte

Energy Production and Conservation Initiative

- The Renewable Energy Act (Act 27,191) was passed in 2015, that requires 20% of the consumed energy be produced from renewable sources by 2025.
- Renewables will represent about half of all new power generation capacity over the next decade, with annual installations of new capacity expected to be in the order of 1.0 to 1.5 GW.
- The government has implemented a new regulatory framework with the aim of increasing the economic viability and improving investors' confidence.
- Established in 2016, the Argentine Investment and Trade Promotion Agency (AITPA) has a mandate to the social attracting and facilitating high-quality investment in strategic sectors, such as Renewable Energy.
- AITPA helps awarded projects (59 to date) achieve their investment objectives by: creating a fast-track in Customs to streamline import processes, helping investors understand and mobilize the different options of financing available, and mitigate logistic bottlenecks.
- The severe energy deficit along with the new legal/regulatory framework and government-sponsored incentives has created a wide range of business and investment opportunities in renewable energy.



Source: Energias Renovables en Argentina, Ministerio de Energía y Minería

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