A Preliminary Assessment of Argentina’s Accession to the OECD

AUTHORS
Michael Matera
Pablo Souto
Silvina Vatnick
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Center for Strategic & International Studies
1616 Rhode Island Avenue, NW
Washington, D.C. 20036
202-887-0200 | www.csis.org
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Executive Summary

Formal Organization for Economic Co-operation and Development (OECD) membership facilitates the design and implementation of public policies, restrains the likelihood of abrupt changes in the rules of the game, lowers the cost of capital, enables harmonization of norms and practices with other countries aimed at fostering trade and investment flows, allows for an active participation in global development forums, and reinforces reputational effects that strengthen businesses’ and consumers’ confidence. However, these benefits can be taken advantage of by countries even before becoming a full OECD member, since the process of accession itself requires that candidate members of the OECD commit to a concrete action plan that serves to promote comprehensive reform of existing laws, regulations, and practices in a wide array of policy areas.

Over the last few decades, Argentina’s institutional framework has been weak and ineffective and has failed in improving consistently the well-being of the population. President Macri identified the process of accession to the OECD as one of the key policy priorities of his government in order to begin addressing the country’s institutional weaknesses and to anchor a broad range of important structural reforms that had never been fully undertaken by previous governments. In June 2016, Argentina officially announced its intention to seek formal endorsement of its candidacy for OECD membership and thereby to officially initiate the accession process. In April 2017, Argentina’s minister of the treasury formally announced and presented the Argentina and OECD Action Plan to representatives of the OECD member countries. Since that time, this action plan has been advanced through a large number of policy actions, legal reforms, and analytical work undertaken by Argentine government institutions, both executive and legislative, in close coordination with the OECD Secretariat.

The principal areas where Argentina has made the most significant progress in the last three years that are relevant for the private sector and cut across a number of sectors in the economy include competition policy, corporate governance, regulatory policy, labor market policies, integrity and anti-corruption, and financial markets. Achieving an increased number of the action plan’s main goals was in part made possible by a productive engagement between the Macri administration and key political opposition leaders in the Argentine Congress through an agreed effort to build a broad political consensus behind the priority policy areas included in the OECD agenda. As a result, key pieces of national legislation that aligned with OECD standards were passed over the last
two years. Moving forward, it is critical that the road to accession to OECD becomes a consistent policy of state irrespective of the government in place.

As of April 2019, the Argentine Government has waited for almost two years for the OECD and its 36 member countries to accept its request to begin the formal process for OECD membership. Despite having the support for its candidacy from all 36 members, OECD voting rules and internal disagreements among members over the schedule and sequence for accepting new candidate members have prevented Argentina from being given the “green light” for the official start of the accession process.

The invitation to begin the formal process for OECD membership will succeed once all member states reach a consensus on how to expand membership and commit to support Argentina in its effort to fully consolidate its democratic system and an open market-based economy. Argentina needs strong external support from OECD member states, including their governments, private sectors, and civil societies, to endorse and consolidate the significant structural reforms that have begun over the last three years in Argentina. This kind of external support, together with growing domestic understanding and “buy-in” in Argentina for these structural reforms, will not only positively impact Argentina’s prospects for growth and stability but will also be a clear signal of support for more transparent and democratic societies in the region. The U.S. government has already acknowledged Argentina’s renewed emphasis on promoting such democratic practices to reach stability in Latin America in a number of areas, including anti-drug trafficking and antiterrorism, among others.

Macroeconomic and financial stability are necessary conditions for this broad process of reforms to succeed and to prevent a negative backlash by entrenched special interests and lobbies intent on maintaining their own privileged positions and keeping Argentina isolated from increasingly globalized and competitive international markets. Based on the experiences of other OECD member countries in Latin America and elsewhere, it is critically important that future Argentine administrations maintain a strong commitment to consistent reform efforts benchmarked in OECD best practices.

“The United States needs Argentina to become a successful member of the OECD. It is critically important to confirm to the world that the fundamental principles of the OECD—the rule of law; responsible government; transparency in the formulation of public policies and in decision-making by the private sector; innovation and best practices in health, education, and cooperative relations with the rest of the world—are the right way forward for a successful future.”

DR. JOHN HAMRE
President and CEO, CSIS

1. According to the OECD “Colombia’s membership will take effect after it has taken the appropriate steps at the national level to accede to the OECD Convention and deposited its instrument of accession with the French government, the depository of the Convention. Colombia’s accession will extend OECD’s membership to 37 countries.”
1 | Background on OECD Accession

The articulation and development of a strong and inclusive institutional framework are key for any country to embark on a process of successful and sustainable economic and social development. Such an institutional framework is conducive to facilitate innovation and human and physical capital accumulation through a stable set of rules. Moreover, through the adoption of a consistent set of standards and good practices, the lessons from other countries’ experiences, and from cooperation with the rest of the world, a country can build strong and effective institutions which are essential prerequisites to improving the well-being of its citizens.

This is the essence of OECD membership. It can be argued that OECD membership facilitates the design and implementation of public policies, restrains the likelihood of abrupt changes in the rules of the game, lowers the cost of capital, enables harmonization of norms and practices with other countries aiming at fostering trade and investment flows, allows for active participation in global development forums, and reinforces reputational effects that strengthen businesses’ and consumers’ confidence. However, these benefits of membership can be enjoyed even before a country becomes a full member since the process of accession—which can take anywhere from 4 to 10 years of diligent work after a country has been invited to become a candidate member—requires concrete work on comprehensive reform of existing laws, regulations, and practices in the wide array of policy areas included under the mandate of the OECD.

In this context, the experiences of current Latin American OECD members (Chile, Colombia, and Mexico) show that becoming an member appears to be a necessary but not a sufficient condition for middle- and large-size countries to embark on a sustainable development path. On one hand, Chile’s membership (2010) boosted and consolidated an already consistent and established development process, while Colombia (2018) has shown remarkable progress in a number of areas advanced during the accession process, which is a lesson quite relevant for Argentina. On the other hand, Mexico (1994) made modest development progress before accession, and its progress since then can be explained—as is true in all cases—by a variety of factors, including OECD membership and dramatic economic and trade transformations that went hand in hand with Mexico’s membership in the North American Free Trade Agreement (NAFTA). Despite this progress, Mexico continues to struggle with a number of issues related to institutional weakness and pending economic reforms.
In the case of Argentina over the last few decades, the country’s institutional framework has been weak and ineffective and has clearly failed to consistently improve the economic stability and well-being of the population. President Mauricio Macri took office in December 2015. He stated from the outset of his administration that Argentina had to reverse the long-standing deterioration of the country’s development. He identified Argentina’s return to the international arena as one of his administration’s strategic objectives. He identified the process of accession to the OECD as one of the key policy priorities of his government in order to begin addressing institutional weaknesses and to anchor a number of important structural reforms.

In June 2016, Argentina officially announced its intention to seek formal endorsement of its candidacy for OECD membership and thereby officially initiate the accession process. In April 2017, Argentina’s minister of the treasury formally announced and presented the Argentina and OECD Action Plan to representatives of the OECD member countries. The action plan consisted of 60 concrete commitments and deliverables that included i) adherence to a subset of critical OECD legal instruments; ii) increasing participation in OECD technical committees to reach full participation in the 23 committees and working groups most related to accession; and iii) conduct of reviews of Argentina’s policies in nine areas of OECD focus, namely statistics, economy and development, corporate governance of state-owned enterprises, competition, agriculture, regulatory policy, open government, digital government, and integrity and transparency. Since that time, this action plan has been advanced through a large number of policy actions, legal reforms, and analytical work undertaken by Argentine government institutions, both executive and legislative, in close coordination with the OECD Secretariat, including a number of technical missions to Argentina conducted by OECD officials.

All of the original 2016 action plan commitments and deliverables have been achieved on the basis of active work promoted over the past three years by the Argentina executive branch. This progress is also the result of a consistent and productive engagement between the current Argentine executive branch and key political opposition leaders in the National Congress. An OECD parliamentary group made up of representatives from both the government and opposition political parties was formed in 2016. This group has helped to build a broad consensus in the legislative branch in support of OECD standards and best practices. The group contributed significantly to critical domestic consensus and to strong engagement with the OECD, including participation in the ministerial council meeting in 2018, where representation of the heads of different parties accounted for about two-
thirds of the House of Representatives. As a result, key pieces of legislation which aligned with OECD standards were passed over the last two years, such as the corporate criminal liability and freedom of information laws (addressing issues related to transparency and anti-corruption), the productive financing law (addressing issues related to capital market development), the competition law (addressing issues related to antitrust and competition policies), the tax reform law, a fiscal accord between the federal and subnational governments (addressing issues related to fiscal reform), and the administrative simplification policies law (addressing issues related to regulatory policy). The CSIS Argentina-U.S. Strategic Forum has also played an important role in raising awareness among Argentine business leaders of the importance for the country to engage actively in the process of OECD accession through a number of public seminars and discussions.

As of April 2019 and over the course of the previous two years, there has been the expectation that the OECD member countries will accept Argentina’s request to begin the accession process. Throughout this two year period, Argentina has undertaken significant and consistent effort to broaden both domestic support in Argentina for OECD membership as well as foreign support for Argentina’s candidacy among OECD member countries. The Argentine candidacy has already received full endorsement by all 36 member countries. However, agreement within the OECD is still pending and the OECD Council has not yet formally invited Argentina to initiate the accession process.² If and when this invitation is issued and before Argentina will be eligible for membership, there will be a number of steps to be completed, among them a comprehensive review and approval of Argentina’s regulations, legislation, and standards by each of the OECD’s 23 technical committees in their respective areas of competence. The process could take several years to be completed after the country initiates the accession process.³ For this reason, it is very important for the country to consolidate and broaden domestic consensus for OECD membership because this formal accession process would exceed the timeframe of the first Macri administration, which ends on December 10, 2019.

As of April 2019, the Argentine government has waited for almost two years for the OECD and its 37 member countries to accept Argentina’s request to begin the formal process for OECD membership. Throughout this period of waiting, the Argentine public and private sectors have made significant progress in building and broadening both domestic support for OECD membership as well as unanimous support from OECD member countries for Argentina’s official candidacy for membership. Despite having the support for its candidacy from all 36 members, OECD voting rules and internal disagreements among members over the sequence and schedule for agreeing to new candidate members have held up Argentina’s start of the accession process.

The invitation to begin the formal process for OECD membership will succeed once all member states reach a consensus on how to expand membership and commit to support Argentina in its effort to fully consolidate its democratic system and an open

². It should be noted that in June 2017 during the OECD Ministerial Council Meetings, the “Framework for the Consideration of Prospective Members” was approved.
³. The last OECD accession case is Colombia, that was formally accepted after a formal five-year accession process. Preparations before Colombia was formally invited to initiate the accession process had already taken another three years.
market-based economy at a time when there are strong tensions in Latin America between populist and non-democratic systems and democracies based on rule of law. In such context, the consistent support of the United States and the other 36 member countries becomes critical for formally moving forward with Argentina’s candidacy. Argentina has been quite proactive in the last three years both in promoting democratic values in the region as well in beginning to rebuild key institutional pillars for sustainable development in the country. Argentina needs strong external support from OECD member states, including their governments, private sectors, and civil societies, to endorse and consolidate the significant structural reforms that have begun over the last three years in Argentina. This kind of external support, together with growing domestic understanding and support in Argentina for these structural reforms, will not only positively impact Argentina’s prospects for growth and stability but will also be a positive signal of support for more transparent and democratic societies in the region.

OECD ACCESSION ARGENTINA AND LATIN AMERICA

ARGENTINA
BRAZIL
PERU
COLOMBIA
COSTA RICA
CHILE
MEXICO*

○ = membership requested  □ = invitation to membership  △ = full membership

*Mexico’s signing of the North American Free Trade Agreement (NAFTA) streamlined its OECD accession process.

1. https://www.imf.org/external/datamapper/CG_DEBT_GDP@GDD/OECD/ADVEC/WEOWORLD/BNR/ARG
2. https://www.imf.org/external/datamapper/PCPIPC@WEG/OECD/ADVEC/WEOWORLD/BNR/ARG
2 | Advances and Gaps in Key Areas

This section presents a brief description of the six areas where Argentina has made progress over the last three years as well as a preliminary assessment of the extent of compliance with OECD frameworks and standards in these selected key areas that are relevant for the private sector and that cut across a number of sectors in the economy. These six areas are: (i) competition policy, (ii) corporate governance, (iii) regulatory policy, (iv) labor market policies, (v) integrity and anti-corruption, and (vi) financial markets. For each of these six areas, key policy recommendations to accelerate convergence in these areas are also included.

**Competition Policy**

Argentina is one of the most closed economies in Latin America and in the world. Barriers to international competition—but also to domestic competition—have widely been used in past decades to empower certain groups or benefit politically-connected industries. According to the World Economic Forum, Argentina ranks between 104 and 130 (out of a total of 140 countries) with regard to specific competition indicators. Alternative estimates of Argentina’s economic competitiveness provide a similar picture (e.g., the OECD product market regulation indicator shows that Argentina scores 3.1 points while the Latin American average is 1.8).\(^4\)

A new competition law\(^5\) aimed at promoting more competitive markets for the efficient allocation of resources, easier consumer access to a broader set of goods and services at lower prices, and more attractive foreign investment was recently approved. The new law also aims at strengthening enforcement of existing rules through the establishment of an institutional framework to facilitate the actions of the Comisión Nacional de Defensa de la Competencia—National Commission for the Defense of Competition (CNDC).\(^6\)

Based on international standards to fight cartels and anticompetitive practices such as the abuse of dominant position, the law fosters higher transparency requirements,

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4. This indicator ranges from 0 to 6, where higher values indicate more restrictive measures to competition; i.e., less competitive markets.
6. Comision Nacional de Defensa de la Competencia (CNDC).
predictability, and efficiency in the use of regulations, more stringent redress mechanisms, mandatory ex ante interventions in the case of mergers and acquisitions, and a more independent regulator. Although recently implemented, the law has helped to a successful resolution of an anticompetitive investigation carried out by the CNDC in relation to the credit card market and banking industry. Moreover, the CNDC has resumed investigations and studies over a wide range of economic sectors; public records indicate that in the period 2004-15 only five analysis were carried out while since 2016 there have been nine.

Moreover, international competition and foreign investment in high-tech, dynamic, and innovative sectors require strong protection of intellectual property rights. According to the World Economic Forum, Argentina ranks 95 out of 140 countries regarding the protection of intellectual property.

“In its search for consistent and sustainable growth, Argentina has taken a critically important step in committing itself to incorporation into the OECD. This process will permit Argentina to participate actively in the global development agenda and to share the principles and practices that sustain this agenda. This is more important than ever in a world that is increasingly integrated and interdependent.”

MARCOS BULGHERONI
CEO, Pan American Energy Group

PRELIMINARY ASSESSMENT OF THE EXTENT OF ARGENTINE COMPLIANCE WITH OECD COMPETITION STANDARDS

Although Congress passed the new competition law, the creation of the National Competition Authority (NCA) stipulated in the new law is still pending. The proposed NCA is expected to serve as an independent and professional body in charge of all matters relating to competition issues and the responsibilities under the new law, including the establishment of a competition court. The Government issued the handbook for the selection process to appoint senior authorities of the NCA in February 2019. After an open, participatory, and competitive process, the selected candidates require Senate approval before their appointment by the president. All these procedures are in line with international standards to ensure the independence and technical capabilities of the NCA.

However, this entire process is still at an early stage, thereby impacting the effectiveness of the new law that requires a robust and autonomous regulatory authority. The autonomy and professional background for NCA authorities is an essential part of an effective institutional framework for the competition landscape to ensure that rational interventions and decisions are made with no political interference and with operational enforcement. It is important to note that enforcement has been historically the weakest element of Argentina’s regulatory framework.

7. At the time this report was being finalized (April 2019), the government initiated the selection process by opening up the register for candidates to apply.
The new competition law established a higher threshold for the materiality condition; this refers to NCA intervention in cases of mergers or similar commercial operations that could result in high levels of economic concentration. This modification reflected the OECD recommendation for establishing threshold values that prevent the regulator from intervening in cases of small-scale operations.

In a similar fashion, the NCA was given authority to impose meaningful sanctions and fines when anticompetitive practices are identified. This should fill the previous gap in which market participants perceived then-existing sanctions to be of minor importance, thereby creating perverse incentives. Also, current sanctions are expressed in real terms in order to avoid the erosion of value due to inflation.

Under the new law, the NCA has been given operational autonomy in the use of its resources and has had its funding reinstated in the federal budget and through fees collected; this budgetary autonomy had been removed in 2014. However, international comparisons indicate that budget allocations for the CNDC (and the future NCA) are relatively low.

**POLICY RECOMMENDATIONS TO ACCELERATE CONVERGENCE IN COMPETITION POLICY**

In order to reap the full expected benefits of the reform that took place in 2018, it is critical to establish the NCA as early as possible. The current selection process of its authorities needs to advance in order to have it completed as soon as possible; working with the legislative power on this topic (since the Senate plays a key role in the selection process for NCA authorities) is essential to ensure that politics do not become involved in this technical process.

The current law makes no explicit mention of international enforcement cooperation to be conducted by the NCA. For Argentina to continue the current process of integration into global value chains and internationalization of companies, the effective enforcement of competition rules is essential. This will require greater cooperation among regulatory authorities, including the exchange of information and investigative assistance. Further amendments to the existing legal framework that are similar to the provisions for international cooperation for other government agencies (such as the Financial Information Unit, the Securities Exchange Commission, etc.) may be needed.

Although NCA funding is now incorporated into the law, having to rely on the executive power to obtain resources could limit its operational autonomy. A transitional arrangement by which the NCA is funded by a multiyear budgetary allocation might be considered until a system fully-funded by fees collected from market participants can be implemented.

Another critical factor in ensuring a competitive and level playing field in the most dynamic sectors of the economy is the need to strengthen intellectual property rights in order to converge to OECD standards. There are still limitations on the scope of subject matters eligible for patents in certain sectors, including pharmaceuticals and

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8. As of March 2019, such threshold is equivalent to approximately USD 50 million.
9. Under the previous law, many fines were expressed in pesos with no automatic inflation-adjustment mechanism.
10. Equivalent to between half and a third of the budget of the competition regulators of Latin American OECD members.
agrochemicals. There is inadequate protection against unfair commercial use and unauthorized release of undisclosed tests and other data submitted to the government in conjunction with Argentina’s lengthy and complicated marketing approval process. While there has been some recent progress, the backlog in pending patents remains excessive. Reforms aimed at reinforcing intellectual property rights should be complemented by a process of raising awareness and strengthening capacity in the judiciary to ensure enforcement of the new rules.

**Corporate governance of listed firms and state-owned enterprises**

Good corporate governance\(^{11}\) is critical in facilitating both the sustainability and the way in which a company grows and accesses credit. Lenders and investors are increasingly monitoring companies’ compliance with best corporate governance standards and adjusting their financing terms (cost of credit, amount, duration, collaterals, etc) accordingly. In addition, when the public sector has a dominant position in key domestic markets, such as financial services, transport, energy, and utilities, corporate governance becomes even more relevant for its impact on the economy.

In Argentina, the state is a significant shareholder in many of the largest domestic listed firms.\(^ {12}\) Therefore, from an OECD perspective, corporate governance in Argentina should address issues on both listed and state-owned companies—an approach the current administration has adopted. Regarding state-owned enterprises (SOEs), their governance practices were very weak with no centralized oversight, no accountability, and low transparency. Almost all SOEs at the national level were running operational losses—in some cases very significant losses—that have regularly been balanced through direct budgetary allocations from the Treasury. In most cases, they have only had access to other sources of financing linked to public sector institutions (state-owned banks, the public pension fund, etc.).

One of the current administration’s 100 key policy priorities laid out at the beginning of its term in 2016 relates to improving the overall functioning of SOEs. As a result of this, a coordination unit was established in October 2016 (the Supervisory Council of SOEs under the Chief of the Cabinet of Ministers), the guidelines for governance of SOEs were issued in 2018,\(^ {13}\) and an advisory committee was set up in the same year (the Advisory Committee for Good Governance of SOEs).\(^ {14}\) Pilot projects to strengthen the procurement processes in selected SOEs were implemented as well as activities and programs to foster greater levels of integrity and ethics in these companies.

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11. Simply defined as the practices and procedures in which stakeholders of a company make decisions and manage their conflicts.

12. This issue deserves separate analysis, provided that the government’s shareholdings of public companies are held through the state pension fund, the FGS.


In the case of listed, privately-owned companies, a number of stumbling blocks that have inhibited the development of domestic capital markets have been removed since 2016. Specifically related to corporate governance, the CNV’s broad authority to intervene in the management of companies was revoked and the requirements were eliminated for domestic registration of foreign shareholders wishing to exert their voting rights in domestic companies.\footnote{15 Comisión Nacional de Valores (CNV) is the securities regulator.} The CNV has redefined the definition of independent directors and is in the process of updating the corporate governance code to better align it with international standards.\footnote{16 At the time this report was being finalized, the new Code was launched (June 2019).} The largest stock exchange (Bolsas y Mercados Argentinos or ByMA) has recently launched a special listing panel where companies with the highest corporate governance standards are to be included.\footnote{17 Similar to the experience in Brazil with the Novo Mercado.}

**PRELIMINARY ASSESSMENT OF THE EXTENT OF ARGENTINE COMPLIANCE WITH OECD FRAMEWORKS AND STANDARDS (OECD-G20 PRINCIPLES OF CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE FOR STATE-OWNED ENTERPRISES)**

Since 2016, efforts to improve the functioning of SOEs have successfully focused so far on balancing their financial performance through a combination of re-pricing of goods and services and efficiency gains. There is a need to move forward and develop an institutional framework that would be conducive to economically sustainable enterprises in the long-term by laying out the foundations of a solid governance structure.

The rationale for the existence of SOEs is not clear yet, nor are the boundaries and separation between public policy and commercial goals. In addition, there is a lack of centralized ownership policy and governance practices since the supervisory council is not fully performing this role. Every minister ends up with a different approach when it comes to governance practices without a common guiding mandate first being defined. Moreover, the fact that SOEs report to particular Ministries makes accountability weaker every time the organizational structure of the Ministries is modified, which has tended to take place often in recent years.

There is room for the government to limit the scope of political interference in SOEs and to strengthen the policies and process for the appointment of board members. Listed firms also need to improve the efficiency of boards. There is also the need to develop a market for independent directors. This is particularly important in the case of SOEs which are mandated to have an audit committee composed of independent directors, a regulatory provision that several enterprises fail to comply with.

In many cases, SOEs have competitive advantages over their private sector counterparts due to preferential tax treatment and/or funding policies. Also, there are potential conflicts of interest in the functioning of certain SOEs, where a regulatory body is appointed by the same minister that is responsible for the SOE in a particular sector. Board remuneration policies are limited by the legal and regulatory framework of SOEs and are not incentives-based.\footnote{18 Not aligned with long-term performance criteria or with risk appetite parameters. This also applies to listed firms.}
In addition, due to budgetary and staffing constraints, the CNV’s capabilities are limited to enforcing regulations on disclosure and other key aspects such as minority shareholders’ rights, insider trading, etc.

“For Argentina, the process of OECD accession will help to prevent sudden and unexpected changes in public policies and will lower the cost of capital by increasing the volume of savings channeled to productive investments. Business leaders in Argentina must be proactive in engaging in and supporting the accession process, working directly with the public sector.”

MARTIN ZARICH
President, Banco BBVA (Argentina)

POLICY RECOMMENDATIONS TO ACCELERATE CONVERGENCE IN CORPORATE GOVERNANCE

The design and consolidation of institutional reform would require the involvement of the legislative branch. For SOEs, priority policies include defining their rationale, role, and separation between public policy goals and commercial goals as well as formalizing the role and functions of the supervisory council beyond the monitoring of short-term financial performance.

Proper oversight by external bodies requires reliability of information which needs to be strengthened through convergence to international accounting and auditing standards. Once improved transparency on financial indicators, annual reports, organizational structure, and information about board members and senior management is achieved, information then needs to be harmonized across SOEs and finally disclosed in a standardized format through a centralized entity. Auditing and internal control structures and procedures should be streamlined and enforced; in particular, external auditing by private firms should be the norm in order to complement the roles of the Sindicatura General de la Nación (an oversight body of the executive power) and the Auditoría General de la Nación (an oversight body of the National Congress).

For listed firms, proper disclosure standards could be enhanced by adopting formal cash dividend policies. Due to the absence of large institutional investors in Argentina, there are no significant gatekeepers who can provide oversight services regarding the quality and reliability of the disclosed information. It is important to facilitate the development of this type of institutional investors not only to foster market growth but also to complement oversight functions that the CNV is only partially able to do. The CNV should be allocated greater resources to strengthen its enforcement and sanction powers.

19. At present, companies only have to inform whether they have a dividend policy as part of the compliance with the corporate governance code.
20. The recent reform that mandates market players to pay a fee to the CNV for conducting certain activities is the right direction but with a limited impact—by construction—from the size and depth of the market.
Rules for the establishment and functioning of SOE boards are necessary. Similar considerations are valid for many of the listed firms, where there is no culture for boards to focus on macro issues.

The judiciary has traditionally failed in Argentina to provide timely and adequate protection of investors’ rights. These weaknesses in protecting minority shareholders rights call for complementary market-based solutions in case of controversies in capital markets. Most markets already have dispute resolution mechanisms\(^{21}\) that have had limited participation. The advantages of using such approaches need to be further disseminated and strengthened. The judiciary should be closely involved in the OECD accession process as one of the means to strengthening its role and independence.

**Regulatory Policy**

Inefficient regulations (such as extensive red tape, complex administrative procedures, requirements for multiple permits, trade restrictions, etc.) and regulatory capture have made Argentina a difficult place to do business. Regulation of economic activity in Argentina has lacked consistent and rational procedures and has created a familiar conundrum for businesses. Reforms implemented since 2016 have intended to address many of these issues.\(^{22}\) According to the Doing Business Indicators, Argentina’s position in the ranking improved since 2016 from 8 to its current 6 out of the ten South American economies. On the World Bank’s Index of Doing Business, Argentina now ranks 119 out of 190 countries compared to 124 in 2015.

Another of the current administration’s 100 key policy priorities laid out at the beginning of its term in 2016 relates to the elaboration of full-fledged regulatory policy framework (i.e., unification of international trade procedures, simplification of permits, processes, etc.) for conducting business and implementation of digital/paperless procedures for individuals and firms. Strengthening the governance of key regulatory agencies to ensure independence, accountability, and transparency has also been an important priority for the current administration.

In particular, Decree 891/17 for the “good practices in matters of simplification” intended to provide a common rulemaking framework to be adopted by all federal government agencies.\(^{23}\) It complements provisions that are included in the public transparency regime, which were implemented through the Decree 1172/03 on “access to public information,”\(^{24}\) and in the digital government strategy implemented by the Decree 733/2018 for the “complete, remote, simple, automatic, and instant digital processing of formalities.”\(^{25}\)

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\(^{21}\) I.e., Tribunal de Arbitraje

\(^{22}\) According to the OECD Economic Survey of Argentina (2018), those reforms—along with competition reforms already mentioned—are estimated to have a positive impact on GDP growth in the order of 2.6 percent over the next decade. Moreover, an additional set of reforms could add another 5.3 percent to Argentina’s economic growth in the same period.


\(^{25}\) Ministry of Modernization Decree 733/2018. See Ministry of Justice and Human Rights, National Presidency,
broad stock-taking exercise of redundant regulations and procedures has been carried out since 2018 and resulted in the repeal of many such regulations and procedures. These have been referred to as the so-called simplification and de-bureaucratization laws and decrees. Finally, by the end of 2018, the government created the Regulatory Policy Group (RPG) to put into practice the good practices framework mentioned above.26

PRELIMINARY ASSESSMENT OF THE EXTENT OF ARGENTINE COMPLIANCE WITH OECD FRAMEWORKS FOR HIGH-QUALITY REGULATORY POLICY

The current model of regulatory policy combines general mandatory provisions but also includes particular elements that are promoted as a good practice to be adopted by government agencies, thereby creating a hybrid model of advocacy. A high-quality process for regulatory policies requires establishing i) ex ante cost-benefit analysis, ii) stakeholders participation, iii) learning from other experiences, iv) external oversight, and v) ex post assessment of the results of regulations, hence creating a virtuous feedback cycle of policies. The “good practices” Decree 891/17 has incorporated elements related to i, ii, and v—although in a less than mandatory way—while elements related to iii and iv are mostly absent. Cost-benefit analysis is recommended as a general tool, but no additional mechanisms and procedures have yet been established to ensure homogenous and proper application. Similar considerations could be made for the ex post evaluations of issued regulations and public consultation mechanisms. In the latter case, the number of mechanisms and platforms for stakeholders’ consultation and participation are significant, so there is a need to improve enforcement rather than to introduce new mechanisms.

The recently created RPG should serve as the centralized agency that gathers and systematizes all available information so as to facilitate one government agency to benefit from the experiences of other agencies. Also, there is no explicit recommendation or provision to incorporate international good practices and/or standards into the process of developing new regulations, thereby limiting the scope for greater international integration and cooperation in Argentina.

Effective oversight of the use of good practices by government agencies (Ministries, regulatory agencies, etc.) has been poorly performed across the entire federal administration, thereby leaving room for inconsistent implementation and losing out on potential efficiencies. Whether the RPG would have such monitoring powers is yet to be seen. Control mechanisms are mostly focused on ensuring the formal compliance of norms with current legislation (a legality check) rather than gauging the efficiency and effectiveness of prospective regulations.

The rationale for this hybrid model is to allow government agencies to gradually implement good practices without jeopardizing their day-to-day activities. Eventually, some of them could become champions and create reputational effects that could cascade down to the rest of the administration. Yet in Argentina, many regulations make no economic sense but rather are still implemented to protect a niche for certain favored

groups to generate income and wealth from other constituencies (extractive institutions). This hybrid approach of creating champions and demonstration effects makes little sense in many cases in the Argentine context. Also, the absence of a centralized inventory or control panel of current regulations may result in significant regulatory overlap which contradicts current efforts at bureaucratic/regulatory simplification and at the same time discourages business. The RPG is expected to close this gap.

POLICY RECOMMENDATIONS TO ACCELERATE CONVERGENCE IN REGULATORY POLICY

The advocacy model of regulatory policy may not bring about expected benefits in a country that has historically struggled with a conundrum of regulations. Therefore a strategic decision has to be made to move towards the adoption of a mandatory, centralized, and holistic approach to regulation to be consistently implemented across the administration.

For this proposed model to be effective, it should include the establishment of a centralized agency or unit to serve as the focal point for all government agencies. Such a unit should be empowered to issue mandatory guidelines, mechanisms, and procedures relating to regulatory policies; incorporate technological tools to simplify formalities; conduct centralized oversight of compliance; provide strategic leadership; and become the depository of the institutional knowledge and experiences for the whole federal administration. It should have the authority to enforce the norms and be endowed with proper human and financial resources. Some of these functions are formally performed by the RPG, although no further information could be obtained from public sources regarding the effective appointment of the RPG members, how the group would conduct its functions, whether it has sufficient resources, its monitoring and sanction powers, etc.

The implementation of cost-benefit analysis, ex post evaluation, analysis of international standards, and related tools may require building technical capacities at certain government agencies. The RPG could assess the current capacities of agencies and identify gaps in order to develop a training program for government officials.

Finally, regulatory policy involves not only the federal government but subnational governments as well. There is a need to foster coordination and the adoption of common rules and practices across the federal, provincial, and municipal levels of government in Argentina. As mentioned in other areas of focus in this report, under the 360-degree approach to the OECD accession process, it is critical to invite subnational governments to participate in this convergence path towards high-quality regulatory policies. While this process has already begun in some sectors, much work remains to be done, and consistent work and follow-up are required at all levels.

27. Some advances have been made between the federal government and those of the Province of Buenos Aires and the Autonomous City of Buenos Aires.
Labor Market Policies

The labor market in Argentina is heavily regulated\(^{28}\) and subject to a significant tax burden.\(^{29}\) Stringent hiring and firing practices, lack of flexibility in wage setting, and internal labor mobility are the areas where Argentina needs significant improvements to foster job creation in the formal sector.\(^{30}\) In addition, skills training and educational improvements would complement job creation by adding productivity gains and higher wages.

In 2017, Congress passed a law\(^{31}\) to reform the workers' protection scheme, aiming at reducing the high levels of litigation related to workers' compensations in cases of illness and injuries. Most provinces have already ratified the new accord, and recent official data point to a significant drop in legal procedures (and therefore litigation costs) and in the number of workers' accidents.\(^{32}\) The government also implemented a program (Empalme\(^{33}\)) in 2017 where the unemployed or informal employees could retain their social benefits if employed in the formal sector, while the employer could deduct such benefits from the payroll.

A comprehensive reform of labor market regulations is still pending.\(^{34}\) The current administration announced in 2018 that a reform had been prepared and then submitted to Congress—three draft bills addressing issues related to labor market regulations—but these drafts had not been debated yet by lawmakers.\(^{35}\) Ever since the 1940s, Argentina has had great difficulties in reaching a broad consensus on labor regulation and institutional reform. As a result, the current administration has promoted small-scale agreements between employers and employees in specific regions and sectors of the economy since 2016, such as a more modern and flexible framework to regulate labor relationships in the oil and gas sector in the province of Neuquén. While these efforts had some early successes, the pace of change in the last few months has slowed down and produced few significant advances.

**PRELIMINARY ASSESSMENT OF THE EXTENT OF ARGENTINE COMPLIANCE WITH OECD LABOR MARKET POLICIES**

Argentina's formal labor market is segmented. On one hand, jobs with permanent contracts in the formal sector are relatively stable and protected. On the other hand, short-term contracts lack such higher levels of protection and stability; therefore, a

\(^{28}\) According to the 2018 WEF Competitiveness Index, Argentina ranked 116 (out of 140 countries) in labor market flexibility.

\(^{29}\) According to the Doing Business Indicators prepared by the World Bank, labor taxes and contributions represent 29.3 percent of firms' profits, ranking second in South America after Brazil (39.4 percent) and much higher than the South American average of 17.6 percent. Chile—an OECD member—exhibits the lowest ratio (5.1 percent).

\(^{30}\) It is estimated that about a third of the workforce is informally employed.


\(^{32}\) Figures released by the Superintendencia de Riesgos del Trabajo show that cases taken to courts dropped 40 percent in 2018 with respect to 2017.


\(^{34}\) According to the OECD Economic Survey of Argentina (2018), a more flexible labor market could provide an additional 0.5 percent growth of GDP stretched over a ten year period.

\(^{35}\) On April 5, 2019, the executive submitted again to Congress one of those three bills (the one establishing a framework to formalize employment—the so-called blanqueo laboral or labor amnesty).
significant share of the workforce moves from one to another of these short-term positions with limited chances to move into the formal segment.

Labor market policies to support the unemployed are largely focused on supporting public work schemes, with little funding being used for training and improving the skills of the unemployed. Also, the resources devoted to these policies are low compared to the OECD average. Although this strategy provides protection in the short-term, it does not increase or facilitate the employability of the workforce.

Labor relationships between employers and employees are largely determined by collective bargaining agreements that are sector-specific and binding for all firms and employees within that sector regardless of their participation in those agreements. Also, once these agreements expire and no new agreement has been reached, they continue to be indefinitely binding for both parties. This feature perpetuates practices that become outdated (for example, due to technological advances), limits the incentives of any party to engage in negotiations in certain circumstances, and restricts the flexibility needed by employers in dire straits. In sum, it contributes to permanent and higher levels of unemployment and the segmentation of markets.

The mechanism to protect workers against on-the-job risks has been modified to converge towards best international practices. Labor reforms have aimed at mitigating the too frequent recourse to courts in case of injuries or illness, which increased litigation, labor costs, and uncertainty (since there were no unified criteria for courts at the subnational level). However, there is still room to further promote the establishment and use of out-of-court dispute resolution mechanisms.

**POLICY RECOMMENDATIONS TO ACCELERATE CONVERGENCE IN LABOR MARKET POLICIES**

The OECD strategy for labor market modernization rests heavily on the proper sequence of reforms and effective communication. More flexible regulations could have short-term costs in terms of unemployment that need to be balanced by simultaneous policies which provide a safety net but also incentives and tools for re-employment. The key is to implement policies that protect individuals rather than job positions and/or labor relationships.

To reduce barriers that create a segmented labor market, protection mechanisms (i.e., termination costs) for short-term contracting should be set as an increasing function of the length of job tenure. Simultaneously, the current high termination costs for permanent positions should be reduced as a way to facilitate the unification of the labor market. In addition, the cost of such termination through a contribution to an employee’s personal account could alleviate the financial distress that firms (particularly SMEs) face when layoffs occur. Another key element in this process of desegmentation relates to lowering the tax burden over wages, in particular, the employers’ contribution rates that are much higher in Argentina than in other Latin American countries and OECD members.

More active labor market policies are needed in the area of training and skills development to facilitate the re-employment of the unemployed by better matching the labor supply

36. I.e., convenios colectivos de trabajo.
37. This is because labor markets adjust by quantities and not prices.
skills with those of a continuously changing labor demand schedule. Resources, which are always very limited, should be reallocated towards training programs for the workforce to acquire new skills, combined with existing schemes of income support. These programs (current and prospective) should be developed following a systematic approach to ensure efficiency and effectiveness; ex ante design analysis and ex post evaluation mechanisms should be developed at national and subnational levels.

More decentralized wage negotiations and collective bargaining agreements should be implemented to allow for negotiations at a firm level in order for labor markets to better absorb firm-specific shocks, adapt to idiosyncratic (e.g., size) and regional features, and to foster greater formal labor demand. In this context, automatic extension of collective bargaining agreements should also be limited. The experiences of other OECD members and best practices can serve to guide the much-needed reform of labor policies in Argentina.

**Integrity and Anti-Corruption**

According to Transparency International’s 2018 Corruption Perceptions Index, Argentina scores a 40 out of 80 possible points for its perceived level of public corruption, with 0 being very corrupt and 100 being very clean. Argentina’s score has improved by eight points since 2015, making it one of only 20 countries whose scores have significantly improved since that time. Globally, it ranked 85 out of 180 countries in 2018. In 2015, it ranked 106 of 167 countries.

**PRELIMINARY ASSESSMENT OF THE EXTENT OF ARGENTINE COMPLIANCE WITH OECD INTEGRITY AND ANTI-CORRUPTION POLICIES**

Important progress has been made since 2016 in this area, including strengthening the legal framework, improving accountability and transparency standards for public procurement, and empowering anti-corruption and anti-money laundering institutions.

Over the past two years, efforts to strengthen integrity and transparency and fight corruption in Argentina included (1) enactment of the Law of the Repentant, which expands plea bargaining in corruption cases (the “whistleblower law”), and the Law on Access to Public Information aimed at promoting transparency; (2) enactment of the Corporate Liability Bill, making corporates liable for corruption crimes, including bribery of local public officials (in line with the OECD Anti-Bribery Convention); (3) presenting a bill to Congress to facilitate the recovery of assets in cases of corruption; (4) adoption of regulations aimed at preventing conflicts of interest, establishing an obligation to disclose any relationships with high-level government officials or with officials responsible for procurement or authorization, and regulating gifts policy; (5) establishment by the Anti-Corruption Office of an ethics unit in the National Roads Directorate, which has been looking into corruption cases, leading

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41. I.e., Unidad de Ética y Transparencia; I.e., Dirección Nacional de Vialidad.
to administrative sanctions and dismissals; (6) granting the Anti-Corruption Office the authority to investigate potential activities of politically exposed persons that have been linked to illicit enrichment and/or proceeds of money laundering; and (7) issuance of new procurement standards that include electronic procurement, formalization of procedures for costing out projects, and transparent processes to renegotiate debts to suppliers. In addition, OECD guidelines on corporate governance for SOEs were adopted to promote transparency and accountability during the procurement process.\textsuperscript{42}

**POLICY RECOMMENDATIONS TO ACCELERATE CONVERGENCE IN INTEGRITY AND ANTI-CORRUPTION**

The authorities should continue strengthening the anti-corruption regime, focusing on its effective implementation and institutional framework as well as on facilitating the training of prosecutors and judges, better enforcement protocols, and a reform of the penal code.

Going forward, fighting corruption and strengthening governance will require that the new laws and standards are effectively enforced, particularly by strengthening prosecutorial and judicial proceedings. The Anti-Corruption Office needs to be given autonomy and financial independence. In addition, it will be important to further improve the financial disclosure regime (to include information about ultimate beneficial ownership and assets held abroad as well as increase information sharing from the judicial and legislative branches) and to approve the asset recovery law that is currently in Congress.

**Financial Markets Policy**

Financial markets in Argentina have been traditionally shallow and volatile. The combination of macroeconomic imbalances with high inflation, poor institutions with insufficient protection of investors’ rights, and inconsistent regulatory frameworks have generated the recurrence of financial crises over the last few decades, particularly in the banking sector. The financial sector has been used traditionally as a captive source of financing for the government and politically-connected groups. As a result, banking credit to the private sector stands at only 15 percent of GDP (LAC average is 45 percent while OECD’s is 82 percent) while market capitalization is only 17 percent of GDP, compared to 42 percent of LAC and 127 percent in OECD countries.\textsuperscript{43}

President Macri took office in a context of severe financial repression, capital controls, and sovereign debt in a state of arrears. His administration considered financial development and inclusion a key policy objective from the outset. In the first half of 2016, a number of stumbling blocks that had inhibited the development of domestic financial markets were removed. For instance, foreign exchange restrictions and capital controls were lifted and the sovereign default was successfully resolved. In 2017 and 2018, other financial market policies were adopted at the time of enacting tax reform and legislation on productive financing. Taxation of (listed) equity capital gains was eliminated, the prohibition of short-selling and ETFs was removed,\textsuperscript{44} and other tax asymmetries in the case of closed-end mutual funds were eliminated.

\textsuperscript{42} The authorities estimate that improvements in procurement have saved approximately USD 1.9 billion for 2016, and year-to-date savings for 2017 are USD 1.5 billion.

\textsuperscript{43} Data as of 2017 from the World Bank’s World Development Indicators.

\textsuperscript{44} Exchange Traded Funds (ETFs).
In addition, the reform of the Productive Financing Law (2018) is expected to facilitate the access to finance through the introduction of novel and innovative financing mechanisms and instruments while boosting the use of the existing ones;\(^{45}\) similar considerations apply for the approval of the Public-private Partnerships law (2016) aimed at promoting financing mechanisms for infrastructure.\(^{46}\) The establishment of a Financial Inclusion Committee at the interministerial level will give impetus to policies that foster access to banking and financial services. The Committee has started looking at experiences of other countries which have significantly increased access to the banking system. Public banks (that have stepped up the provision of micro-credits) are expected to continue to play a positive role, and the introduction of a new financial instrument (Obligación Negociable Simple Garantizada—Simple Guaranteed Negotiable Obligation) should make it easier for SMEs to access capital markets. Moreover, the use of formal financial services and payment systems has been broadened through the dissemination of digital tools as a means to foster financial inclusion to reach out constituencies that have historically lacked access to such services.

However, the imposition in 2018 of the personal income taxation on income generated by financial investments has already started feeding into institutional volatility.\(^{47}\) The tax amnesty enacted by the government in 2016 included a number of provisions related to the tax treatment of financial assets that were to be declared, which were modified with the 2018 reform (with modifications to the wealth tax as well). Also, the complexities derived from its application by the tax authorities, including but not limited to the existence of a variety of tax rates depending upon currency denomination, inflation-linked clause, and type of financial asset, have contributed to the negative impact of the tax reform. Moreover, taxing nominal gains in a context of two-digit inflation penalizes investors and discourages savings.

**PRELIMINARY ASSESSMENT OF THE EXTENT OF ARGENTINE COMPLIANCE WITH OECD FINANCIAL MARKETS POLICIES**

Limited access to finance affects domestic savings and therefore investment in Argentina. Both the banking industry and capital markets need to reach out to a broader set of individuals and firms. In addition to the macroeconomic and institutional preconditions already mentioned, the banking industry needs to move beyond its current transactional role into a mechanism to channel savings into productive investment.

There is a large potential to increase financial inclusion by extending banking services to a greater share of the population (less than 50 percent of the population has access to a bank account—a much lower percentage than in other Latin American countries). Mortgage-to-GDP ratio remains low and even well below historic peaks in Argentina.

Illiquidity is likely one of the key variables explaining the underdevelopment of capital markets. The absence of a solid institutional investor base reduces liquidity in domestic...
capital markets. The limited participation of institutional investors in Argentina’s capital markets remains a very serious drawback on financing infrastructure and channeling medium- and long-term savings into productive investment. When large players are almost completely absent from domestic capital markets, it comes as no surprise that 95 percent of the trading in Argentine equities takes place in the U.S. markets. Consequently, domestic companies are constrained in their access to financing to accumulate physical capital, and market participants find it difficult to efficiently manage risks.

In addition, the reliance on state-sponsored financing mechanisms at concessional terms and on banks that often play a conflicting role (both as direct lenders and underwriters of bonds and equity) contribute to further reducing liquidity. These factors also exacerbate the lack of dynamism in capital markets and in other markets such as microfinance, where official institutions have had a dominant presence.

**POLICY RECOMMENDATIONS TO ACCELERATE CONVERGENCE IN FINANCIAL MARKETS POLICY**

Better policies are needed to deepen intermediation of savings to productive investments, including developing bond and equity finance markets.

The institutional setup for financial stability, the liquidation and resolution regime, and the framework for legal protection of financial regulators should be strengthened. As the domestic financial system expands, careful attention will be needed to ensure that systemic financial stability risks are contained. In 2017, credit growth accelerated sharply, reflecting inflows into the domestic financial system from the 2016 tax amnesty (almost 20 percent of GDP) and policy measures to develop the financial system, including the introduction of an inflation-indexed accounting unit for credit contracts that has supported the development of the market for mortgages. With subsequently higher inflation rates, the banking sector is still relatively well capitalized and liquid, but monitoring will be needed to ensure that asset quality remains high as financing conditions become more stringent. Progress has been made on achieving compliance with Basel III standards—but it will be important to continue strengthening the financial supervision framework and tools.

Data collection and analysis should be enhanced (particularly on real estate transactions, cross-border activities, and non-bank financial institutions), and the coordination across sectoral Regulators and Ministries needs to be strengthened.

Further domestic integration of capital markets should be explored so as to increase liquidity, reduce transactions costs, and attract new companies and investors into the market. Closer integration with foreign securities markets should be promoted. This type of integration requires very constructive dialogue among market players.

The development of a strong investor base is key to repatriate capital markets, expand investment opportunities, and ultimately achieve sustainable and inclusive economic growth. Institutional investors are a natural driver for further developing such an investor base. Stakeholders such as issuers, investors, exchanges, brokers, and regulators need to join efforts to regain trust from investors, improve corporate
governance, adopt regulations in line with international standards, and improve market infrastructure. 48

Evidence presented at the 2018 OECD Latin American Corporate Governance Roundtable showed that firms not participating in capital markets are unaware of the potential benefits and costs of tapping capital markets through alternatives that the market currently offers. Efforts to raise awareness should be further promoted and disseminated by stock exchanges and other stakeholders.

To further protect investors’ rights and strengthen the rule of law, overall enforcement by the judiciary needs to be improved. This requires strengthening capacity-building activities for the members of the judiciary on the current status of capital markets, players, and instruments for judges to be able to effectively discharge their duties in a consistent and timely manner.

Current regulations on insurance companies which mandate them to hold a minimum percentage of their portfolio invested into mutual funds that hold instruments that finance small- and medium-sized enterprises should be revisited. These policies—although well intended—could have negative effects on such markets by distorting market-determined prices and creating space for potential losses to be incurred by insurance companies and ultimately policyholders (investors) should those investments go bust. In a similar fashion, minimum return requirements for retirement insurance companies should be revisited. Finally, the personal income tax on financial gains should be modified so as to tax real, not nominal gains; an inflation-adjusting mechanism should be included in the determination of the tax base.

48. The OECD/G20 Working Group of the CSIS Argentina-U.S. Strategic Forum has initiated over the past year a concrete project to analyze how Argentina can begin to attract foreign institutional investors as well as to develop domestic institutional investors in order to deepen financial intermediation.
3 | The Way Forward

Approving Argentina’s formal candidacy for OECD membership in order to support the country in its effort to fully consolidate its democratic system and an open and more transparent market-based economy is long overdue. Argentina needs strong external support from OECD member states and should get it. This external support will help strengthen Argentina’s resolve to attain OECD standards, with an increasing domestic understanding and support for these structural reforms, which in turn will have a positive impact on Argentina’s prospects for growth and stability.

Preparing this preliminary assessment of Argentina’s accession process to the OECD and drawing up a number of recommendations in the six selected areas of accession have helped underline several critical conclusions to keep in mind in the coming years as Argentina progresses further towards OECD membership.

First, macroeconomic and financial stability are necessary conditions for these reforms to succeed and resist the backlash of entrenched lobbies interested in maintaining the system of institutions, which for many years has been subjected to value extraction by narrow interests instead of contributing to the well-being and financial stability of society as a whole.

The current administration has begun comprehensively addressing a number of challenges that have jeopardized financial stability in Argentina for years. The administration’s initial gradual approach in 2016-17 to tackle the country’s macroeconomic imbalances has evolved since 2018 into a stronger set of fiscal and monetary policies under the IMF-supported financial program. Many important reforms remain to be undertaken in the coming years. To ensure the success of this reform process, Argentina needs to consolidate public and private sector support for these broad reforms, with active encouragement from the international community.

Second, it is very important to adopt a 360-degree approach to the OECD accession process, with the involvement and commitment of all three branches of government as well as subnational governments. Such broad-based engagement at all levels of government is critical to ensure the country’s convergence to OECD standards.

Third, it is also critical to involve the private sector from an early stage in order to facilitate the design and implementation of the wide array of changes to the country’s institutional
framework, which are required in order for the country to reap the maximum benefits of a transformation into an inclusive, modern, and competitive economy aligned with best practices from around the world.

Fourth, as a lesson from other OECD member countries’ experiences in Latin America, it is critically important that future administrations continue with consistent reform efforts benchmarked on OECD best practices. This preliminary assessment has clearly shown that the current administration has already begun to take decisive steps to move towards best practices in many of the critical policy areas included under the OECD policy framework.

The active role the Treasury Ministry, and in particular the Ministry’s Office for OECD Affairs, has played in coordinating this complex policy work with other ministries and agencies is a clear indication of the current administration’s keen interest in achieving OECD membership as quickly as possible. Many key pieces of legislation and related regulations have been passed over the last three years. But this comprehensive process is only just beginning and will require further strengthening of the country’s commitment, both in the public and private sectors, to adopting OECD best practices.

Finally, it is also clear from this review that the success of these reforms for the next several years will critically depend upon (i) the establishment of much-needed administrative structures to ensure concrete implementation and enforcement of the legislation and regulations already passed and those that will need to be passed in the coming years; (ii) close cooperation among all stakeholders to develop more reliable, timely, and accurate data in a wide array of policy areas to improve decision making; (iii) such improved data would allow the undertaking of zero-base analysis of certain regulations and practices, which would facilitate determining which regulations need simply to be repealed rather than reformed to make them more rational and effective; and (iv) implementing a consistent process of raising awareness and strengthening capacity in the judiciary, which will ensure enforcement of the new rules to complement reforms on a broad spectrum of issues from improving anti-corruption practices and strengthening governance to reinforcing intellectual property rights, to identify a few.
About the Authors

**Michael Matera** is a senior fellow and director of the Americas Program at CSIS. He has 25 years of senior diplomatic experience and a Foreign Service career spanning South America, the Middle East, Asia, Russia, and South Africa. His work in the Americas has included positions as political minister-counselor at the U.S. embassy in Buenos Aires, director of the State Department’s Office of Brazil and Southern Cone Affairs, and chargé d’affaires and deputy chief of mission at the U.S. embassy in Buenos Aires. He has worked at the National Security Council on Russia/Eurasia issues, including energy policy. Most recently, he served as lead partner of Global Outcomes LLC, a strategic advisory firm focused on Latin America. Mr. Matera holds a BA and an MA in international politics and economics from the Johns Hopkins University, as well as an MBA from the University of California at Los Angeles and an MA in development economics from Stanford University. He is fluent in Spanish and Russian and has a familiarity with Arabic, French, and Italian.

**Silvina Vatnick** is a managing partner at Global Outcomes LLC, a strategic advisory firm based in Washington D.C. and Buenos Aires, Argentina. She is a senior associate at CSIS. She is a financial stability adviser to the United States Treasury Department, Office of Technical Assistance. She participates in a number of international fora on global issues with a particular focus on the emerging economies’ perspective including OECD and G20. She has been the president and co-founder of the Center for Financial Stability (CEF). She served as senior advisor to the governor of the Central Bank of Argentina during the financial crisis of 2002 and to the vice-minister of Economy. She was a board member of Caja de Valores, Argentina’s Custodian and Central Depository, and Hidroeléctrica Piedra del Águila. As a career officer at the World Bank, she worked in Russia during the post-crisis financial reform, negotiated economic reforms in the former Soviet Union and advised on the debt rescheduling of Brazil, Venezuela and Nigeria. She holds an undergraduate degree in Economics from the University of Buenos Aires, an M.A. in Macroeconomics from CEMA, and PhD abd on International Finance and Development from Columbia University. She also received an Advanced degree in Finance and Management of Financial Institutions from the Stern School at New York University.

**Pablo Souto** is an Argentine economist with many years of professional economic experience. He is currently a senior associate for the strategic consulting firm Global Outcomes in Argentina, focusing on financing instruments of multilateral credit institutions. He is also a professional consultant for various topics relating to private
financing and pension systems. Additionally, he is an economics professor at the Universidad Católica Argentina (UCA). Prior to joining Global Outcomes, Mr. Souto worked as a senior economist and as executive director at the Center for Financial Stability (CEF) (2004 – 2009). From 1994 to 2004, Mr. Souto worked at the Federal Administration of Public Revenue (AFIP), providing recommendations on normative and regulatory modifications. He has participated in various local and international conferences relating to his area of expertise, and has published academic work in the field of macroeconomy and financial markets, among other topics. Mr. Souto received a post-graduate degree in International Economic Policy Research from the Kiel Institute for World Economics (2003), and received another post-graduate degree in Public Economy with a specialization in debt and public financing from the Universidad de San Andrés (2000). He holds an undergraduate degree in Economics from the Universidad de Buenos Aires (1994 – 1998).