



# CARTA DE JEFEFATURA DE GABINETE



AN AMBITIOUS AND TRANSPARENT  
FEDERAL INFRASTRUCTURE PLAN

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Jefatura de Gabinete de Ministros  
Presidencia de la Nación

# AN AMBITIOUS & TRANSPARENT FEDERAL PLAN FOR INFRASTRUCTURE

## REPORT FROM CHIEF OF CABINET

1. An ambitious and transparent federal infrastructure plan.
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5. Social infrastructure to guarantee equality of opportunities.



## 1. AN AMBITIOUS AND TRANSPARENT FEDERAL INFRASTRUCTURE PLAN

In December 2015, the Argentine government received a country with obsolete and outdated infrastructure, badly prepared for the contemporary productive challenges and incapable of guaranteeing a path of growth for the Argentine people. The public works system was ineffective and lacked transparency, allowing corruption and increasing costs for the State.

Energy provision was insufficient and outdated—we had one of the lowest global rates of renewable energy—; water and sewage access, even though in progress, was still out of reach for millions of families; the country was poorly connected by land, air and water: there were few motorways, roads were in bad shape, freight trains had almost disappeared, flights connection had little use and ports and river transport had been disregarded. In a recent report on infrastructure development in 20 Latin American countries between 2006 and 2015, Argentina had the worst score.

This government set as a priority, from the very first day, to design and execute an ambitious and transparent federal infrastructure plan to revert this deterioration and that, with a distribution all over the country, would improve the management of public works, end corruption and improve the use of the State's resources. We are building roads and highways, ports and airports, recovering railway lines, updating and increasing the scope of energy infrastructure in the country, with a special focus on the development of renewable sources; enlarging the water and sewage network to keep the campaign pledge: to reach 100% water coverage and 75% of sewage for urban citizens, and to improve the urban infrastructure of 100 vulnerable towns around the country, among other projects.

All this work is being done under transparency rules, without corruption and with lower costs for the State. Almost all the tender documents are now free, published online and allow the participation of more companies. In the past, the same 5 companies would participate in tenders, whilst now there is an average of 20. Transparency and the lack of corruption allow the ministries to improve the usage of their budget.

As an example, between 2011 and 2015, every kilometre of road cost the State around U\$D 2 million. In 2016, it reduced to U\$D 1,3 million, 35% less. By promoting competitive tenders, since December 2015, the Ministry of Transport has already saved 10 billion pesos (U\$D 578 million).

It was a long way to reach this point. On the first year, the government had to order a very complicated situation, pay debts (some registered, many not), redefine projects and open the first tenders. The Public-Private Participation Act (known as PPP) was approved, introducing new transparent rules in the tenders within the ministries responsible for infrastructure planning: Transport, Home Office and Energy.

Also, the government took essential steps to recover private investment by normalising the economy: the exchange rate was unified, inflation started to abate, and we began a path of growth without economic distortions.

In 2017, the second year since president Macri took office, the budget spending in public works sped up and the first works were finished, such as the new Puente La Noria, the motorway in the surroundings of San Salvador de Jujuy and the renovated Tucuman airport.

The pace of tenders, bilateral negotiations and licenses have grown, and we can already appreciate the savings made thanks to better planning and improvement of the tenders. Also, the first private projects investments have been approved.

In 2018, we will see many finished works. New works will start as well, with bilateral and private financing –some licenses have already been awarded, some are about to start the tender process.

The new conditions for tenders include high penalties for delays. New savings will come thanks to rapid completion of infrastructure works and reduced rates as a result of the lower country risk, which means less interest costs for projects and lower interests in terms of debt.

A relevant matter about the budget process is that all the investment plans from the ministries were done exclusively via the Banco de Proyectos de Inversión Pública (BAPIN), administered by la Dirección Nacional de Inversión Pública (DNIP). For the first time since the approval of the Public Investment Act 20 years ago, all the projects were analysed and judged together at the same time.

This allowed us to identify synergies as well as inconsistencies among the initiatives from different public bodies. 5,615 projects for a total of 600 billion pesos (USD 34,690 billion) from all the districts around the country were analysed.

Today we are already enjoying the fruits of these two years of reorganisation. In 2018, this will boost with a 50% increase in infrastructure works, jumping from 2,6% to 3,5% of GDP.

This increase will be fostered by private capital, which will grow 150%, doubling their share from 0,9% to 1,8% of GDP. The National Treasury will keep its contribution constant.

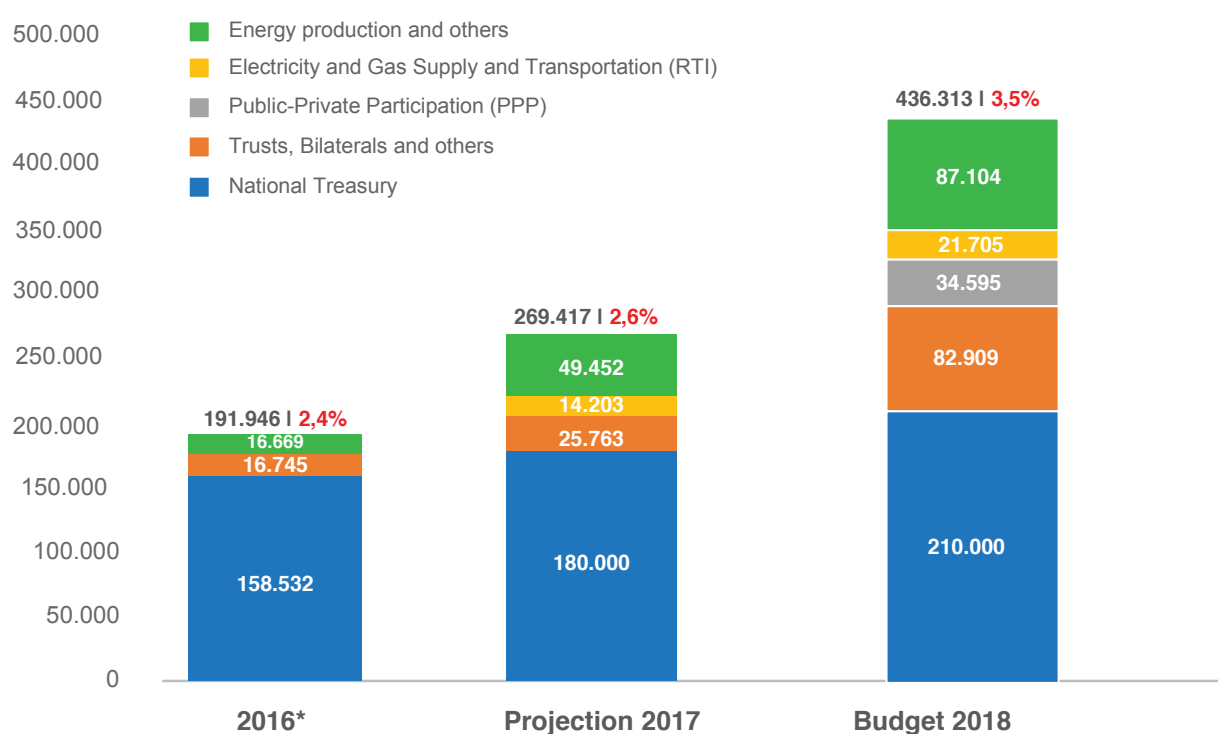
The role of the private sector is not only essential to leave behind the current decadence, but it has also a clearly justifiable economic reason. It is nonsense for the state to fund exclusively for works that will be benefited by many generations over decades. If we are able to stick to this course and invest over 4% of the GDP in key works for many years in a transparent and efficient way, we will be building a solid and modern platform for every Argentine to fulfil their potential.

## 2. INVESTMENT IN INFRASTRUCTURE SET TO RISE BY 50% NEXT YEAR.

Thanks to all the improvements and pledges mentioned above, investment in infrastructure in Argentina is set to rise by 50% in real terms next year, from 269,417 to 436,313 billion pesos (15,347 to 24.855 billion dollars). This rate of growth is also considerable when measured as a percentage of the economy. This year the country's federal infrastructure works will be equivalent to 2.6% of GDP. By next year, this figure will have risen by nearly one percent, to 3,5%.

### Investment in Infrastructure

In millions of pesos and **as a percentage of GDP**



Source: Ministry of Finance and Head of Government

\*Does not include 14,000 MMAR\$ of Debt for Highway Maintenance from Certificates executed in 2015 and Accrued in 2016

This rate of increase is not only an estimate or an optimistic hypothetical. A significant portion of the budgeted work for next year is already underway, due for completion in 2018. Additionally, other projects have already been tendered—with plans in place to begin work over the coming months or next year—or will be tendered before the end of 2017. The extension of water and sewage networks (in the metropolitan area of Buenos Aires – headed by AySA –and in the Provinces) is already rapidly pressing ahead, and will continue to do so in 2018. There will be almost 2,000 kilometres of motorways under construction, and more than 2,000 nurseries classrooms are to be financed by the government. In terms of energy, work will begin on the construction of four key gas pipelines, eight high voltage lines and a 4<sup>th</sup> nuclear power station in Atucha.

Work on the dams on the Santa Cruz River will recommence once the courts lift, as expected, the cautionary injunction imposed by the Public Hearing arranged by the Supreme Court and whose input we have taken into consideration. These works, which contribute to this 50% increase in infrastructure investment, have already passed the planning, definition and financing stages and are already under development.

A key new feature in this process is that over half of the new works are due to be carried out with public-private funding, through pledges made by gas and electricity suppliers, government-to-government bilateral agreements, concessions or with the PPP system, approved last year by Congress and that is now beginning to take off. The PPP, which has already been successfully implemented in several countries in the region, like Brazil, Colombia and Chile, enables the state to carry out major infrastructure works by providing the money over the course of 20 to 30 years rather than putting the money down at the beginning. Thus, works that will benefit several generations will also be financed over the long term. If they had to be financed in only three or four years, like any normal project, they could either not be viable, or much fewer projects would be carried out.

For example, an investor builds a water treatment plant and the state agrees to buy a given amount of treated water at a given price for a set number of years. This is a typical PPP contract: the private sector produces the capital, the project and the operations, and the state commits to invest in exchange for a service.

As well as increasing the number of projects carried out, this system cuts construction times because the private operator has a vested interest in finishing the project as quickly as possible and getting the contract up and running. In any case, as these processes are complex and drawn-out, by 2018 we will only be

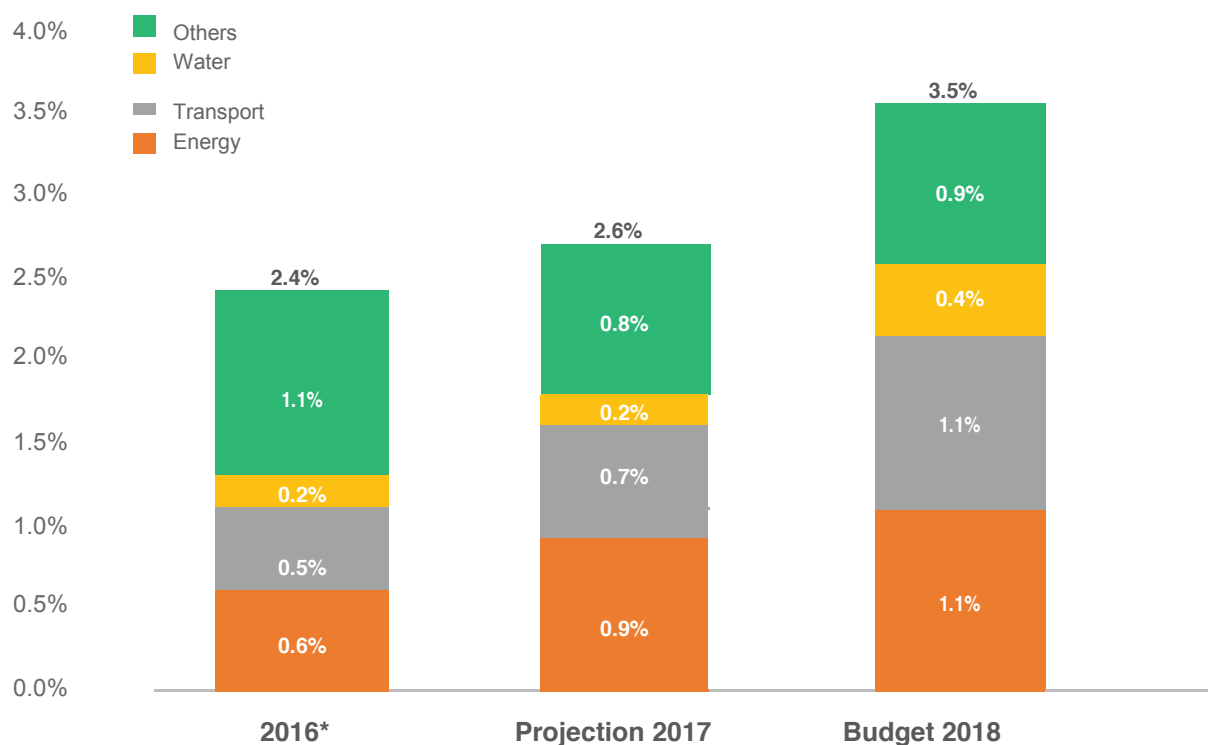
looking at dedicating 8% of total infrastructure investment to PPPs (\$34,600 billion/ U\$D 2 billion).

Millions of pesos	2016	2017	2018
Mortgages per person	10.721	70.000	120.000
Investment in Vaca Muerta	13.000	80.000	140.000

In this growth trend we have not included two sectors that will also have an impact on construction, but that we do not categorise as infrastructure: the Vaca Muerta project and the increased availability of mortgages.

### Investment in Infrastructure

As a percentage of GDP



Source: Ministry of Finance and Head of Government

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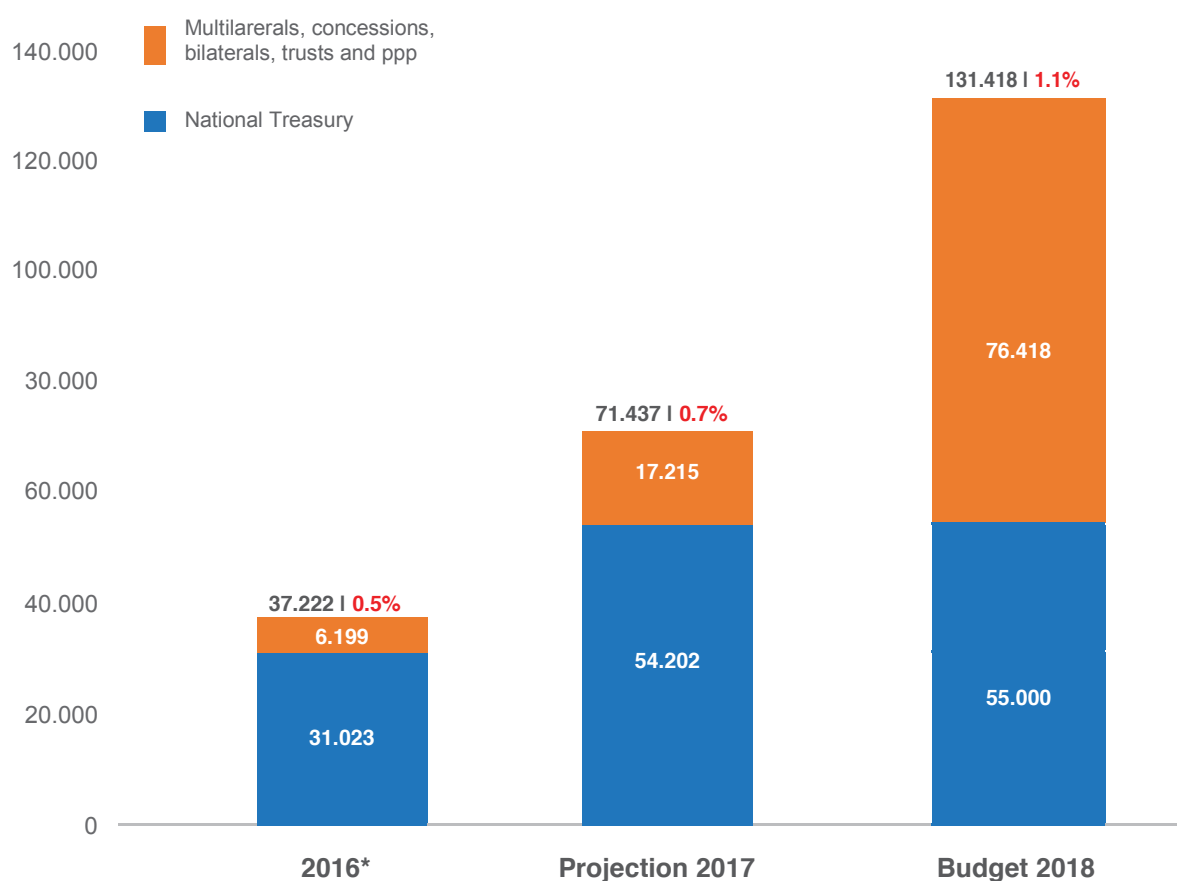


### 3. TRANSPORT PLAN TO CONNECT ARGENTINA

The Minister of Transport has a four-year plan that is currently underway. It is a federal and integrated plan whose aim is to better connect families and provide Argentine firms and producers with tools to boost their competitiveness. To achieve this, we are aiming to cut travel times, costs and other negative extras whilst, at the same time, maximizing security, comfort and sustainability.

#### Investment in Transport Infrastructure

In millions of pesos and **as a percentage of GDP**

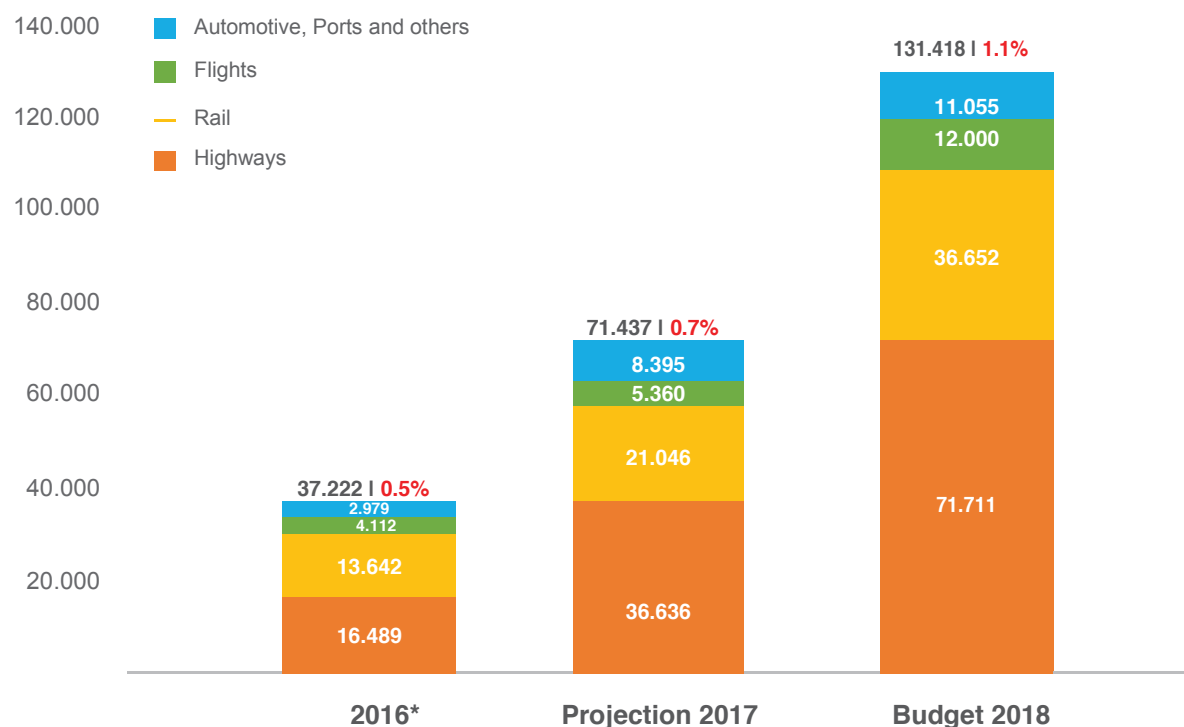


Source: Ministry of Finance and Head of Government

\*Does not include 14,000 MMAR\$ of Debt for Highway Maintenance from Certificates executed in 2015 and Accrued in 2016

## Investment in Transport Infrastructure

In millions of pesos and as a percentage of GDP



Source: Ministry of Finance and Head of Government

\*Does not include 14,000 MMAR\$ of Debt for Highway Maintenance from Certificates executed in 2015 and Accrued in 2016

This year the state invested 0.5% of GDP in transport. An additional 0.2% was added to this figure by private sources. Next year the Treasury will decrease its contribution to 0.4% but private contributions will increase threefold, to 0.6%, leading to a total increase of 84% investment. In terms of the private sector, the major loans are coming from multilateral organisations, concessions and government-to-government bilateral loans.

## MOTORWAYS

The government took on an old and poorly developed road network, which it is expanding in order of priority. Next year we will be investing almost 70 billion (U\$D 4,046 billion) pesos in our roads, which means that we are on our way to hitting our target of 200 billion pesos (U\$D 11,560 billion) of investment for the period 2016-2019. Taking the investments made in 2016 and 2017, plus the budget outlined for 2018, we will reach around 125 billion pesos (U\$D 7,225 billion) dedicated to infrastructure.

At the start of our term the government set itself the target – and indeed *Cambemos* had already declared it as a campaign pledge – of doubling the number of motorways in four years (meaning 2,800 kilometres of new motorways). Work here is also going ahead at the pace expected.

242 kilometres of motorway have already been completed, some sections of which had been contracted by the previous government, but whose works had stalled or had difficulties in keeping to the deadlines. Some of these motorways are the Ruta Nacional 36 between Córdoba and Río Cuarto (working in partnership with the Province of Córdoba), which will be finished once the section currently underway is complete; Ruta 50 between Pichanal and Orán, in Salta; Ruta Nacional 7 between Luján and San Andrés de Giles; and Ruta Nacional 9 between Jujuy and Yala.

Furthermore, we have another 1,202 kilometres in progress, and by the end of the year there will be 1,900 kilometres of motorway under construction. This includes the Ruta Nacional 7 between Chacabuco and Junín, the Ruta Nacional 8 between Pilar and Pergamino, the Ruta Nacional 3 between Caleta Olivia and Comodoro Rivadavia, the Ruta Nacional 11 between Tatané and Formosa, the Ruta Nacional 22 between Arroyito and Neuquén, the Ruta Nacional 12 between Posadas and San Ignacio, the Ruta Nacional 40 in the northern and southern routes to San Juan, the Ruta Nacional 19 in Cordoba between San Francisco and the provincial capital, and the extension of the Camino del Buen Ayre from the Acceso Oeste to the Ruta Nacional 2 and its junction with the Buenos Aires-La Plata motorway, which will complete another ring road in the conurbation surrounding Buenos Aires.

Additionally, we have taken over nearly 15,000 kilometres of roads undergoing paving and restructuring work, of which we have already completed 3,521 kilometres, with another 11,433 kilometres currently under construction.

Within the metropolitan area of Buenos Aires, the Urban Public Transport Infrastructure Plan is seeking to integrate and improve the experience of the 12 million passengers that travel daily. The plan will continue to expand the *Metrobus* network throughout Greater Buenos Aires (the next to be in the municipality of Tres de Febrero) and resurface routes with heavy bus traffic to guarantee the right to public transport access.

In 2017, we will complete work on the Constitución Centro de Transbordo (transport hub), which will be used by one million people every day; the La Matanza Metrobus, covering 16 kilometres of roadway, and its bus station, which will serve over 240,000 commuters every day.

## TRAINS

We are doing what ought to have been done, and *has not* been done, for too long with both passenger as well as freight trains.

Work being carried out on the *Red de Expresos Regionales* (Regional Express Trains Network), to connect metropolitan train lines to the centre of Buenos Aires, and the tunnelling of the *Ferrocarril Sarmiento*, will help modernise the service, guarantee security and improve comfort on this rail network. We are carrying out a track renewal and improvement plan in the metropolitan area of Buenos Aires, where over 350 kilometres are under construction and 84 kilometres of track have been completed. The plan also includes works to repower over 300 kilometres of the network, mainly on the Roca, Sarmiento and Mitre lines; and signalling works on all lines.

Freight's departure from the railways was an historic error, with grave consequences. It hit the north of the country hardest and hiked the prices of transporting all produce, almost all of which is currently transported by truck. Our strong point in the 19th century, and that which gave us a competitive edge, has been neglected and forgotten over recent decades, hurting the competitiveness of our regional economies.

According to the infrastructure plan, investment in rail freight over the coming years is set to reach US\$ 15 billion, which will enable the complete overhaul of 6,600 kilometres of track and heavy maintenance work to be carried out on a further 10,900 kilometres.

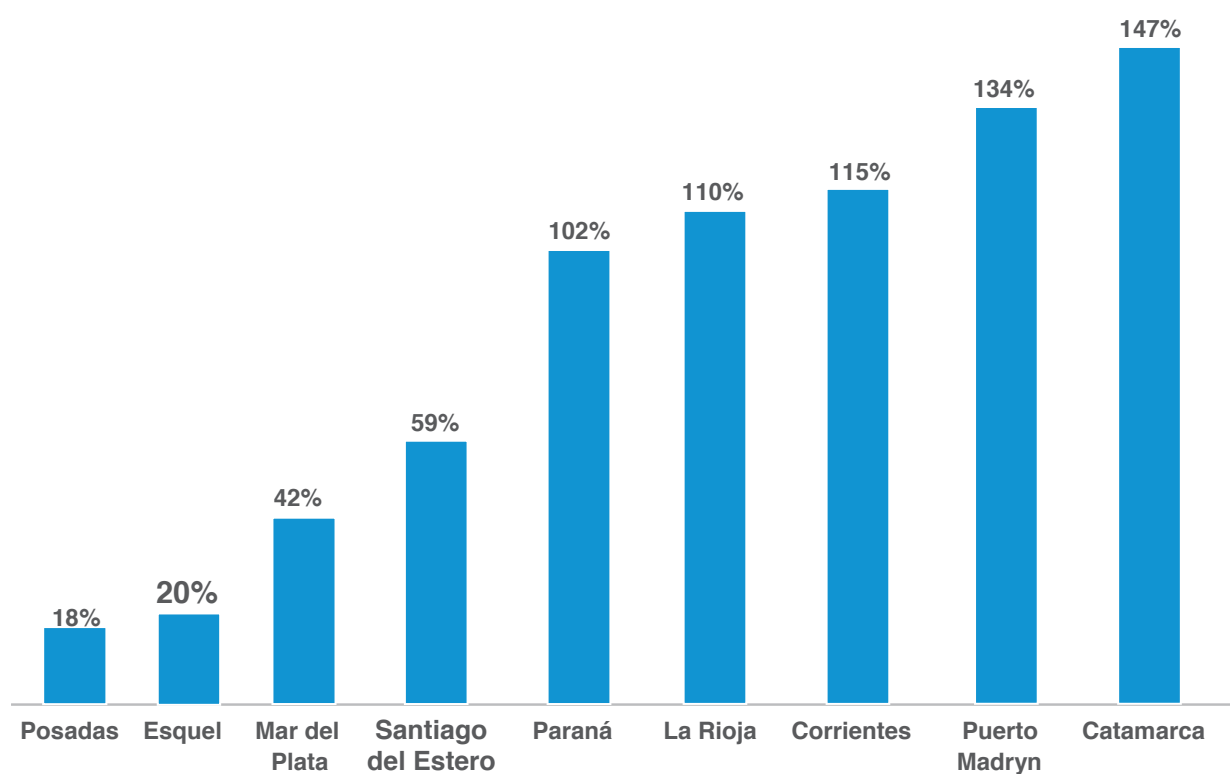
We are renewing 1,600 kilometres of the Belgrano Cargas line, which was in a poor state when we took office. By December we will have already renewed 327 kilometres and we maintain the goal of finishing the work by mid-2019. The project requires a US\$ 2,6 billion investment; put forward by the Corporación Andina de Fomento (CAF), the China Machinery Engineering Corporation (CMEC) and the National Treasury. In addition to this, we are improving the efficiency of public operators, starting from very low bases, and we have managed to increase freight traffic by 11% on last year.

## AIR TRAFFIC

The government came to the Casa Rosada with the pledge to double air traffic in Argentina, which currently has the region's lowest air travel figures. The government proposed to work towards this in three ways: a) the expansion of Aerolíneas Argentinas, b) incorporating new airlines to increase transfer options, and c) transforming airport infrastructure, including the completion of works in 10 airports and beginning renovation projects in another seven, as well as renewing all air traffic control systems.

### Increase in passenger numbers at selected airports

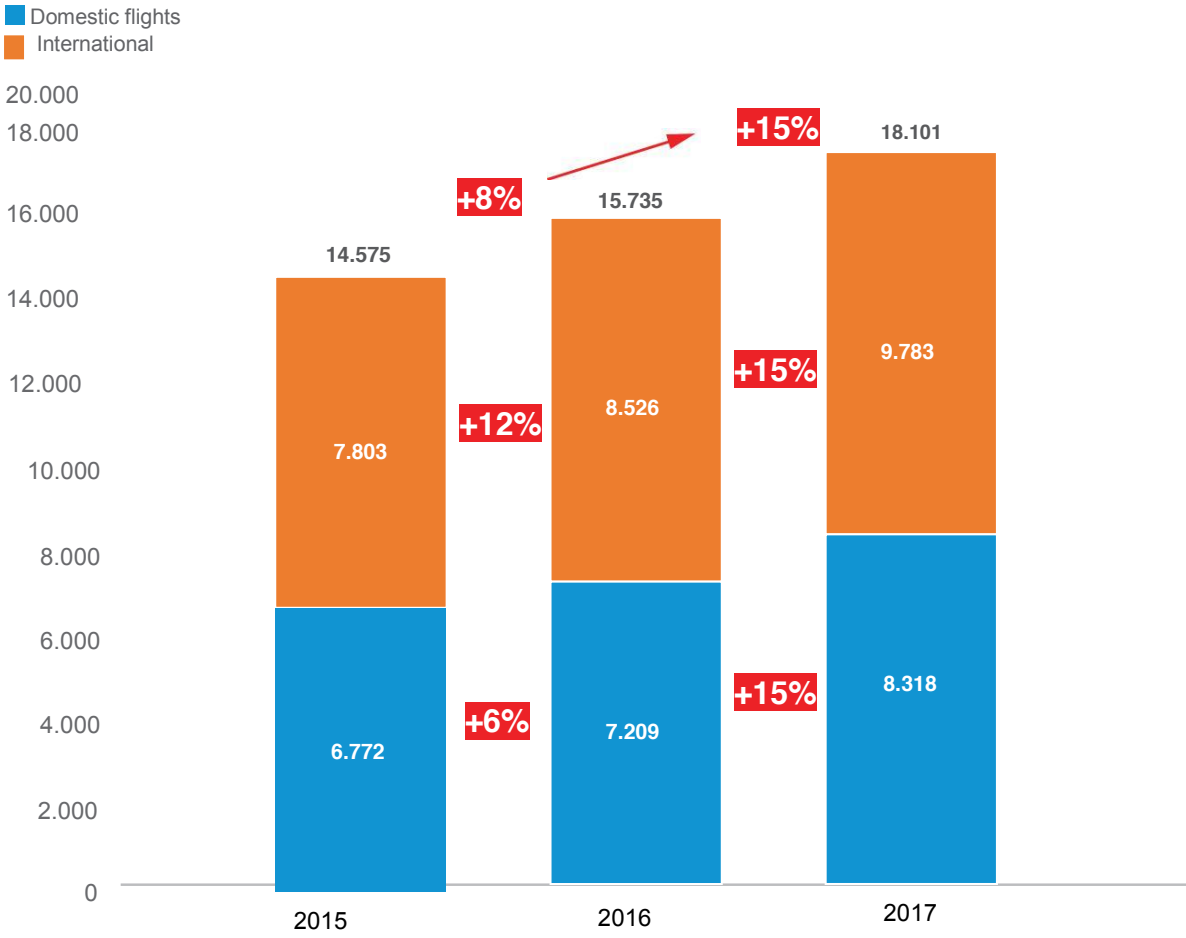
January - August, 2017 vs 2016



Source: EANA (Argentine Air Travel Agency)

### Number of passengers over first eight months (In thousands)

Source: EANA (Argentine Air Travel Agency)



Source: EANA (Argentine Air Travel Agency)

The preliminary results have been very positive. This year (to August) 24% more people flew compared to 2015. There were 8.3 million domestic passengers and almost 10 million international passengers. An interesting point to note is that the number of passengers travelling to cities with renovated airports, such as Trelew or San Martín de los Andes, grew significantly. In the first eight months of the year the growth in passenger numbers has been considerable for cities like Puerto Madryn (+134%), Corrientes (+115%), La Rioja (+110%) and Santiago del Estero (59%).

Furthermore, we are federalising international air traffic. There are now seven provincial airports that are not obliged to transit through Buenos Aires and new route requests have been made for at least half a dozen more to join them. Direct international traffic from and to these cities has risen by 63% so far this year. And that growth is set to continue.

## PORTS

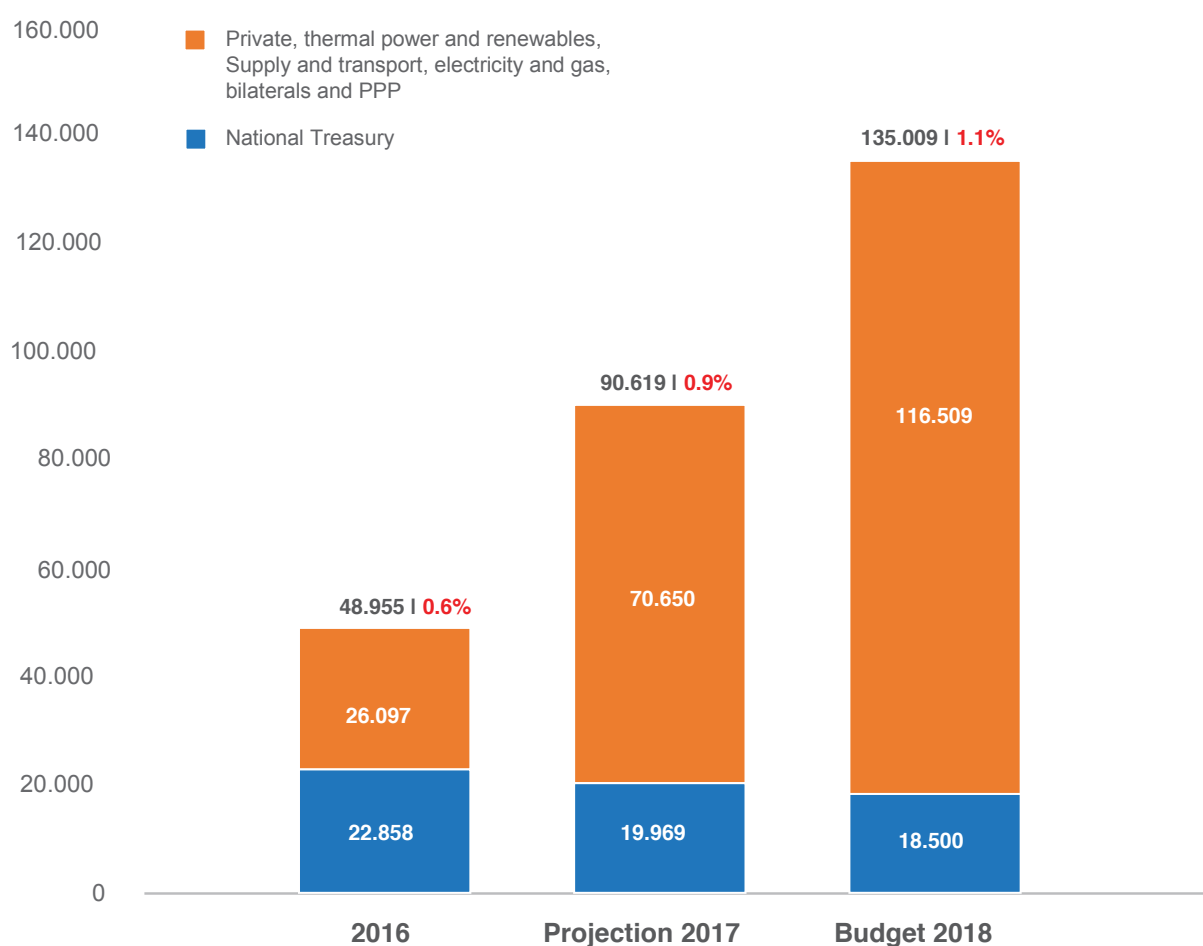
Following decades of neglect and desertion, the government has pledged to recover Argentine ports, reduce operating costs and encourage the use of navigable waterways for freight transport. We are funding four port projects and the first new port in two decades in Itá Baté (Corrientes). The port expansion in Comodoro Rivadavia is close to completion, repair work on the pilings at the Storni docks, in Puerto Madryn, are soon to get underway, and the Ushuaia port complex is soon to be expanded. In Bahía Blanca works will get underway next year to improve port access, expand port capacity and ease access through the city, cut journey times and costs for freight companies, which sometimes have their trucks waiting to unload for five days. Another bottleneck is the port of Rosario, where 10,500 billion pesos (USD 605 million) will be invested in rail and road works. Reconstruction works are underway on the urban bypass via Timbúes (Ruta Nacional 11) and in 2018 various projects will be tendered for works to link trunk roads in the area.

## 4. ENERGY PLAN TO SUSTAIN GROWTH

In energy, we have already mentioned the state of affairs that we took on from the previous government, with a declared emergency in electricity, subsidies rewarding those that needed it least and insufficient energy production to supply the country. The deterioration was so great that we were compelled to act without delay to prevent the disruptions from developing into a social and economic crisis.

### Investment in Energy Infrastructure

In millions of pesos and **as a percentage of GDP**



Source: Ministry of Finance and Head of Government



The results achieved over the past two years have been considerable. Total investment in electricity and gas generation, transport and supply doubled in 2017, from around 50 billion to just short of 100 billion pesos (U\$D 2,884 to U\$D 5,768 billion).

These investments show that the extra effort that the government asked of the Argentine people in setting higher rates proved to be worth it, that companies are sticking to the investment pledges they made and that this summer we will have fewer power cuts and a more stable system, while more homes will be connected to the gas grid.

Next year, total investments in energy will be 35% higher than in 2017, reaching 135 billion pesos (U\$D 7,787 billion). This equates to 1.1% of GDP and almost all investments will come from thermal and renewable energy tenders, from electricity and gas supply and transport companies, and from bilateral loans and PPP projects.

In gas, next year will see works beginning on the Gasoducto Regional Centro II, the mountain/Patagonian area network, the Gasoducto Cordillerano and the Gasoducto de la Costa, among others, which will see investments, in 2018 alone, in excess of 4 billion pesos (U\$D 230 million)

In electricity, this year investments are set to double in thermal energy and investments in electricity transport and supply are doubling. Thirty-one emergency thermal power plants are either under construction or have already been built, which will bring 3,100 MW to the grid by March 2018, and this will be split between 1,200 and 1,500 MW in cogeneration plants by the end of our term in office. In early 2018, we will tender 2,825 kilometres over eight power lines through the PPP system.

In renewable energy, the change is exponential. The government inherited a system that sourced less than 2% of its electrical energy from renewable sources. By 2018 the percentage will be 8%, or four times higher. Investments in renewables will go from 14,6 billion pesos (U\$D 842 million) in 2017 to nearly \$40 billion pesos (U\$D 2,300 billion) in 2018. And the aim is to be supplying at least 20% of electrical energy consumption from renewable sources by 2025. Today there are 48 projects (of a total of 59) involving solar, wind, mini-hydro, biomass or biogas that are under construction. These projects will supply around 2,500 MW to the grid by early 2019. Next month we will receive bids from the second round of the RenovAr programme.

## 5. SOCIAL INFRASTRUCTURE TO GUARANTEE EQUALITY OF OPPORTUNITIES

The government sees infrastructure not only as a tool to increase the competitiveness of its production lines – with cheap, abundant energy, safe and uncongested roads, railways for the regional economies, flexible ports free from bureaucracy –, but also as a powerful force with which to generate equal opportunities and give each Argentine family a real chance to plan their future and envisage a way to progress up the social ladder.

Without access to running water and sewers, without access to a decent and comfortable home, without access to public transport, without an urban space that encourages community life and respect among neighbours and without, above all, access to quality education, it is impossible to say that a society really has equality of opportunities. For this reason, a central part of the government's infrastructure plan is dedicated to improving the everyday infrastructure needs of families, neighbourhoods and districts that have been ignored for too long. We want them to be able to live without facing these pressing daily concerns, to be able to look beyond their day-to-day needs and strengthen their sense of citizenship.

In water and sewage, the government is carrying one of the most important projects in its history to guarantee drinking water access to millions of Argentines. We are working, as President Macri promised in his campaign, to be able to supply drinking water to 100% and sewage to 75% of homes in urban areas (settlements with over 5,000 inhabitants) during our term in office.

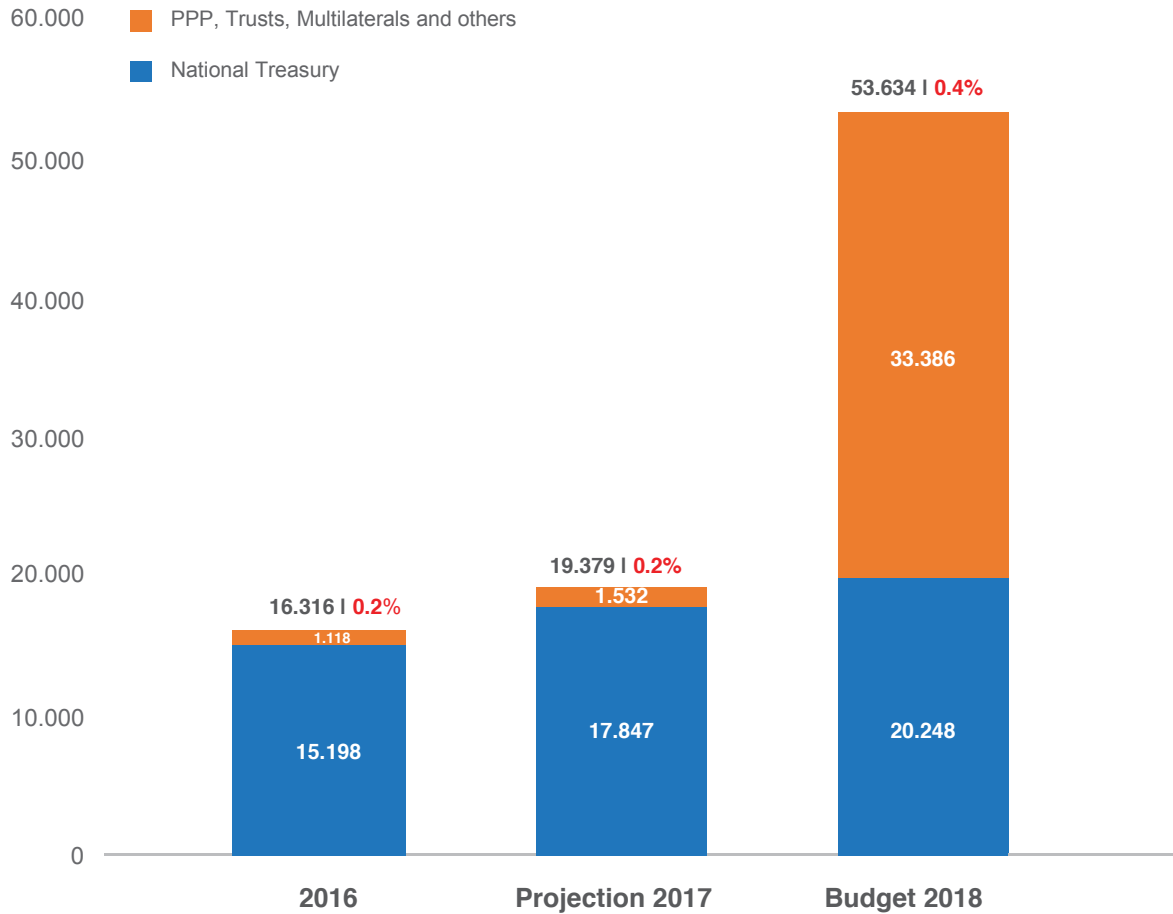
This will enable us to add a further 8.2 million people to the grid in water and 8.9 million in sewage, requiring an investment of around U\$D 22 billion. This plan, currently underway, will require 85,000 kilometres of new pipelines, the construction of new plants, and the modernisation of our current water purification and treatment infrastructure. This volume of work will generate around 300,000 new jobs as the works progress between 2016 and 2020.

There are currently 157 water and treatment works that have been completed and 280 that are still under development.

In 2018 we will be doubling the budget dedicated to hydraulic projects, from 0.2% to 0.4% of GDP. In so doing, investments in projects to prevent flooding and encourage high risk projects will go from just under 20 billion pesos (U\$D 1,150 billion) in 2017 to over 53 billion pesos (U\$D 3,057 billion). Of these, more than half will be private capital projects.

### Investments in Water Infrastructure

In millions of pesos and as a percentage of PBI



Source: Ministry of Finance and Head of Government

For water and drainage, the rate of work will more than double next year, to 40 billion pesos (USD 230 million). In order to achieve this, we have already launched the call for tender for 38 projects to be carried out with private financing.

Other projects planned for 2018 include expanding the capacity of the Río Salado (Tramo IV), the Acueducto San Lorenzo (Santa Fe), the sewage treatment plant in the city of Corrientes, the Bariloche sewage treatment plant and Chaco's second aqueduct.

In Housing, the government continues to build social housing for those with the most pressing needs (we have around 80,000 units under construction), which will be reflected in the 2018 budget. In any case, the National Housing Plan (see letter from the Chief of Staff number 4, one house for each family) envisages the state as performing less and less the role of 'builder' and increasingly the role of 'facilitator'. In other words, a state more focused on helping families to buy by revitalising and expanding the Procrear Plan, which subsidises a part of the capital, and by relaunching the mortgage market, which had virtually disappeared and which in August granted loans to a tune of over 7 billion pesos (U\$D 403 million), ten times more than one year ago.

Another facet of housing policy includes the Hábitat Plan, which seeks to improve public spaces and basic infrastructure in one hundred of the country's most vulnerable towns. In early September work was being carried out to urbanise 381 neighbourhoods, with 386 under development and 85 projects completed.

In Education, we are making progress in the building of 10,000 nursery classrooms to guarantee access to education for all children from the age of three years. By the end of the year, we will have completed the first 1,000 classrooms, will have a further 2,000 under development and tendered to deliver 2,877 by the end of 2018.