Recovery at a Crossroads: How countries spent Covid-19 funds in the Global South

Country report: Argentina

Socio-economic context

When the pandemic began, Argentina was going through an economic crisis that hauled since 2018 It depreciated the local currency, retracted the national production—2020 ended with a product retraction of almost 10%—, and dropped local income's purchasing power.

Both the Argentine economy and the government's fiscal accounts experienced notable improvements in 2021, with indicators such as the use of installed capacity, recovering almost immediately. However, employment and workers' wages did not follow such a trend, falling further in comparison to 2020. Regarding formal jobs, between February 2020 and June 2021, there was a reduction of 190,000 private employees and around 45,000 autonomous.

As of the first quarter of 2021, poverty affected 40.6% of the population and more than 1 in 10 Argentines faced conditions of indigence. Although there is a slight improvement in terms of poverty compared to 2020, indigence was strongly affected by the dynamics of food prices.

Recovery Spending: 4,03% of GDP

In 2020, the product fell by almost 10% but, thanks to the measures to boost the economy and support work and employment, the real wages of registered (formal) workers were maintained compared to 2019. Nevertheless, as of October 2020, with the reopening of the economy, the government's fiscal orientation changed drastically and aid was reduced. The highest expenses related to COVID-19 in 2021 were associated with the acquisition of vaccines and the Productive Recovery II (REPRO II) program.

- Formal private sector

Most of the interventions were centred on supporting payments of wages to workers of companies affected by the crisis, which reported a reduction in real terms of their sales in relation to 2019.

Corporate stimulus vs MSMEs

The ATP was applied, with the postponement or reduction of up to 95% of employer contributions, relieving companies that could not sustain the payment of salaries. It implied the assistance of, at least, the partial payment of wages to 2.9 million workers in 306,000 companies, of which 83% were small and medium-sized.

- Informal private sector

Workers in the unregistered (informal) labour market suffered the most significant impact from social isolation measures. The number of informal workers fell from 5 to 2.86 million in the second quarter of 2020, with the strengthening of mobility restrictions; formal workers only decreased from 5.8 to 5.77 million (or 43% vs 4%). By the end of 2020, the number stabilized at 4.3 million, after absorbing those who had to leave the formal labour market.

One of the main measures to sustain and boost the economy in 2020 was the Emergency Family Income (IFE) program. It involved three payments of USD 141 to households without income from registered (formal) jobs, covering 9 million people, or 1 in 5 Argentines. Its fiscal cost was USD 3,713 million until October 2020, when fiscal and exchange rate tensions escalated. Also, credits with preferential rates were implemented for independent workers, as well as food aid for families with fewer resources.

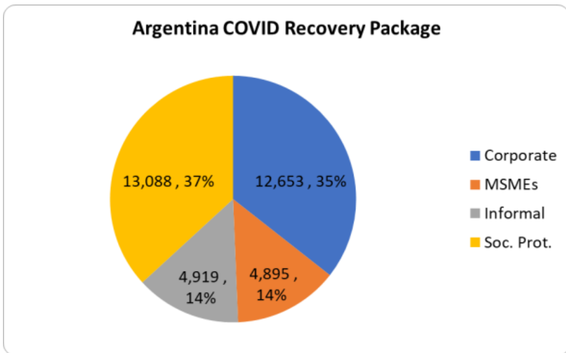
- Social protection

The social programs implemented between 2020 and 2021 benefited 8.9 million households. This figure not only showed the severity of the crisis but also the structural magnitude of social vulnerabilities prior to the pandemic. Regarding IFE's target population (the most important social program), 48% belong to the three poorest deciles and 71% to the first five. Likewise, 98% of households in the first decile, 96% in the second and 92% in the third received the benefit.

Vaccination began in December 2020, prioritizing the most vulnerable groups. At the end of 2021, almost 80% of the population was covered by at least 1 dose, decreasing the mortality of infections.

- General comparison (Table and pie chart)

Argentina COVID Recovery Package (million USD)			
Corporate	**MSMEs**	**Informal**	**Soc. Prot.**
12,653	4,895	4,919	13,088



- Highest spending

Social protection measures received the highest spending within the revised period, with 37% of the total emergency budget. Private corporations follow closely, with 35%. Resources directed to informal workers and by MSMEs—the most vulnerable productive sectors—amounted to 14% each.

- Gender aspects

The unequal participation in unpaid domestic and care tasks (where Argentinian women contribute 75.7%) already caused problems for the insertion of women in the labour market. During the pandemic, these limitations multiplied: the valorization of unpaid care work changed from 15.9% to 21.8% of GDP since COVID and its restrictions.

As a result, the pandemic implied 10 percentage points fall in the activity rate (40.9% to 29.8% in 14-to-29-year-olds and from 67,5% to 57.9% in 30-to-64-year-olds. Afterwards, the return to work was also gender-biased, mainly due to the contraction of available positions and the delay of the educational systems in returning to full activity.

Social programs' beneficiaries were mostly women (56% vs 44%), mainly due to three factors: 1. Pre-existing inequality in access to work and formal income, 2. Universal Child Allowance (AUH) mainly benefited women and, 3. Prioritisation of women when there was more than one applicant per household.

- Tax-related measures (exemptions, cuts, amnesties, etc.)

During 2020, measures of fiscal boost and tax relief were implemented to sustain economic activity. Both the drop in activity and these measures had an impact on government spending and public revenue. Tax collection decrease and spending increase caused the public budget's deficit to grow by 1.8 trillion pesos.

Nonetheless, in 2021 collection increased substantially, exceeding the fiscal goal set for the primary deficit (4.5% of GDP). After discounting the allocation of USD 4.334 million through IMF's Special Drawing Rights (SDRs), Argentina closed its primary deficit at 3% of GDP. This improvement has to do with the changes in the tax structure, which reverse a tax reform of 2017, the sanction of the Law of Social Solidarity and Productive Reactivation at the end of 2019, the collection of the tax on large fortunes and the re-scaling of the income tax.

- Debt (IFI's loans, SDR, etc.)

Parallel to the health crisis caused by COVID-19, the Government faced a debt restructuring process. In 2020 the process with private creditors was completed, while negotiations with the IMF took place until March 2022.

Despite the fact that the agreement made it possible to alleviate the maturity schedule and save USD 42,000 million in disbursements between 2020 and 2024 (USD 34,800 million if 2020-2030 is considered), there are loans that are unpayable under the established conditions, so the negotiations are key to offsetting immediate shocks, it is crucial that steps are taken to achieve debt sustainability.

Conclusions and recommendations

Non-monetary measures such as the prohibition of evictions, basic services cuts and price freezes, were intended to curb possible negative impacts on workers, tenants, and users of non-payment or the economic crisis generated by the pandemic. They helped, but mostly those within existing registries and formality.

The measures were designed centrally, through the executive power and the decentralized agencies dependent on it. The financing of the measures and the fall in income was carried out partly with savings from debt restructuring—even though debt service levels were already alarming—and partly with financing from the Central Bank to the Treasury, which transferred its profits.

The relatively high inclusion of gender approaches and valuation of care stands out, in comparison with other countries in the region, with actions such as the AUH program, the prioritization of female beneficiaries and the specific disaggregation of beneficiaries by sex.

Finally, the changes in the tax structure are also highlighted. The institution of solidarity and progressive taxes, including the collection of the tax on large fortunes (although temporary), and the transition towards a more progressive system are a practice other governments in the region should consider.

Annexe: Country Summary Table

Ref	Measures taken	Spending Adjustment (USD)	Total (USD)	Sources
	Support to formal private sector, total		**17,547,870,000**	
i	Grants and Subsidies	4,230,890,000	4,230,890,000	ATP, Public transport, REPRO II, Tourism
ii	Tax Exemptions	1,363,970,000	1,363,970,000	Health taxes, Supplies' imports, Contributions
iii	Tax amnesties		0	
iv	Tax rate changes (cuts or increases)	1,212,740,000	1,212,740,000	
v	Tax deferrals		0	
vi	Loss carry over		0	
vii	Granting of loans to corporates	5,845,160,000	5,845,160,000	Productive investment, Public credits
viii	Granting of loans to SMEs	872,850,000	872,850,000	FOGAR, FONDEP, Autonomous
ix	Business loan restructuring		0	
x	Other support to formal private sector		0	
	Support to informal private sector, total of		**4,919,000,000**	
xii	Granting of loans		0	
xii	Direct support		0	
xiii	Other measures to informal	4,919,000,000	4,919,000,000	IFE, Work promotion program
	Social Protection Measures and Safeguards, total of		**13,088,160,000**	
xiv	Allowance / grant	1,567,880,000	1,567,880,000	AUH, Retirements and minimal contributions

xv	Income/ job protection/job guarantee		0	
xvi	Unemployment allowance		0	
xviii	Housing support (subsidy, allowance, no evictions)	294,000,000	294,000,000	
xviii	Basic Services support (subsidy, deferral, no service cuts)	6,940,810,000	6,940,810,000	Health workers, Modular hospitals, ATN, FFDP, Infraestructure
xix	Food / nutrition (subsidy, allowance, price regulation)	1,784,090,000	1,784,090,000	Food allowances and card
xx	Care related measures (subsidy, allowance, policy measures)		0	
xxi	Sickness related (e.g. allowance for Covid19 illness, self-isolation)		0	
xxii	Loan restructuring support (e.g. student, credit card, mortgage)	2,290,870,000	2,290,870,000	ANSE and Educational credits
xxiii	Other social protection measures	210,510,000	210,510,000	Progresar fellowships and Culture allowances
	Total fiscal measures		**35,555,030,000**	
	Total as % of GDP		**4.035341252**	