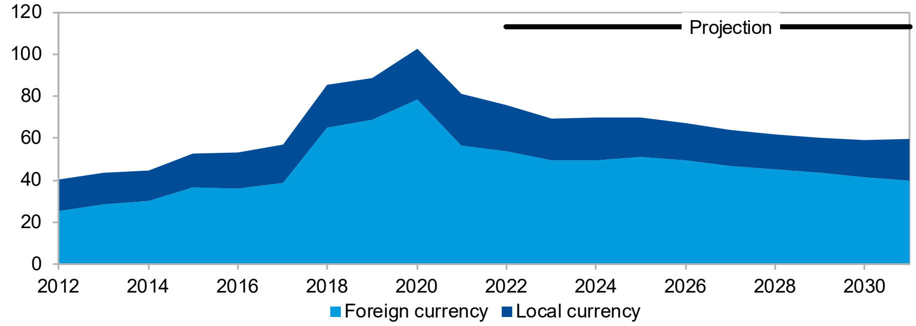
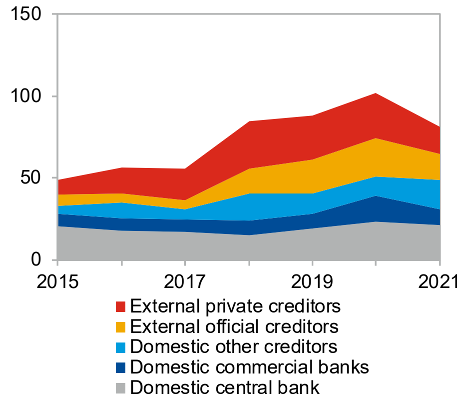
Table 3. Argentina: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



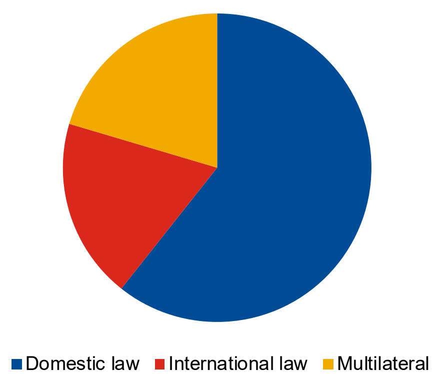
Note: The perimeter shown is central government.

Public debt by holder (percent of GDP)



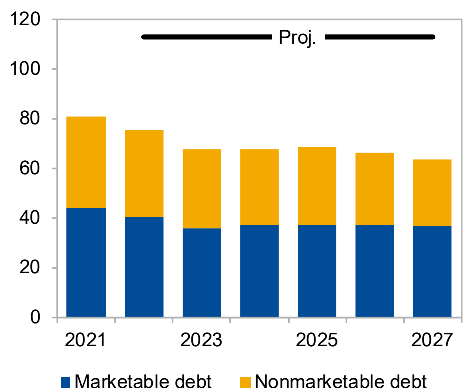
Note: The perimeter shown is central government.

Public debt by governing law, 2021 (percent)



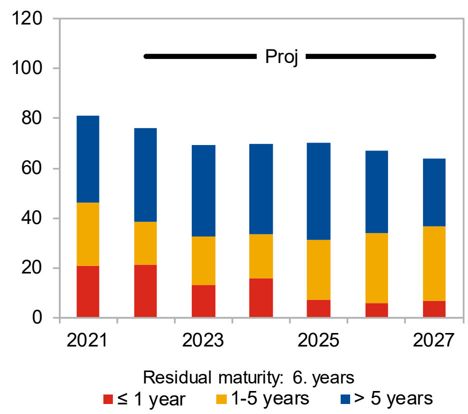
Note: The perimeter shown is central government.

Debt by instruments (percent of GDP)



Note: The perimeter shown is central government.

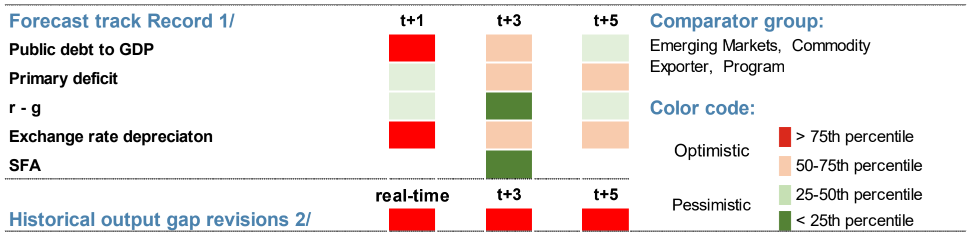
Public debt by maturity (percent of GDP)



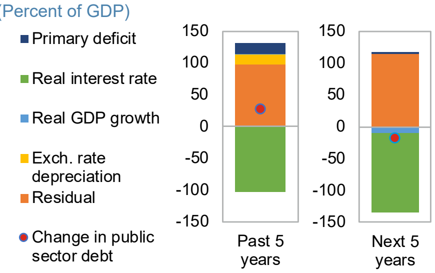
Note: The perimeter shown is central government.

Commentary: Foreign-currency denominated debt will continue to dominate over the long term, but its share is expected to fall as ambitious domestic peso market development facilitates the repayment of official creditors, including the IMF, and private external creditors (notwithstanding resumption of modest access to international capital markets from 2025 onwards). In the near term, and while inflation is high and unanchored, the financing strategy assumes reliance on short-term fixed rate instruments and inflation (CER)-linkers, with an increase in maturity envisaged over the medium term. The large share of FX debt is held by IFIs, and the large share of overall debt held by the intra-public sectors (including non-marketable instruments), mitigates rollover risks.

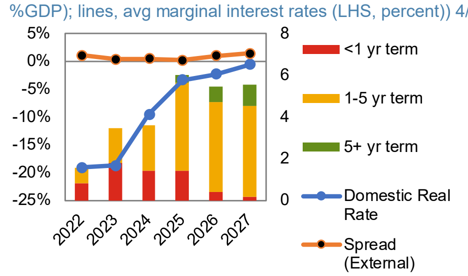
Table 4. Argentina: Realism of Baseline Assumptions



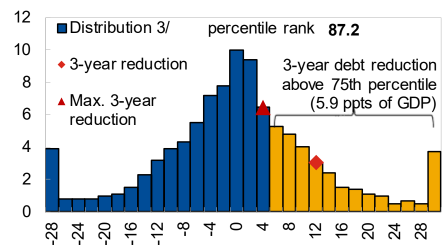
Public Debt Creating Flows
(Percent of GDP)



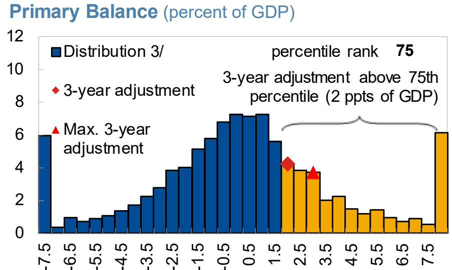
Bond Issuances (bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent)) 4/



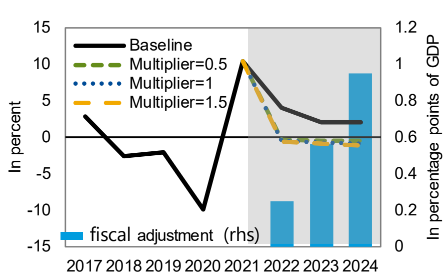
3-Year Debt Reduction
(Percent of GDP)



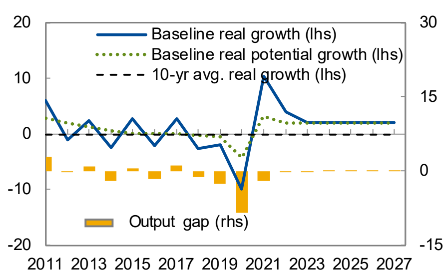
3-Year Adjustment in Cyclically-Adjusted Primary Balance (percent of GDP)



Fiscal Adjustment and Possible Growth Paths
(lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS)



Real GDP Growth
(in percent)



Commentary: Forecast track record analysis point to baseline optimism, particularly the debt reduction and exchange rate paths, in line with the staff assessment that risks to the baseline remain exceptionally high. Argentina's extreme economic volatility makes it difficult to achieve high forecast accuracy over long periods of time. Moreover, the program baseline assumes a significant and sustained macroeconomic adjustment to address underlying imbalances and help Argentina emerge from its prolonged period of crisis. Envisaged fiscal consolidation appears relatively optimistic, but the projected consolidation is broadly in line with other EM post-debt restructuring episodes over the last 20 years. Bond issuance analysis reflects the program objectives of developing the peso market, including a gradual increase in maturity and a rise in real interest rates, also consistent with resumption of international market access from 2025 onwards, with modest initial issuances. While projected growth is optimistic relative to the 10-year average (reflecting recent volatility and crises), it is in line with the 20-year average, though this depends on entrenching stability and growth-enhancing reforms.

Source : IMF Staff.
1/ Projections made in the October and April WEO vintage.
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.
3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.
4/ Bond issuances include all bonds (external and domestic). Real interest rates on domestic issuances are calculated by subtracting GDP deflator growth from nominal marginal interest rates on issuances. For external issuances, spreads with the 10-year US Treasury rates are calculated.

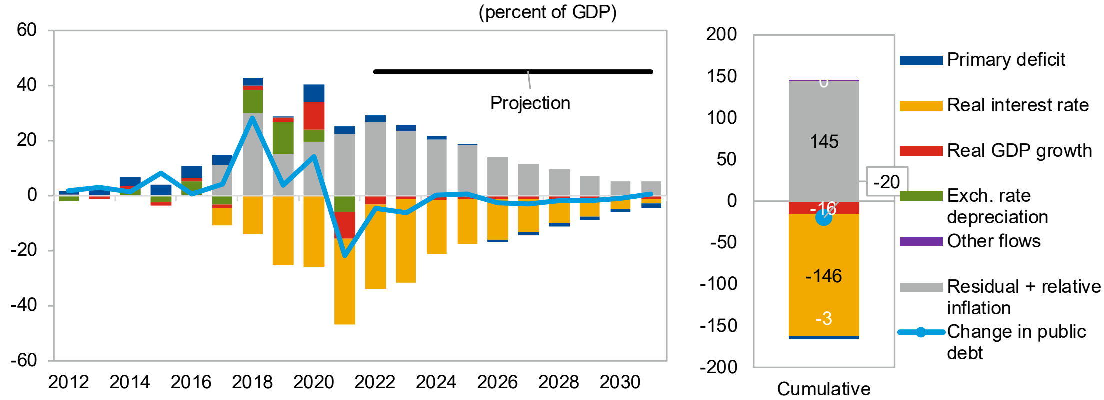
Table 5. Argentina: Baseline Scenario

(Percent of GDP, Unless Indicated Otherwise)

	Actual	Medium-term projection						Extended projection			
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Public debt	80.9	76.0	69.5	69.6	70.0	67.1	63.8	62.0	60.1	58.9	59.5
Change in public debt	-21.9	-4.9	-6.5	0.1	0.4	-2.9	-3.3	-1.8	-1.9	-1.2	0.5
Contribution of identified flows	-21.5	-10.4	-8.4	-5.1	-4.8	-4.2	-3.9	-2.7	-1.8	-0.7	-0.2
Primary deficit	3.0	2.5	1.9	0.9	0.0	-0.8	-1.3	-1.3	-1.3	-1.3	-1.3
Noninterest revenues	25.9	25.7	24.9	25.7	26.5	27.1	27.5	27.5	27.5	27.5	27.5
Noninterest expenditures	29.0	28.2	26.8	26.7	26.5	26.4	26.2	26.2	26.2	26.2	26.2
Automatic debt dynamics	-24.5	-13.0	-10.4	-5.9	-4.9	-3.5	-2.6	-1.5	-0.5	0.6	1.0
Int. rate-growth differential	-40.8	-34.0	-31.9	-21.1	-17.8	-16.1	-13.4	-10.1	-7.8	-4.8	-3.1
Real interest rate	-31.2	-30.9	-30.3	-19.7	-16.4	-14.7	-12.1	-8.8	-6.5	-3.7	-2.0
Real growth rate	-9.7	-3.1	-1.5	-1.4	-1.4	-1.4	-1.3	-1.3	-1.2	-1.2	-1.2
Real exchange rate	-6.1	…	…	…	…	…	…	…	…	…	…
Relative inflation	22.4	21.0	21.5	15.2	12.9	12.6	10.8	8.6	7.2	5.4	4.2
Other identified flows	0.0	0.2	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	0.2	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-0.4 .	5.4	1.9	5.2	5.2	1.3	0.6	0.9	-0.1	-0.5	0.7
Gross financing needs	18.2	17.3	15.5	12.6	14.4	8.7	7.6	9.4	12.2	11.4	13.3
of which: debt service	15.1	14.8	13.6	11.6	14.4	9.5	8.8	10.7	13.4	12.6	14.6
Local currency	10.8	9.7	7.9	7.4	9.9	6.2	4.9	6.0	7.5	6.9	6.1
Foreign currency	4.3	5.1	5.7	4.3	4.5	3.3	4.0	4.7	5.9	5.8	8.5
Memo:											
Real GDP growth (percent)	10.4	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Inflation (GDP deflator; percent)	53.9	70.3	76.0	50.4	40.8	37.1	32.1	26.0	22.2	17.3	13.9
Nominal GDP growth (percent)	68.4	76.6	80.0	53.2	43.8	39.8	34.8	28.5	24.7	19.6	14.6
Effective interest rate (percent)	2.4	2.7	4.3	7.0	6.9	7.8	7.8	8.2	9.1	10.0	10.1

Contribution to change in public debt

(percent of GDP)



Staff commentary: Public debt is projected to decline gradually over the medium term and stabilize by 2030, reflecting the baseline assumptions of steadfast program implementation of the Fund-supported EFF. Stable macroeconomic conditions, sustained fiscal consolidation (including beyond the program), along with efforts to further deepen domestic capital markets and boost exports and productivity, remain essential to mobilize domestic saving, strengthen reserves, and improve prospects of international market access, which in turn would strengthen debt-servicing capacity.

Table 6. Argentina: Medium-term Risk Analysis

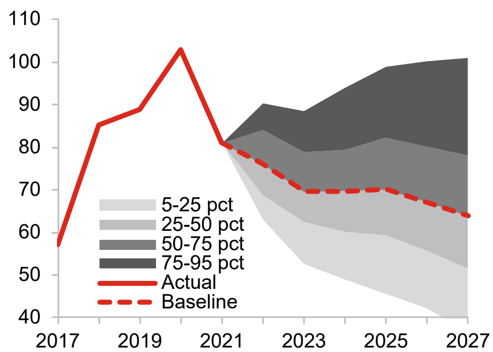
Debt fanchart and GFN financeability indexes

(percent of GDP unless otherwise indicated)

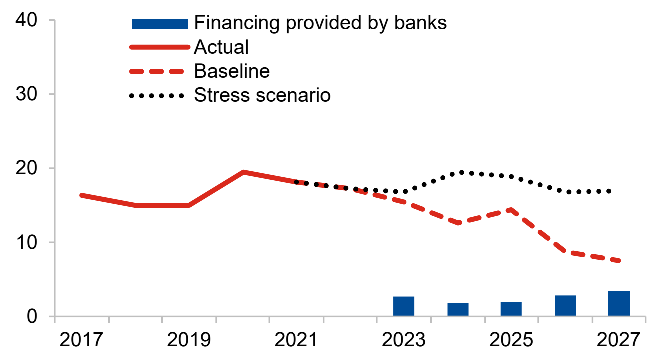
Module	Indicator	Value	Risk index	Risk signal	Emerging Markets, Commodity Exporter, Program (0 / 25 / 50 / 75 / 100)
Debt fanchart module	Fanchart width	64.1	0.9	…	
	Probability of debt not stabilizing (pct)	0.54	0.0	…	
	Terminal debt level x institutions index	44.6	1.0	…	
	Debt fanchart index	**…**	**1.90**	**Moderate**	
GFN finance-ability module	Average GFN in baseline	12.7	4.3	…	
	Bank claims on government (pct bank assets)	15.3	5.0	…	
	Chg. in claims on govt. in stress (pct bank assets)	13.8	4.6	…	
	GFN financeability index	**…**	**13.9**	**Moderate**	

Legend: Interquartile range; Argentina

Final fanchart (pct of GDP)



Gross Financing Needs (pct of GDP)

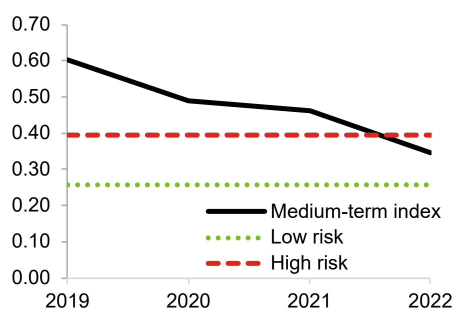


Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-term index

(index number)



Medium-term risk analysis

	Low risk threshold	High risk threhsold	Weight in MTI	Normalized level
Debt fanchart index	1.1	2.1	0.5	0.4
GFN finaceability index	7.6	17.9	0.5	0.3
Medium-term index (MTI)	0.3	0.4	…	0.3, Moderate

Prob. of missed crisis, 2022-2027 (if stress not predicted): 27.3 pct.

Prob. of false alarm, 2022-2027 (if stress predicted): 21.6 pct.

Commentary: Both medium-term tools point to a moderate level of risk, consistent with the first review, but are borderline moderate/high. With respect to the fanchart, the results are driven by the extreme width, which in turn reflects Argentina's history of high volatility. However, the probability of debt stabilization remains above 99 percent. The GFN module shows moderate risk including because vulnerabilities are contained somewhat by the 2020 restructuring and expectations of financing from less risky creditors.

Table 7. Argentina: Decomposition of Public Debt and Debt Service by Creditor, 2022–2024

	Debt Stock (end of period)			Debt Service					
	31-Mar-22			2022[6]	2023	2024	2022	2023	2024
	(In US$ bn)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ bn)*			*(Percent GDP)*		
Total	**373.76**	1.00	59.7%	**106.03**	**66.72**	**35.45**	16.9%	10.4%	5.6%
External	147.98	0.40	23.6%	26.50	24.88	11.30	4.2%	3.9%	1.8%
Multilateral creditors[2,3]	73.55	0.20	11.7%	21.19	21.34	7.36	3.4%	3.3%	1.2%
IMF	46.63	0.12	7.4%	18.89	19.12	5.04	3.0%	3.0%	0.8%
World Bank	8.56	0.02	1.4%	0.43	0.41	0.43	0.1%	0.1%	0.1%
CAF	3.67	0.01	0.6%	0.65	0.57	0.56	0.1%	0.1%	0.1%
ADB/AfDB/IADB	13.93	0.04	2.2%	1.14	1.15	1.23	0.2%	0.2%	0.2%
FONPLATA	0.41	0.00	0.1%	0.05	0.05	0.06	0.0%	0.0%	0.0%
BEI	0.12	0.00	0.0%	0.01	0.01	0.01	0.0%	0.0%	0.0%
BCIE	0.08	0.00	0.0%	0.00	0.00	0.00	0.0%	0.0%	0.0%
Other Multilaterals	0.16	0.00	0.0%	0.02	0.02	0.02	0.0%	0.0%	0.0%
OFID	0.12	0.00	0.0%	0.01	0.02	0.02	0.0%	0.0%	0.0%
FIDA	0.04	0.00	0.0%	0.01	0.01	0.01	0.0%	0.0%	0.0%
o/w: list largest two creditors									
list of additional large creditors									
Bilateral Creditors[2]	4.38	0.01	0.7%	2.51	0.48	0.44	0.4%	0.1%	0.1%
Paris Club	1.49	0.00	0.2%	1.99	-	-	0.3%	0.0%	0.0%
list of additional large creditors									
Non-Paris Club	2.89	0.01	0.5%	0.51	0.48	0.44	0.1%	0.1%	0.1%
o/w: China	2.60	0.01	0.4%	0.44	0.43	0.40	0.1%	0.1%	0.1%
T-Bills	0.61	0.00	0.1%	1.00	0.01	-	0.2%	0.0%	0.0%
Bonds	69.39	0.19	11.1%	1.79	3.04	3.50	0.3%	0.5%	0.6%
Commercial creditors	0.06	0.00	0.0%	0.00	0.01	0.01	0.0%	0.0%	0.0%
o/w: list largest two creditors									
list of additional large creditors									
Other international creditors									
o/w: list largest two creditors									
list of additional large creditors									
Domestic	225.77	0.60	36.0%	79.53	41.84	24.15	12.7%	6.5%	3.8%
T-Bills	94.27	0.25	20.6%	40.89	16.21	11.34	6.5%	2.5%	1.8%
Held by: central bank									
local banks									
local non-banks									
Bonds	105.52	0.28	23.0%	20.20	18.22	12.58	3.2%	2.8%	2.0%
Held by: central bank									
local banks									
local non-banks									
Loans	23.74	0.06	0.0%	18.31	7.30	0.11	2.9%	1.1%	0.0%
Held by: central bank									
local banks									
local non-banks									
Memo items:	2.24	0.01	0.4%	0.13	0.12	0.12			
Collateralized debt[4]	0.78	0.00	0.1%	0.04	0.04	0.04			
o/w: Related									
o/w: Unrelated	0.78	0.00	0.1%	0.04	0.04	0.04			
Contingent liabilities	1.46	0.00	0.2%	0.09	0.08	0.08			
o/w: Public guarantees	1.46	0.00	0.2%	0.09	0.08	0.08			
o/w: Other explicit contingent liabilities[5]									
Nominal GDP			626.34	626.34	644.14	629.11			

Source: IMF staff

1/As reported by country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA, except for holdouts, which is included in the DSA but not in this table. External versus domestic is based on residency definition.

2/ Non-Paris Club Bilateral includes Paris Club member creditor performing obligations that were not reprofiled in 2014. Paris Club includes only those obligations that were subject to reprofiling in 2014.

3/Multilateral creditors are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

4/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

5/ Guaranteed debt includes public guarantees.

6/ Debt service payment for year 2022 is composed of actual debt service for Q1 and projections for Q2-Q4.

Annex II. Update of Foreign Exchange Regime as it Applies to Exchange Restrictions and Multiple Currency Practices

This Annex provides an update on measures taken with respect to Argentina's FX regime that give rise to exchange restrictions or MCPs subject to Fund jurisdiction under Article VIII since the time of approval of the extended arrangement.[1]

1. Overview. Since end-June 2022, Argentina has taken a number of measures with respect to its foreign exchange regime that give rise to new multiple currency practices, exchange restrictions, and intensify pre-existing exchange restrictions.

2. Measures. More specifically, the key changes fall within the following categories:

- Soy Dollar: Exporters of soybean and derivates can fulfill their surrender requirement by exchanging their dollar receipts at a more preferential exchange rate of 200 pesos per dollar until end-September 2022.[2] Due to the large spread between the preferential exchange rate and the official exchange rate (which trades at around 140 pesos per dollar), which exceeds two percent, this measure constitutes a new multiple currency practice (MCP) subject to Fund jurisdiction.

- Tourist Dollar: Non-resident tourists in Argentina may exchange foreign currency (in an amount up to USD 5000 within the last 30 days) for pesos with domestic commercial banks at preferential exchange rate equivalent to the implicit rate available on the capital market, by selling securities acquired in pesos and settled in foreign currency.[3] Due to the large spread between the rate available for such transactions and the official exchange rate, which exceeds two percent, this measure constitutes a new MCP subject to Fund jurisdiction.

- Imports of Goods and Services: Under Argentina's current regime, importers of goods are subject to a complex system (the "SIMI" system), that sets forth annual limits on the amount of foreign exchange that may be immediately accessed for imports of goods, which gives rise to an exchange restriction subject to Fund jurisdiction.[4] At end-June 2022, the exchange restriction was intensified temporarily until end-December 2022 as follows: (i) the annual limits on undelayed FX access were lowered and ; (ii) FX market access beyond those limits was further restricted for certain import categories subject to non-automatic import licenses (the list of which was also expanded). A similar system of annual limits on the amount of foreign exchange that can be

[1] See March 2022 Argentina Staff Report Annex II. Foreign Exchange Regime as it Applies to Current International Transactions.

[2] Decree 576/22, September 4, 2022.

[3] See Communication A7551

[4] Communication A7466 set limits equal either to 2021 imports plus 5 percent or 2020 imports plus 70 percent.

immediately accessed for payments of imports of services (the "SIMPES" system) was also implemented in June, intensifying restrictions on payments for imports of services.[5]

- Other: Argentina has in place a number of general conditions that must be satisfied to access the official foreign exchange market.[6] The scope of these general conditions was extended in July 2022, i.e. transactions with Argentine Certificates of Deposits Representative Foreign Shares (CEDEARS) instruments were added to the list of capital market transactions that cannot be undertaken 90 days prior to and after access to the official FX market is granted, giving rise to an intensification of a currently existing exchange restriction.[7]

[5] See Communication A7532.

[6] See March 2022 Staff Report Annex.

[7] See Communication A 7552.

Appendix I. Letter of Intent

Buenos Aires, Argentina
September 25, 2022

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Georgieva,

Against the backdrop of an increasingly difficult global situation and domestic market turbulence, the new economic team has taken important steps to rebuild credibility and restore macroeconomic stability. Our actions have been accompanied by a reinvigorated commitment to implement the Fund-supported program, which remains a key anchor for economic policy making. We recognize the many challenges facing Argentina yet are determined to continue to take the policy measures necessary—around our pillars of fiscal order and reserve accumulation—to help ensure the Argentine economy returns to a path of more sustainable and inclusive growth.

In the attached update to the Memorandum of Economic and Financial Policies (MEFP) we reaffirm our strengthened commitment to the policies and objectives of the economic program supported by an IMF arrangement under the Extended Fund Facility (EFF), and to meeting the program's targets for the remainder of 2022 and next year, which will remain generally unchanged. Our updated macroeconomic framework takes into account the more difficult global situation and recent domestic developments, along with the implementation of our agreed policy actions. In this regard, we will continue to:

- **Restore fiscal order**, by recent actions to curb expenditures, improving the targeting of subsidies, not just in energy sector, but also in water and in transportation, and re-prioritizing our spending to secure execution of critical investment projects and proper protection of the most vulnerable. These new priorities are also reflected in our Draft 2023 Budget that was submitted to Congress in mid-September (prior action).

- **Address persistent high inflation**, through prudent management of fiscal policy, reduced reliance on monetary financing (below the original 2022 program target), and more consistent implementation of the monetary policy framework that is already delivering sufficiently positive real policy rates. In fact, since end-July, we have decisively raised the policy rate by 2,300 basis points.

- **Strengthen reserve coverage**, through the decisive implementation of our fiscal and monetary policies along with targeted measures to strengthen and improve the composition of the trade balance and efforts to combat abuses in customs. In fact, our recent actions, including the adoption of a temporary incentive to encourage grain sales, are already supporting stronger reserve accumulation. Our policy actions will be complemented by renewed efforts to mobilize external official support, and foreign direct investment.

- **Revitalize our structural agenda**, by focusing on measures to review corporate tax incentives and combat tax evasion and money laundering (AML/CFT framework), including through enhanced international information exchange agreements. Further progress will continue to strengthen public financial management, the peso government debt market, the effectiveness of monetary and FX operations, and the net export potential of strategic sectors, particularly in energy.

On the basis of the steps that we have already taken and commitments for the period ahead, including with respect to the program's targets—critically, our annual fiscal and monetary financing targets will remain unchanged, and in fact tightened in some cases, as a share of GDP—we request completion of the second review, with a disbursement in the amount of SDR 3,000 million. We note that the end-June net international reserves target was missed by a small margin, and as a result the new economic team redoubled efforts to durably accumulate reserves and will report end-September performance when final data become available. We request (i) waivers of nonobservance of the continuous PC on not introducing or modifying multiple currency practices, and the continuous PC on not imposing or intensifying exchange restrictions; (ii) waivers of applicability for the end-September primary fiscal balance and domestic arrears PCs; and (iii) modification of the end-September and end-December 2022 PCs (expressed in nominal terms) on the primary fiscal balance and the stock of domestic arrears mainly to accommodate the impact of higher-than-expected inflation, and the end-December 2022 PC on monetary financing of the fiscal deficit. Regarding net international reserves, while the cumulative reserve accumulation targets through end-2023 remain unchanged (defined in US$), we request modification of the end-December 2022 PC to take into account the more challenging external environment and less favorable terms of trade triggered by the war in Ukraine, and the additional time needed to correct earlier policy setbacks.

We also request completion of the financing assurances review and approval of exchange restrictions and multiple currency practices under Article VIII sections 2 and 3, given that they are temporary, have been imposed for balance of payments reasons and are non-discriminatory in nature. The program will continue to be monitored through quarterly reviews, prior actions, quantitative performance criteria, indicative targets, and structural benchmarks as described in the attached MEFP and Technical Memorandum of Understanding (TMU).

The new economic team is confident that its policies are adequate to achieve the economic, financial, and social objectives and targets of the program and will take any additional measures that may become appropriate for this purpose. We will consult with the IMF on the adoption of these measures, and in advance of any revision contained in the MEFP, in accordance with the Fund's policies on such consultation and will refrain from any policy that would not be consistent with the program's objectives and commitments herein. Underscoring our commitment to transparency, we consent to the IMF's publication of this letter, the MEFP, the TMU, and the accompanying Executive Board documents.

Yours sincerely,

/s/ Sergio Massa Minister of Economy of Argentina	/s/ Míguel Pesce President, Central Bank of Argentina

Attachments: Memorandum of Economic and Financial Policies
Update Technical Memorandum of Understanding.

Attachment I. Memorandum of Economic and Financial Policies Update

September 25, 2022

I. Context

1. **In the context of an increasingly complex global backdrop, and following a period of strong market pressures, the new economic team is taking bold steps to restore stability, while redoubling efforts to implement our program.** In the wake of heightened tensions in the government bond and foreign exchange markets in June-July, we have acted decisively to stabilize markets and strengthen credibility. Critical steps have been taken to: (i) restore fiscal order, through a combination of stricter expenditure controls, improved targeting of subsidies, and strengthened revenue compliance; (ii) limit monetary financing of the fiscal deficit below program levels; (iii) mobilize domestic financing, while reducing rollover risks; and (iv) boost international reserves, through targeted actions aimed at improving the trade balance and catalyzing external support from private and official sources. These initial actions have been complemented by a more consistent and forceful application of the monetary and FX policy framework to ensure sufficiently positive real interest rates. Our actions reflect our reinvigorated commitment to implement our economic program and we will continue to take the actions necessary to durably address underlying imbalances and secure more sustainable and inclusive growth.

II. Recent Developments and Program Performance

2. **Economic activity and job creation remain robust.** Following an expansion of 10.4 percent in 2021, the Argentine economy grew at an annual rate of 6.5 percent during S1-2022, driven by strong private consumption and investment. The level of real GDP is already 10.3 percent above pre-pandemic levels, and capacity utilization levels stands at multi-year highs. Meanwhile, unemployment fell to its lowest level since 2015, supported by strong private sector employment growth, with over 350,000 s.a. formal private sector jobs added since end-2020.

3. **The trade surplus has narrowed on account of strong demand and less favorable terms of trade triggered by the war in Ukraine.** The cumulative trade goods balance through August has narrowed to US$ 2.2 billion, as strong export receipts have been more than offset by exceptionally strong goods imports, especially energy, and a deterioration in the services balance. Consistent with strong consumption and investment growth, cumulative import volumes of goods through August grew by 18.7 percent y/y, far outpacing goods export growth (-1.6 percent), which were partly held back due to climate-related factors, with increased energy import volumes the result of reduced domestic hydroelectricity production.

4. **After rising sharply in June-July, domestic market pressures are starting to dissipate.** Tightening global financial conditions and domestic uncertainties, led to sharp rise domestic government bond markets yields, an increase in the gap between the official and parallel exchange

rates, and a loss in international reserves. Since early-August, decisive actions by the new economic team have helped to quickly restore credibility and ease market pressures. Specifically, bond yields are down, the exchange rate gap has fallen near pre-market pressure levels, and central bank intervention in the secondary government bond market and non-deliverable forward market has started to unwind. A contribution of around US$5 billion to the international reserve accumulation thus far in September was due to our successful temporary incentive schemes to increase soy liquidation.

5. In tandem, inflation pressures are beginning to moderate although they remain strong. After peaking at 7.4 percent m/m in July, headline inflation fell to 7.0 percent m/m in August as uncertainties weighing on the price formation process began to fade. This initial reduction was supported by our reinvigorated commitment to strengthen macroeconomic policies, and specifically to implement the monetary and exchange rate policy framework that delivers sufficiently positive real policy interest rates (see ¶20).

6. While program performance through end-June 2022 was generally in line with program commitments (Tables 1 and 2), our more decisive policy implementation will help ensure adherence to the program targets going forward.

- **Fiscal targets:** The primary fiscal deficit through end-June was ARS 800 billion (1 percent of GDP), roughly ARS 50 billion below the adjusted target, reflecting our initial efforts to control cash spending. Average quarterly domestic arrears (deuda exigible) also remained below target, albeit with an important increase towards end-June. Meanwhile, the social spending IT was also observed, supported by our policies to protect low-income households. Importantly, efforts have been stepped up to meet the fiscal deficit target for the remainder of the year, as well as reduce the stock of arrears through improved expenditure management.

- **Monetary targets:** We limited central bank financing of the fiscal deficit to ARS 435 billion through end-June, below the program target of ARS 476 billion (0.6 percent of GDP). The stock of central bank non-deliverable futures, while rising sharply in June 2022 to contain high volatility in foreign exchange market, remained below the program ceiling. Meanwhile, net international reserve (NIR) accumulation fell US$296 million short of the adjusted program target, reflecting the weaker-than-expected trade balance and delays in budget support from multilateral partners. These deviations on the reserve front grew during June-July, although revitalized efforts are underway to boost NIR and mobilize additional official support.

- **Structural benchmarks (SB).** All three end-June SBs were met, including: (i) preparation of an action plan to enhance financial and budget reporting of national public sector entities; (ii) modification of resolutions to set prioritization and selection criteria for investment projects ahead of the 2023 Budget; and (iii) publication of a plan to streamline the reserve requirements system. Given the additional time needed to incorporate IMF technical assistance, the preparation of a plan to strengthen revenue compliance is now expected by end-year (end August 2022, SB; ***reset to end December 2022, SB***).

III. Policy Framework and Economic Program

7. The baseline macroeconomic framework has been revised to reflect recent domestic and global developments, and renewed commitments to meet our program targets.

- **Real GDP growth** is projected to reach 4 percent in 2022 and gradually moderate to 2 percent next year (consistent with Argentina's medium-term growth potential) on account of weaker global outlook and the ongoing policy tightening.

- **Inflation** is projected to rise to 95 percent by end-2022 reflecting not only the spike in global food and energy prices in the first half of the year, but also the impact of the recent heightened domestic market volatility. Inflation is projected to fall gradually during the remainder of the year and into next year due to a combination of tighter fiscal policies, sufficiently positive real monetary policy rates, reduced monetary financing, improved wage-price coordination, and lower global commodity prices. Specifically, monthly inflation is expected to fall from around 5 percent by end-2022 and to near 3.5 percent by end-2023 (equivalent to an annual end of period inflation of 60 percent).

- The **trade surplus** is projected to fall to 1.2 percent of GDP (from 3.1 percent of GDP in 2021), reflecting mainly stronger-than-expected import volume growth and less favorable terms of trade. Our end-2022 reserve accumulation target was revised down slightly (US$0.8 billion), although we expect this shortfall to be compensated during 2023 on the back of tighter macroeconomic policies, efforts to increase domestic energy production and other targeted FX measures. This is consistent with a projected rise in the trade surplus (to 2.2 percent of GDP) in 2023.

Text Table. Argentina: Revised Macroeconomic Projections, 2021–2024

	2021	Proj. 2022	Proj. 2023	Proj. 2024
GDP growth (avg, %)	10.4	[3.5 - 4.5]	[1.5 - 2.5]	[1.5 - 2.5]
Inflation (eop, %)	50.9	[90.0 - 100.0]	[55.0 - 65.0]	[40.0 - 48.0]
Primary fiscal balance (% of GDP)	-3.0	-2.5	-1.9	-0.9
Current account balance (% GDP)	1.4	-0.3	0.6	0.4
Change in net int'l reserves (US$bn)[1]	-1.5	5.0	4.8	5.2
Monetary base (% of GDP)	7.9	6.1	6.4	6.5
Monetary financing (% GDP)	3.7	0.8	0.6	0.0

Sources: National authorities and Fund staff estimates and projections.
1/ Net International Reserves (NIR) are gross reserves net of swap lines, deposit insurance, reserve requirements on FX

8. Policies will need to be adjusted, however, to evolving external and domestic conditions. The outlook for Argentina is subject to important downside risks from the intensification of the war in Ukraine, a rapid tightening in global financial conditions, a sudden deterioration in the terms of trade (through global commodity price movements), weather-related shocks and other domestic uncertainties. In this context, we stand ready to adapt our policies as needed to ensure macroeconomic stability through continued adherence to program objectives.

A. Fiscal Policy

9. To strengthen fiscal order, we are redoubling efforts to meet the 2022 primary deficit target of 2.5 percent of GDP. Efforts are underway to implement the required policy package to compensate for higher energy subsidies and social assistance spending. Our approach is bearing fruit, with real spending contracting by 5 percent y/y in July, alongside a significant reduction in domestic arrears. Achieving our end-2022 program objective is a matter of the highest priority, and we stand ready to make the necessary policy adjustments, as needed.

- On the **revenue front**, we recently: (i) advanced payments of income taxes from companies with extraordinary profits related to the global commodity price shock, making around 0.1 percent of GDP (before co-participation) of additional revenues available in Q4-2022; and (ii) introduced a temporary export incentive for the soy sector, with positive revenue spillovers.

- On the **expenditure front**, we have tightened controls to limit monthly accrual spending to cash resources available and prioritize/reallocate expenditures within existing budgetary spending ceilings, by over 0.5 percent of GDP during the year, through a series of administrative decisions. In addition, steps are being taken to (i) improve the targeting of *energy subsidies* by expanding the tariff segmentation scheme, capping utility subsidies for middle income consumers for consumption above certain thresholds and reducing subsidies for commercial users (see ¶29-31); (ii) raise tariffs on water utilities and public transport; and (iii) contain the wage bill, by extending the hiring freeze to include public companies and state-owned enterprises.

10. As part of our commitment to our multi-year fiscal consolidation path, we recently submitted a draft 2023 Budget to Congress, consistent with the 1.9 percent of GDP program deficit target (*prior action*; *previously mid-September 2022, SB*). The draft budget includes a description of our baseline macroeconomic framework as well as details of the underlying policies needed to deliver the 1.9 percent of GDP primary deficit target for the non-financial public sector on a cash basis, from our 2.5 percent of GDP deficit objective in 2022. Specifically, achievement of the proposed adjustment is largely underpinned by: (i) strengthened revenue mobilization efforts (see ¶11); (ii) improved targeting in subsidies (0.5 percent of GDP), including on energy (see ¶29-30), transport and water; (iii) the streamlining of social assistance (0.7 percent of GDP), in the context of our efforts to encourage labor market insertion, limit the indexation of certain benefits, and reduce redundancy (see ¶12); and (iv) tighter expenditure controls in key areas. In particular, the wage bill is projected to remain unchanged as a share of GDP, while pension spending will continue to follow the indexation formula.

11. Revenue mobilization efforts remain critical to secure yields over the medium term. In this regard, and with support from IMF technical assistance, we are advancing work on our action plan to improve revenue compliance (*end-August 2022 SB;* ***reset to end-December 2022, SB***). The plan will be underpinned by institutional policies and guidelines for risk segmentation of taxpayers and foreign trade operators along with a comprehensive compliance gap analysis for key taxes. The new plan will also be supported by several organizational changes, including a new Compliance Risk

Management committee (CRM) (established in August) and a new risk management unit to be established by end-2022. In addition, we are focused on: (i) reviewing corporate tax incentives; (ii) seeking to strengthen information exchanges and international cooperation to combat tax evasion; and (iii) conducting the preparatory work to improve personal wealth taxation (*bienes personales*), including through enhancing the AFIP database, connecting provincial cadasters and property tax registers with federal tax-payers' identification numbers (CUIT/CUIL). In the first stage, this will cover the AMBA region (*end-September 2022, SB;* ***modified and reset to end-March 2023, SB***). The Organismo Federal de Valuaciones de Inmuebles (OFEVI), will develop a unified methodology for property valuations, for use by provinces should they wish. In future, property valuation for purposes of *bienes personales* will be assessed based on the greater of: i) the provincial valuation, or; ii) the OFEVI unified methodology valuation.

12. Improving the efficiency and targeting of social expenditures is a key priority. The Ministry of Social Development, in partnership with a group of universities, is conducting a comprehensive evaluation of all income support programs, including *Potenciar Trabajo, Progresar, Tarjeta Alimentar* and those paid by ANSES to identify options to strengthen the efficiency and targeting of social assistance in Argentina (*end-December 2022*; **reset to *end-March 2023, SB***). Data on recipients of all social assistance programs will be compiled at the household level and cross checked against other official databases. The evaluation is expected to identify options for improving and integrating beneficiary databases, reducing redundancy and duplication across different programs, and limiting leakage to higher-income groups while ensuring adequate coverage of vulnerable groups. As a first step, we will focus on *Potenciar Trabajo* by end-December 2022. On the pension front, the Ministry of Labor is undertaking a study with the University of Buenos Aires, to consider options for strengthening the equity and sustainability of the system, while reducing its pronounced fragmentation (***end-December 2022, SB***).

13. In parallel, efforts are needed to strengthen the transparency and controls of public spending. Following the IMF's Public Investment Management Assessment (PIMA), we have developed an action plan *(Resolution 117/2022)* to enhance financial and budget reporting of the entities of the national public sector other than the National Administration (according to the Law 25.917, Article 3) and strengthen the monitoring and governance of investment projects (***end-June 2022, SB***). As part of its implementation, we will establish (via a Disposition of the Undersecretary of Budget) a general framework to execute and control transfers from the Treasury to public corporations, trust funds and other entities. In particular, the framework will clarify the criteria for execution of transfers, information requirements and sanctions in case of non-compliance. We are also modernizing the oversight of these entities by enhancing the information requirements to be implemented through a joint Resolution of the Secretaries of Treasury and Finance. This exchange of information will facilitate the publication of enhanced quarterly reports for public corporations and trust funds ***(proposed end-March 2023, SB),*** with information on major investment projects financed by federal transfers and earmarked taxes included starting mid-2023.

14. *Work is progressing to improve Federal-Provincial Fiscal Coordination.* Congress approved the Fiscal Consensus agreed with 21 provincial governments in mid-September, 2022. The

Fiscal Consensus proposes a strategic agenda for: (i) a revision to the definition of escape clauses; (ii) a review the role of Federal Fiscal Responsibility Council, and (iii) a limit on foreign-currency denominated borrowing by provincial governments. This agenda will now be developed by the Federal and provincial governments. In addition, we are working to increase the speed of provincial government fiscal reporting, to ensure timely quarterly and end-year general government reports.

B. Financing Policy

15. Building on strengthened commitments to meet our fiscal goals, we are implementing an enhanced domestic peso market financing strategy. Following the period of heightened market volatility, we have implemented a more proactive debt management policy to alleviate pressures and secure additional net peso financing. Voluntary debt exchanges successfully pushed some 2.3 percent of GDP of obligations falling due in August-October 2022 into Q3:2023. In parallel, in recent auctions we have secured rollover rates near 200 percent by offering interest rates above the effective BCRA policy rate and consideration is being given to increasing the frequency of short-term issuances. In 2023, our goal is to continue extending maturities to reduce rollover risks, using inflation- and foreign exchange-linked instruments, with fixed-rate instruments playing a role as conditions permit. In addition, we will seek to accumulate buffers through issuances of LEDES, and normalize the yield curve through operations in the secondary treasury market. These operations will help limit monetary financing of the fiscal deficit to 0.8 percent in 2022 (below the current program target) and 0.6 percent of GDP in 2023.

16. Efforts to strengthen and deepen the peso debt market need to continue over the medium term. To this end, we have completed an annual borrowing plan, which will be implemented in Q4-2022 and thereafter on an ongoing basis. Work on a medium-term debt strategy (MTDS) remains on track and will be completed by end-2022 (***end-December 2022, SB***), with Fund technical support. In addition, a *Committee for the Development of the Capital Markets* will be established soon, to bring together public and private actors to study and discuss various initiatives to strengthen the local debt market, including proposals to widen the investor universe.

17. In parallel, efforts to secure official (non-IMF) external support have intensified. Total external disbursements in the first half of 2022 reached almost US$800 million, around US$900 million below projections at the first review. However, official net financing is expected to pick up and reach US$ 770 million by end-September, and US$ 2,300 million by end-2022, largely reflecting a catch-up in programed budget support. The bulk of net official financing comes from multilateral development banks (US$ 2,200 million) and the remainder from bilateral creditors. Negotiations with Paris Club creditors have resumed and our goal is to reach agreement in the coming months, on a repayment schedule for our legacy obligations that is consistent with our repayment capacity and debt sustainability.

18. We are continuing with our good faith efforts to resolve external arrears. Specifically, (i) outstanding arrears to vulture funds and holdout creditors that did not participate in the 2005/10 debt exchange or settle under the terms provided in 2016; (ii) disputed and undisputed claims to the binational entity, Yacyreta (with undisputed claims, which were reduced to US$9.7 million at end-August 2022, expected to be fully repaid by the end-2022); and (iii) outstanding sovereign arrears to private external firms. Meanwhile, the Court of Appeal found the claims of the French export credit agency to be outside the statute of limitations, and is currently considering an appeal to the Argentine Supreme Court.

C. Monetary and Exchange Rate Policies

19. We remain committed to tackling persistent high inflation and rebuilding reserves. Sharply higher global energy and food prices along with domestic uncertainties have exacerbated the challenge of addressing inflation. In this context it is critical to continue to decisively implement our enhanced monetary and FX policies, along with efforts to reduce the fiscal deficit, limit monetary financing, and improve wage-price coordination.

20. To this end, real monetary policy interest rates will remain sufficiently positive. The BCRA has raised the nominal annual policy rate by about 2300 basis points terms since end-July, bringing the monthly equivalent policy rate to 6.2 percent. Our decision to actively narrow the interest rate corridor, together with a proactive pricing policy by the Treasury on its recent issuances, has helped align interest rates of peso-denominated assets, improving the monetary policy transmission, and helping to reduce the exchange rate gap. We stand ready to adapt policy based on the evolution of core inflation, forward-looking measures of inflation, and international reserves dynamics, ensuring that real policy rates stay firmly in positive territory, to guard against further inflationary shocks and keep the quasi-fiscal deficit in check. Delivering positive real policy rates, and continuing to price Treasury securities in line with these policy rates, will also help to reinforce the demand for peso deposits and the holdings of domestic government and private securities.

21. A proactive FX management will remain necessary. Specifically, the rate of crawl will remain consistent with the evolution of inflation and trading partner currency developments, essential to maintain the competitiveness of the real effective exchange rate over the medium term and maintain Argentina's current account surplus. This will be critical to boost reserve accumulation and meet the program targets. In addition, efforts will be necessary to improve the trade balance. Recently introduced temporary export incentive schemes are encouraging the liquidation of stockpiled soy exports and consideration is being given to measures to contain the widening services deficit and transfer pricing abuse. BCRA operation in the non-deliverable futures market will be focused on addressing disorderly FX market conditions.

Monetary Operations and Financial Stability

22. In parallel, we are implementing structural measures to strengthen our operational framework and enhance the effectiveness of monetary policy. The BCRA is continuing to implement measures that improve the transmission of monetary policy rates to deposit rates, including further raising commercial banks' deposits floor rates and lending ceiling rates. Since the first review, the BCRA has also developed and published a plan to simplify the reserve requirements regime (***end-June 2022, SB***). The adopted regulations streamline incentives for lending to small and medium sized enterprises and to consumers, while gradually phasing out a number of special rebates on reserve requirements, with due consideration for the capital and liquidity positions of commercial banks, and an overarching goal of minimizing the impact on the overall liquidity position of the banking system.

23. The BCRA will pursue policies, within its mandate, to entrench financial stability. The banking system remains liquid and well capitalized, supported by strong oversight. Efforts are underway to support and sustain the development of the secondary market for government securities. To this end, government securities recently purchased by the BCRA in the secondary market, will be used to smooth yield curve volatility—consistent with its monetary and financial stability mandate. Over time, a gradual tapering of these holdings will be considered, as conditions allow.

Capital Flow Management Policies (CFMs)

24. We continue to adjust CFMs as external conditions evolve, complementing appropriate macroeconomic policies. In the face of heightened FX pressures and reserve losses, CFMs have been tightened, including through a broadening of import financing requirements, and an additional surcharge on overseas credit card payments. As conditions permit, and reserve coverage strengthens, however, steps will be taken to gradually ease CFM restrictions. To this end, a working group is advancing the preparation of a roadmap for the easing of CFMs, and we expect this to be completed by end-June, 2023 to enable input from recently requested IMF technical assistance (*end-December 2022, SB;* ***reset to end-June 2023, SB***).

Central Bank Balance Sheet

25. Work to strengthen the BCRA's balance sheet is ongoing. Work is now underway to assess the underlying health of the central bank's balance sheet and options to strengthen it going forward, based on internationally recognized accounting standards, and supported by IMF technical assistance. Based on the recommendations of this work, we will develop a strategy to gradually and durably improve the central bank's financial position (***end-December 2022, SB).***

D. Growth and Resilience Policies

26. We are strongly committed to boost Argentina's net export potential, which is essential to strengthen resilience and lay the foundations for more sustainable and inclusive growth. In this regard, we have redoubled our efforts to advance legislation and regulations that will boost investment and net exports in strategic sectors. Discussions with relevant stakeholders, including international investors to secure financing, have intensified to increase investment in the hydrocarbon, mining, agro-industry, automotive, hydrogen and biotechnology industries. Regulatory frameworks are being enhanced in these key sectors, with the aim of boosting the country's productive and export capacity. Moreover, reform efforts in the agricultural and energy sectors are expected to reduce energy-related imports, including by tapping into Argentina's vast gas and fertilizer production potential. Initiatives will help ease international supply constraints and support global energy and food security, taking into consideration domestic market conditions.

27. Given its strategic importance, we are focusing our efforts to improve the efficiency of use, and the equity and sustainability of Argentina's energy sector. This is being achieved through a multipronged strategy aimed at boosting domestic energy production, transportation and distribution, reducing energy costs and reliance on imported energy, while ensuring the financial sustainability of the sector through end-user prices that better reflect production costs and improvements in the targeting and progressivity of energy subsidies. We are focused on mitigating the fiscal impact of the recent global energy crisis, and on increasing the incentives for efficient energy use.

28. Building on efforts to reduce costly energy imports, we are implementing supply-side measures to increase domestic production and unlock Argentina's energy export potential. Our arrangements with Bolivia and Brazil will help secure energy supplies at favorable rates during winter and reduce reliance on costly imports of LNG. We are also advancing with the construction of the Nestor Kirchner gas pipeline, the first and second phases of which are expected to be completed by end-June and end-December 2023, respectively. The pipeline will support an increase in the daily supply of domestically-produced gas of 11 million cubic meters, starting in July 2023. To encourage an increase in gas supply for the domestic market and incentivize exports, we will also launch a new Plan Gas, which will extend current production volumes to 2028. Moreover, we have been working on strengthening bilateral agreements with Chile to expand foreign markets. Finally, to underpin the increase in domestic production, our objective is to improve the financial position of the sector, including by updating tariff agreements with electricity distributors for the metropolitan region of Buenos Aires next year, and reducing arrears to/from the state-owned electricity dispatch operator.

29. A key part of our strategy is eliminating subsidies for residential users with the greatest payment capacity. A decree was issued in June establishing a new residential subsidy segmentation scheme that will eliminate electricity and gas subsidies by end-2022 for residential consumers nationwide with the greatest payment capacity. For this group, subsidies will be removed in three stages (September, November, and January), with the issuance of final resolutions to reach cost recovery for both electricity and gas in January 2023 (***proposed end-January 2023, SB)***. Implementation of the scheme is supported by a new voluntary database (RASE) of energy consumers who request to keep the energy subsidy and are classified according to socio-economic characteristics. We estimate that around 20 percent and 15 percent of users, for electricity and gas, respectively, would be subject to full subsidy removal.

30. The subsidy will be further differentiated between middle-income and low-income consumers and will also be subject to a consumption cap for middle-income consumers. For subsidized users, increased reference prices for electricity (PEST) and gas (PIST) went into effect on June 1. For 2023, in line with our policy commitment to anchor updates in energy costs for consumers on past average wage growth, the overall increase in the subsidized reference prices will be capped at 40 percent and 80 percent of growth in the wage index for low- and middle-income consumers, respectively. Middle-income residential consumers will also be subject to an additional consumption cap and will pay full cost for electricity use above 400KWh/month (with higher thresholds for some regions without access to gas) and gas use above 70 percent of the previous 5-year average for each category of users in the relevant region. This measure, which will be phased in gradually, in line with the removal of subsides outlined in ¶29, will help to both further contain the subsidy bill and improve energy conservation.

31. We are also fully removing electricity subsidies for commercial users. Commercial users (defined in ¶33, TMU) that currently receive electricity subsidies will also have these subsidies significantly reduced in 2023 and fully eliminated during 2024.

32. We are also advancing with the development of a national strategy to improve the efficiency and financial sustainability of the energy sector in the medium term. Development of this strategy is supported by World Bank technical assistance and will support improvements in the efficiency of our energy matrix and reduce costly energy subsidies, while also strengthening the quality of energy services and affordability of access for vulnerable households. The strategy has a special emphasis on the electricity sector and includes actions to:

- **i.** **Improve energy efficiency** for the sector as a whole, by tackling consumption inefficiencies, including by better tailoring efficiency policies to regional consumption patterns, and reducing losses in the distribution sector through improvements in metering, billing, and user-targeting;
- **ii.** **Support electricity generation cost management** by expanding hydroelectricity and other renewables generation capacity, and improving risk management for energy imports;
- **iii.** **Strengthen the electricity distribution and transmission segment.** Strengthen federal regulatory coordination for the distribution and transmission sector to support its development; and improve current Value-Added Distribution allocation schemes and service quality provision, including through reviewing minimum quality standards and incentives;
- **iv.** Strengthen the **recent electricity and gas segmentation** scheme, by improving databases and the exchange of information to better target energy subsidies, and ensure that tariffs are fully cost-reflective for those able to afford them. An initial detailed plan will be developed by the end of the year to strengthen the implementation of the segmentation scheme going forward;
- **v.** **Improve the overall financial sustainability of the sector.** Review cost generation and remuneration criteria across different subsectors and consumers, to ensure a more sustainable sector, and that over time end-user tariffs better and more predictably reflect wholesale gas and electricity costs.

Although the recent changes in the administration led to some delays in undertaking the technical work, the Energy Secretariat still expects to publish a draft strategy for consultation with key stakeholders, by the end of the year, along with a detailed plan to improve the implementation of the segmentation scheme (*end-September 2022, SB;* ***modified and reset to end-December 2022, SB***).

E. Transparency and Governance Policies

33. Ahead of the evaluation by the Financial Action Task Force (FATF) in 2023, we have made further progress in strengthening our overall AML/CFT regime. We have completed a gap analysis of the entire AML/CFT regime against FATF's 40 Recommendations, and in consultation with IMF staff we will identify key items to be incorporated into the amended AML/CFT legislation, or relevant regulations, as needed, during the Congressional review process. As planned, the Financial Intelligence Unit (FIU) is preparing the necessary resolutions to facilitate prompt and full implementation of the amended legislation once approved. In addition, we have finalized and adopted the national risk assessment of money laundering, which has been consolidated with an updated terrorist financing assessment (Decrees Nº 652/2022 and Nº 653/2022). Lastly, we remain on track to publish the National AML/CFT Strategy (*end-September 2022, SB*), including recommendations to mitigate the risks, vulnerabilities, and threats identified in the national risk assessments.

IV. Program Monitoring

34. Program targets and structural benchmarks have been adjusted to reflect our new macroeconomic framework and policy priorities. The program will continue to be monitored through quarterly reviews. Revised targets and definitions are set out in Table 1, and further specified in the Technical Memorandum of Understanding (TMU). Meanwhile, proposed prior actions and SBs are set out in Table 2.

Table 1. Argentina: Baseline Quantitative Performance Criteria and Indicative Targets 1/ 2/

(In Billions of Argentine Pesos, Unless Otherwise Stated)

	2022									2023				Indicative Targets 2023	
	end-June				end-Sept 9/			end-Dec		end-Mar		end-June		end-Sept	end-Dec
	Target	Adjusted	Actual	Status	CR 22/192	Status	Proposed	CR 22/192	Proposed	CR 22/192	Proposed	CR 22/192	Proposed	Proposed	Proposed
Fiscal targets															
Performance Criteria															
1. Cumulative floor on the federal government primary balance 3/ 8/	-874.4	-849.0	-800.7	Met	-1142.1	n.a.	-1156.8	-1884.9	-2015.7	-365.4	-441.5	-931.7	-1181.4	-2064.4	-2798.3
2. Ceiling on the federal government stock of domestic arrears 4/	612.2	...	489.4	Met	612.2	n.a.	654.0	612.2	654.0	927.5	1177.4	927.5	1177.4	1177.4	1177.4
Continuous Performance Criterion															
3. Non-accumulation of external debt payments arrears by the federal government	0.0	...	0.0	Met	0.0	n.a.	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicative Targets															
4. Cumulative floor on real federal government revenues 3/ 5/	5179.7	...	5169.6	Not met	7763.9	n.a.	...	10347.6	...	2594.4	...	5346.8	...	...	...
5. Cumulative floor on federal government spending on social assistance programs 3/	332.2	...	343.4	Met	542.1	n.a.	565.3	780.6	823.2	249.8	239.3	522.8	500.4	823.8	1199.7
Monetary targets															
Performance Criteria															
6. Cumulative floor on the change in net international reserves of BCRA 6/ 8/	3.45	2.95	2.66	Not met	4.1	n.a.	...	5.8	5.0	6.2	5.5	9.4	8.6	8.7	9.8
7. Cumulative ceiling on central bank financing of the federal government 3/	475.8	...	435.1	Met	665.4	n.a.	...	765.2	654.0	215.3	139.3	647.8	372.8	651.4	883.0
Indicative Target															
8. Ceiling on the central bank stock of non-deliverable futures 7/	7.000	...	4.358	Met	9.000	n.a.	...	9.000	9.000	9.000	9.000	9.000	9.000	9.000	9.000

Sources: National authorities and Fund staff estimates and projections.
1/ Targets as defined in the Technical Memorandum of Understanding (TMU).
2/ Based on program exchange rates defined in the TMU.
3/ Flows from January 1 through December 31.
4/ Includes intra-public sector transfers (transferencias figurativas).
5/ Rebased assuming CPI=100 at end-2021. This target will no longer be part of program conditionality after June 2022.
6/ In billions of U.S. dollars. The change is measured against the value of NIR on December 31, 2021, which stood at US$2.325 billion. It excludes payments to Paris Club from September 2022 onwards.
7/ In billions of U.S. dollars. The stock of non-deliverable futures on December 31, 2021 stood at US$ 4.185 billion, as defined in the TMU.
8/ Targets subject to adjustors as defined in the TMU.
9/ Staff will update the Board on final status at the time of the Board meeting where available.

Table 2. Argentina: Prior Actions and Structural Benchmarks

Proposed Prior Actions	Sector	Status	Completion date
Submit to Congress the Draft 2023 Budget consistent with the agreed primary deficit of 1.9 percent of GDP and include an elaboration of the key macroeconomic assumptions and the underlying policies for 2023.	Fiscal Structural	Met	
Proposed New Structural Benchmark			
Secretary of energy will publish a) a medium-term energy sector strategy, with the technical support of the World Bank and for consultation with key stakeholders, focusing on improvements to: i) energy efficiency, ii) generation cost management, iii) distribution and transmission, iv) targeting of subsidies; and (v) the overall financial sustainability of the sector; and b) a detailed plan to improve the implementation of the subsidy segmentation scheme.	Fiscal Structural		end-December, 2022
Issue final energy price resolutions (PEST and PIST) to reach full cost recovery for electricity and gas residential consumers nationwide with the greatest payment capacity.	Fiscal Structural		end-January, 2023
Enhance the AFIP database by connecting with provincial cadasters and provincial property registers, and assigning a federal taxpayer identification number (CUIT/CUIL) to each property. In the first stage, this initiative will cover the AMBA region	Fiscal Structural		end-March, 2023
Publish first enhanced quarterly report for public corporations and trust funds including a breakdown of assets and liabilities, based on 2022 data and quarterly data through 2022Q4.	Fiscal Structural		end-March, 2023
Structural Benchmarks			
Avoid additional taxes on financial transactions.	Fiscal Structural		Continuous
Modify the current Budget Law to be in line with the 2022 primary fiscal deficit target agreed under the program.	Fiscal Structural	Met	April 15, 2022
Call a public hearing on a proposal to update wholesale energy tariffs effective June 1, 2022. For residential users, the updates will be anchored on the average wage growth (*coeficiente de variación salarial*) as established by Law 27.443. For GUDIs, energy tariffs will reflect full cost recovery; the rest of non-residential users will have their tariff revised according to the proposal defined in the hearing.	Structural	Met	end-April, 2022
Submit to congress amended AML/CFT Legislation (Law 25.246), in accordance with the international standard, and considering inputs from experts, academics, relevant civil society institutions, and Fund staff, for its consideration by congress in the course of 2022.	Financial Integrity	Met	end-May, 2022
Prepare a proposal with an action plan by the Secretary of Treasury, in consultation with Fund staff, to enhance financial and budget reporting of the entities of the national public sector other than the National Administration according to Law 25.917, Art 3.	Fiscal Structural	Met	end-June, 2022
Modify the SEPIPyPPP 1/2021 Resolution to enable an annual regulation that sets investment projects prioritization and selection criteria. Criteria will prioritize ongoing projects and, among major projects, those with pre-feasibility or feasibility studies. On this basis, a regulation will be adopted to determine prioritization and selection criteria for projects to be included in the 2023 Budget.	Fiscal Structural	Met	end-June, 2022

Table 2. Argentina: Prior Actions and Structural Benchmarks (concluded)

Structural Benchmarks	Sector	Status	Completion date
Publish a time-bound plan to streamline the reserve requirement system and improve the transmission of monetary policy.	Monetary/ FX Policy	Met	end-June, 2022
Publication of semi-annual investor relations presentation to advance the investors relation program.	Financing	Met	end-July, 2022
Develop, in consultation with Fund staff, a detailed and time-bound action plan focused on identifying compliance gaps and improving compliance risk management of key domestic taxes and customs duties.	Fiscal Structural	Not Met	end-Aug. 2022 Reset to end-Dec. 2022
Complete, in close coordination with provincial governments, the process of updating property valuations at the federal level so that they can begin to go into effect for fiscal year 2022.	Fiscal Structural	Not Met	end-Sep. 2022 Modified and Reset to end-Dec. 2022
Publish a National AML/CFT Strategy with recommendations to mitigate the risks, vulnerabilities, and threats identified in the national risk assessments.	Financial Integrity		end-September, 2022
Develop and publish a medium-term plan, with technical and financial support of international development partners, to further reduce energy subsidies, with specific cost recovery targets, and improve the efficiency of the energy matrix, while ensuring the quality of energy services and the affordability of access for more vulnerable households.	Structural	Not Met	end-Sep. 2022 Modified and Reset to end-Dec. 2022
Conduct and publish, working with development partners, a comprehensive evaluation of social support programs and strategy to identify options for policy improvements.	Fiscal Structural		end-Dec. 2022 Reset to end-Mar. 2023
Develop and publish a roadmap, in consultation with Fund staff, for the gradual easing of FX controls outlining the necessary conditions and objectives.	Monetary/ FX Policy		end-Dec. 2022 Reset to end-Jun. 2023
Develop and publish, in consultation with Fund staff, a strategy to durably improve the BCRA financial position, drawing on recommendations from the Fund's Safeguard Assessment.	Monetary/ FX Policy		end-December, 2022
Amend and submit to congress legislation—Foreign Exchange Criminal Law—to improve the penalty framework, including by introducing authorization of administrative fines, to make the sanctioning framework more efficient and enhance the timeliness of enforcement	Monetary /FX Policy		end-December, 2022
Prepare, in consultation with Fund staff, a medium-term debt management strategy (MTDS).	Financing		end-December, 2022
Publication of an external ex-post audit on COVID spending that took place of at least during 2020	Governance /Structural		end-June, 2023

Attachment II. Argentina: Technical Memorandum of Understanding Update

September 25, 2022

1. This Technical Memorandum of Understanding (TMU) sets out the understandings regarding the definitions of the performance criteria (PCs) and indicative targets (ITs), that will be applied under the Extended Arrangement under the Extended Fund Facility, as specified in the Memorandum of Economic and Financial Policies (MEFP) and its attached tables. It also describes the methods to be used in assessing the program's performance and the information requirements to ensure adequate monitoring of the targets.

2. For program purposes, all foreign currency-related assets, liabilities, and flows will be evaluated at "program exchange rates" as defined below, with the exception of items affecting government fiscal balances, which will be measured at current exchange rates. The program exchange rates are those that prevailed on March 2, 2022. Accordingly, the exchange rates for the purposes of the program are shown in Table 1. For the purpose of setting program PCs and ITs, inflation is based on a point estimate of 95 percent in 2022 and 60 percent in 2023 (end of period), within the revised program inflation range.

Table 1. Program Exchange Rates

Argentine Pesos to the US dollar 1/	107.93
Argentine Pesos to the SDR 1/	150.08
Argentine Pesos to the Euro 1/	119.83
Argentine Pesos to the Canadian dollar 1/	85.21
Argentine Pesos to the British pound 1/	144.22
Argentine Pesos to the Renminbi 1/	17.07
Gold price (US$/ounce) 2/	1,928.72

1/ Rate published by the BCRA as of March 2, 2022.
2/ Spot price published by Bloomberg as of March 2, 2022.

3. Any variable that is mentioned herein for the purpose of monitoring a PC or IT and that is not explicitly defined, is defined in accordance with the Fund's standard statistical methodology, such as the Government Finance Statistics Manual 2014 and the Public Sector Debt Statistics Guide. For any variable or definition that is omitted from the TMU but is relevant for program targets, the authorities of Argentina shall consult with the staff on the appropriate treatment to reach an understanding based on the Fund's standard statistical methodology.

acquisition of goods and services (*bienes y servicios*), nonprofessional services (*servicios no profesionales*), capital expenditures (*bienes de uso*), and transfers (*transferencias*).

10. Measurement: The arrears are measured on a daily basis. The program will cap the quarterly average of the daily stock of arrears for 2022, consistent with reducing the stock from 1.2 percent of GDP at end-2021 to 0.8 percent of GDP (654,045 million pesos) in Q4 2022. The quarterly average cap for the daily stock of arrears will remain unchanged at 0.8 percent of GDP during 2023 (1,177,375 million pesos).

11. Monitoring: Daily data on the stock of arrears (and underlying spending on an accrual and cash basis), recorded at daily frequency will be provided to the Fund with a lag of no more than 25 calendar days after the end of each month.

Federal Government Non-Accumulation of External Debt Payments Arrears

12. Definitions:

- **Debt**[4] will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take several forms; the primary ones being as follows:

  i. loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

  ii. suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

  iii. leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the program, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the

clarify that, starting from the end-June 2022 performance criterion, *transferencias figurativas* will be included in the definition of domestic arrears.

[4]As defined in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements, attached to Executive Board Decision No. 16919-(20/103), adopted October 28, 2020.

agreement excluding those payments that cover the operation, repair or maintenance of the property.

Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

- **External debt.** Only for the purposes of this program, and consistent with the definition set out in the IMF's Balance of Payments Manual, external debt is determined according to the residency criterion, (and, as such, would encompass nonresident holdings of Argentine law peso and foreign currency debt).

- **External arrears**: External debt payment arrears for program monitoring purposes are defined as external debt obligations (principal and interest) falling due after March 3, 2022, that have not been paid, considering the grace periods specified in contractual agreements.

13. **Coverage**: This performance criterion covers the federal government. This performance criterion does not cover (i) arrears on trade credits, (ii) arrears on debt subject to renegotiation or restructuring; and (iii) arrears resulting from the nonpayment of commercial claims that are the subject of any litigation initiated prior to March 3, 2022.

14. **Monitoring**: This PC will be monitored on a continuous basis.

Cumulative Floor on the Change in Net International Reserves of BCRA

15. **Definitions**:

- **Net international reserves (NIR)** of the BCRA are equal to the balance of payments concept of NIR defined as the U.S. dollar value of gross official reserves of the BCRA minus gross official liabilities. Non-U.S. dollar denominated foreign assets and liabilities will be converted into U.S. dollar at the program exchange rates.

- **Gross official reserves** are defined consistently with the Sixth Edition of the Balance of Payments Manual and International Investment Position Manual (BPM6) as readily available claims on nonresidents denominated in foreign convertible currencies. They include the (i) monetary claims, (ii) free gold, (iii) holdings of SDRs, including all Fund disbursements since March 25, 2022 (iv) the reserve position in the IMF, (v) holdings of fixed income instruments and (vi) net cash balances within the Latin American Trade Clearing System (ALADI). Excluded from reserve assets are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currency vis-à-vis domestic currency (such as futures, forwards, and options), precious metals other than gold, assets in nonconvertible currencies and illiquid assets.

- **Gross official liabilities** in foreign currencies include (i) foreign currency liabilities with original maturity of one year or less, (ii) Fund cumulative disbursements, except for the net financing component of the program (SDR 3.166 billion), net of cumulative Fund payments that have taken place from March 25, 2022 onwards, (iii) any deliverable forward foreign exchange (FX) liabilities on a net basis defined as the long position minus the short position payable in foreign currencies directly undertaken by the BCRA or by any other financial institutions on behalf of the BCRA. Neither the Federal government's foreign liabilities, nor its FX deposits at the BCRA are considered as gross foreign liabilities of the BCRA. The foreign currency swap with the People's Bank of China and with the BIS, the foreign exchange bank reserve requirements, SEDESA, ALADI and other non-resident deposits would be considered, for program purposes, as a foreign exchange liability of the BCRA with a maturity of one year or less.

16. Measurement: The change in net international reserves will be measured as the cumulative change in the stock of NIR at each test date relative to the stock on December 31, 2021.

17. Monitoring: Foreign exchange asset and liability data at the BCRA will be provided to the Fund at daily frequency within two days.

18. Adjustors:

- **Official non-project loans and grants**: The NIR targets will be adjusted upward (downward) by the surplus (shortfall) in program loan disbursements and grants from multilateral institutions (including the BCIE, IBRD, IDB and CAF) and bilateral partners, relative to the baseline projection reported in Table 3. The value of the downward adjustor, i.e., in the event of a shortfall of loans and grants, would be capped at a cumulative of US$750 million in each calendar year.[5] Program loan disbursements are defined as external loan disbursements (excluding project financing disbursements and IMF budget support) from official creditors for the financing of the general government.

Table 3. Program Loan Disbursements from Multilateral and Bilateral Sources
(Baseline Projection)

	(In millions of US$) 1/
end-March 2022	55
end-June 2022	62
end-September 2022	1,132
end-December 2022	1,967
end-March 2023	20
end-June 2023	20

1/ Cumulative from January 1 of each year.

[5] The cap for the adjustor for end-June and end-September 2022 was set in the TMU of IMF Country Report No. 22/192 at US$500 million.

- **Paris Club payments**: Starting with the end-December 2022 performance criterion, the NIR accumulation targets will be adjusted downward by the amount of any payments to the Paris Club creditors, relating to the outstanding debt that was reprofiled in 2014[6].

Cumulative Ceiling on the BCRA's Financing of the Federal Government

19. Definitions. Central bank (BCRA) financing to the government includes (i) overdraft transfers from the BCRA to the Federal Government (line *Adelantos Transitorios* in the summary account of the BCRA, as published on its website), (ii) distribution of profits (*Utilidades*), and (iii) the acquisition of government debt in the primary market or by direct purchases from public institutions.

20. Measurement: The program will cap such financing at 654,045 million pesos (0.8 percent of GDP in 2022) by end-December 2022, with cumulative flows from end-December 2021 in millions of pesos. The cap of cumulative flows by end-December 2023 will be set at 0.6 percent of GDP (883,031 million pesos), with zero net financing in 2024.

21. Clarification. Any decrease in the stock of *Adelantos* shall only reflect cash payments of this amount in pesos by the Treasury to the BCRA. Transfer of *Letras Intransferible*s to the BCRA will not reduce the stock of *Adelantos*.

22. Monitoring. Daily data will be provided to the Fund within two days. The flow of BCRA financing to the government will be measured at each test date as the cumulative value starting from the beginning of the calendar year.

Continuous Performance Criteria

23. Consistent with commitments in IMF arrangements, we will seek not to: (i) impose or intensify any exchange restrictions, (ii) introduce or modify Multiple Currency Practices (MCPs), (iii) conclude bilateral payment agreements that are inconsistent with Article VIII; and (iv) impose or intensify import restrictions for balance of payment reasons (continuous performance criteria).

QUANTITATIVE INDICATIVE TARGETS: DEFINITION OF VARIABLES

Cumulative Floor on Real Federal Government Revenues

24. Definition: Federal government revenues are defined as above (¶5).

25. Measurement: "Real" federal government revenues will be measured as nominal monthly revenues deflated by the corresponding monthly headline consumer price index published by INDEC (*nivel general del Índice de precios al consumidor (IPC)*). Real federal government revenues at each quarterly test date, will be measured on a cumulative basis starting from the beginning of the

[6] The adjustor for end-June and end-September 2022 was set in the TMU of IMF Country Report No. 22/192.

calendar year, and compared with the program baseline projection. This target will no longer be part of program conditionality after June 2022.

26. **Monitoring**: As with all fiscal data, federal government revenue data will be provided to the Fund with a lag of no more than 25 calendar days after the end of each month.

Cumulative Floor on Federal Government Spending on Social Assistance Programs

27. **Definition**: Social spending for the purpose of the program is computed as the cumulative sum of all federal government spending (both current and capital) on the following social assistance programs:

- *Asignación Universal para Protección Social, which includes the following sub-programs: Asignación Universal por Hijo, Asignación por Embarazo, and Ayuda Escolar Anual*
- *Tarjeta Alimentar*
- *Progresar*

28. **Monitoring**: Data will be provided to the Fund with a lag of no more than 25 calendar days after the end of each month.

Ceiling on the BCRA's Stock of Non-Deliverable Futures

29. **Definitions**: The stock of net non-deliverable futures will be defined as the net of the U.S. dollar notional value of all long and short position contracts entered by the BCRA involving the Argentinian peso, either directly or through any institution they use as their financial agent.

30. **Measurement**: The net stock of non-deliverable futures will be measured at each test date as the value of all short position contracts minus the value of all long position contracts and will be capped at US$9 billion by end-2022, and at US$9 billion by end-2023. On this basis, the stock of net non-deliverable futures stood at US$4.185 billion on December 31, 2021.

31. **Monitoring**: This indicative target will be monitored on a quarterly basis. Daily data will be provided to the Fund within two working days.

OTHER DEFINITIONS RELEVANT FOR PROGRAM CONDITIONALITY

Wage growth

32. **Definition.** Average wage growth, used to determine adjustments to energy bills for residential consumers (excluding those subject to the subsidy segmentation scheme), will be defined by the Salary Variation Coefficient (*Coeficiente de Variacion Salarial (CVS)*), as established by the vetoed Law 27.443. This coefficient index is published by INDEC and estimates the evolution of salaries paid, covering the registered private sector, the unregistered private sector and the public sector.

Energy prices and user categories

33. Definition. Energy prices are defined as the regulated pass-through prices paid by distributors for electricity and gas: the precio estacional (PEST) and the precio del gas natural en punto de ingreso al sistema de transporte (PIST), respectively. These prices can vary depending on user category:

- For electricity and natural gas, the universe of users will cover all users supplied at the regulated prices (PEST and PIST, respectively), separated into the following categories: (i) high-income residential users and those who did not apply for the subsidy *(Nivel 1)*; (ii) low-income residential users *(Nivel 2*); (iii) middle income residential users (*Nivel 3*); (iv) commercial users; (v) other non-residential users subsidized as low-income residential users (*Nivel 2*), and; (vi) large non-residential users (GUDIs) (applies in the case of electricity only).
- For program purposes, the energy price will be measured as weighted averages of the actual PESTs/PISTs charged to different categories of users, with the weights based on estimates of energy consumption.
- For program purposes, commercial electricity users comprise all non-residential users other than large industrials (GUDIs), public hospitals, educational entities, welfare entities, and social clubs.

34. Monitoring: For each category of user described above, data will be provided to the Fund on the estimated energy consumption in each category and the actual values of the PEST and the PIST.

OTHER INFORMATION REQUIREMENTS

35. In addition to providing any data and information staff request to monitor program implementation, the authorities will also provide the following data so as to ensure adequate monitoring of economic variables:

A. Daily

- Nominal exchange rates; total currency issued by the BCRA; deposits held by financial institutions at the BCRA; total liquidity assistance to banks through normal BCRA operations, including overdrafts; and interest rates on overnight deposits.
- Aggregated data on banks' foreign exchange positions, provided in the following categories: public national; public provincial; private domestic; private foreign; and small banks.
- Data on BCRA sales and purchases of securities settled in different currencies will be provided to the Fund with a weekly frequency, no more than two business days following the end of the considered week.
- Data on BCRA position of non-deliverable futures by maturity, to be provided within two working days.

B. Weekly

- BCRA balance sheet.
- Daily data on BCRA holdings of government securities by maturity.
- Daily data on BCRA-issued securities by type of security and interest rate.
- Daily data on sales and purchases of securities settled in different currencies, recorded and provided by the *Comision Nacional de Valores,* including trading by the BCRA. This information will be transmitted by the BCRA and will include a report of the daily estimation of total stocks and implicit exchange rate of the most representative securities transacted in the CCL and MEP modalities and operations.
- Daily data on Treasury deposits in SDRs at the BCRA.

C. Fortnightly

- Interest rates on domestic debt instruments including LELITE, LEDES, LECER, LEPAS, BONAR, BONTE, BONAD and BONCER (at different maturities).
- Daily data on external financing from each multilateral and bilateral creditor, broken down by budget support and project financing, and by largest bilateral projects.

D. Monthly

- Federal government operations including monthly cash flow from the beginning to the end of the current fiscal year (and backward revisions as necessary), with a lag of no more than 25 days after the closing of each month, according to both the format of the *Informe Mensual de Ingresos y Gastos* (IMIG) and to the format of the *Cuenta Ahorro Inversion Financiamiento* (AIF). Specific reporting will include details on:

  i. Revenues from sales of physical assets, and 12-month projections for future sales of such assets.

  ii. Income related to the issuance of government debt securities (*resto de rentas de la propiedad*).

- Data on the stock of domestic arrears by ministry or agency.
- Fiscal financing sources (below-the-line), including BCRA transfers, issuance of domestic public securities, financing from within the non-financial public sector, external financing, and other financing schemes. Data to be provided with a lag of no more than 25 days after the closing of each month. Detailed quarterly financing plan for the coming twelve months, including the aforementioned sources, to be provided one month in advance.
- External financing received and projections for the coming four quarters, with loans and grants categorized by program and project. Data to be provided with a lag of no more than 25 days after the closing of each month.
- On federal debt:

i. Domestic and external debt service (amortization and interest payments) of the federal government, with a lag of no more than 25 days after the closing of each month. Projected monthly federal government debt amortization/repayments and interest payments (local currency and FX bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans). This would include both direct and guaranteed debt. In the case of issuance of government guaranteed debt, the name of the guaranteed individual/institution shall be included.

ii. Information on the stock of external arrears will be reported on a continuous basis.

iii. Federal government debt stock by currency, as at end month, including by (i) creditor (official, commercial domestic, commercial external; (ii) instrument (local currency and FX denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans); and (iii) direct and guaranteed.

iv. The balances of the (federal) government at the central bank and in the commercial banking system needed to determine the cash position of the (federal) government.

- Required and excess reserves of the banking sector in local and foreign currency.

- Deposits in the banking system: current accounts, savings, and time deposits within six weeks after month end. Average monthly interest rates on loans and deposits within two weeks of month end; weighted average deposit and loan rates within six weeks after month end.

- Balance sheets of other financial corporations (non-deposit taking), including holdings of federal and provincial debt and of the BCRA instruments within one month after month end.

- Data on the total loans value of all new federal government-funded public private partnerships.

E. Semi-annual

- Federal government expenditures to the provinces and the Autonomous City of Buenos Aires related to the settlement of liabilities associated with pensions, revenue sharing and expenditure allocation, as well as payments of arrears as per ICSID or similar arbitration rulings.

- On provincial debt:

i. Quarterly data on the provincial government debt stock by currency, provided within six months of the closing of each semester (i.e., end-June and end-December), including by (i) creditor (official, commercial domestic, commercial external; (ii) instrument (local currency and FX denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans); and (iii) direct and guaranteed.

ii. Quarterly domestic and external debt service (amortization and interest payments) of the provincial governments, provided within six months of the closing of the previous semester (i.e., end-June and end-December).

iii. Quarterly projections for the following semester for provincial government debt amortization/repayments and interest payments, at least 30 days before the end of each semester (i.e., end-June and end-December). This would include local currency and FX bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans), and both direct and guaranteed debt. In the case of issuance of government guaranteed debt, the name of the guaranteed individual/institution shall be included.

Statement by Mr. Chodos and Mr. Lischinsky on Argentina
October 7, 2022

On behalf of the Argentinean authorities, we thank Mr. Cubeddu and the entire IMF mission team for the constructive and in-depth policy dialogue and engagement facilitating the process to reach a staff-level agreement and for the staff report on the Second Review of the Extended Fund Facility for Argentina.

We would like to highlight that a new economic team took office in early August, amid a global and local context of uncertainty. This team, headed by Sergio Massa -the head of one of the three components of the ruling coalition, and former Speaker of the House of Representatives-, brought about a greater sense of ownership, and enhanced implementation capabilities. This is due to, on the one hand, a greater concentration of areas, coupled with a more in-depth coordination with the Central Bank, and on the other hand, by a greater political unity of purpose regarding the key policies of the Program.

The new team is staunchly committed to its vision for the future, which can be captured in four basic pillars: fiscal sustainability, reserve accumulation, promotion of exports (in particular, value-added exports), and continued growth with social inclusion. Along that vein, we also envision, while fostering and preserving general growth, the furthering of key economic sectors such as: the knowledge economy, energy, mining, and agro-industry.

To be clear, our economic team is convinced that the Program policies are an anker in themselves, not merely performance criteria to be met. They are needed as a key element of Argentina's prosperity. So much so that, despite slippages, and an increasingly difficult global context, it redoubled efforts and faced challenges that allowed Argentina to stabilize the situation within the framework of the Program.

We want to emphasize that all through even September, all Performance Criteria will be met; the monetary was met already, as well as the reserve accumulation PC. As for the fiscal PC, available preliminary data show that it will be met too. We are, thus, in an auspicious path regarding the tasks going forward.

As we mentioned, notwithstanding an increasingly complex global backdrop, following a period of market turbulence, multi-decade high peaks in inflation, the war in Ukraine, high food and energy prices, and tighter global financial conditions, our authorities are taking bold steps to avoid disorderly adjustment and restore stability, ensuring program implementation and continue tackling Argentina's challenges. More importantly, despite all the mentioned difficulties and against all odds, the Argentine economy continues to recover, and the program is well on track. There are significant challenges ahead, but our authorities are confident they will be able to take the necessary steps to avoid disorderly adjustments, minimize turbulent market fluctuations and continue to rebuild a strong and resilient economy.

Corrective actions allowed our country to meet the relevant performance criteria, including the primary balance of the federal government, and the ceiling on the central bank financing of the fiscal deficit. Moreover, had there been no war, we estimate our stock of net international reserve to be around US$ 4.9 billion larger. All end-June indicative targets were also met, and our authorities made steady progress in meeting structural benchmarks, although revisions to the timeline will be required.

Going forward, our authorities have taken critical steps to restore fiscal order through improved budget management, including a combination of stricter expenditure controls, enhanced targeting of subsidies, and strengthened revenue compliance. Our authorities have reinforced the implementation of monetary policy, by limiting monetary financing of the fiscal deficit below program levels, while our authorities continue to mobilize domestic and external financing and increasing roll over rates. During September, our authorities built a resilient base of international reserves, through targeted actions aimed at improving the trade balance and catalyzing external support from private and official sources.

These initial actions have been complemented by a more consistent and forceful application of the monetary policy framework to ensure sufficiently positive real interest rates. The 2023 Budget presented to Congress on September 15, represents a key stone for macroeconomic stability, the recompositing of the purchasing power of income and the strengthening of the economy. Our authorities will continue to take the necessary actions to address underlying imbalances and secure more sustainable and inclusive growth.

Program Performance

The program remains well on track, despite the challenging international context. Our authorities remain committed to the program and are taking the necessary steps to meet the incoming targets. The primary fiscal deficit through end-June was ARS 800 billion (1 percent of GDP), roughly ARS 50 billion below the adjusted target, reflecting our efforts to control cash spending. As for the end September targets, while final numbers are not yet available, the greater challenges we face were met by a redoubling of efforts, making us more than comfortably optimistic regarding the meeting of such targets. As for the average quarterly stock of domestic arrears, it remained below target. The social spending indicative target was observed as spending exceeded the established floor on account of efforts to shield the lower-income households from higher inflation, and the real revenues indicative target was somewhat higher than programmed.

Central bank financing of the fiscal deficit was limited to ARS 435 billion (0.54 percent of GDP) through end-June, below the program target of ARS 476 billion (0.6 percent of GDP), thanks to our authorities' efforts to frontload peso debt issuance in the domestic market. International Reserve accumulation fell US$296 million short of the adjusted program target for end June (reflecting the weaker-than-expected trade balance and delays in budget support from multilateral partners), but it has rebounded remarkably during September; so much so that the target was met. As mentioned above, estimations from the BCRA suggests that, due to the Ukraine war alone, our stock of net international reserves is around US$ 4.9 billion lower than would otherwise have been the case. These deviations on the reserve front grew during June-July, although successful efforts were made to boost net international reserves and mobilize additional official support. The stock of central bank non-deliverable futures narrowed through end-June 2022, remaining well below the program's ceiling.

All three end-June structural benchmarks were met, including the preparation of an action plan to enhance financial and budget reporting of national public sector entities, the modification of resolutions to set prioritization and selection criteria for investment projects ahead of the 2023 Budget, and the publication of a plan to streamline the reserve requirements system. Given the additional time needed to incorporate IMF technical assistance, the preparation of a plan to strengthen revenue compliance is now expected by end-year.

The Macroeconomic Framework

The Argentine economy continues to recover, and it grew at an annual rate of 6.5 percent during the first semester of 2022, driven by private consumption and investment. The level of real GDP is already 10.3 percent above pre-pandemic levels, and capacity utilization levels stand at multi-year highs, while unemployment fell to its lowest level since 2015, with over 350,000 formal private sector jobs added since end-2020 (seasonally adjusted).

The global and local scenario is far from rosy. Tightening global financial conditions and domestic uncertainties in June/July led to a sharp rise of domestic government bond markets yield, an increase in the gap between the official and parallel exchange rates, and reduced international reserves. Since early August, decisive actions by the new economic team have helped to quickly restore credibility and stability, without significant impacts in activity, employment levels, nor implicating a disorderly exchange rate adjustment. Bond yields are now down, the exchange rate gap has fallen near pre-market pressure levels, and central bank intervention in the secondary government bond market and non-deliverable forward market has started to unwind.

Furthermore, an increase of almost US$5 billion in international reserves in September was the consequence of the successful temporary incentive schemes to increase soy

liquidation. Significant challenges remain, mainly associated with the recent price dynamics. Inflation pressures are beginning to moderate although they remain strong. After peaking at 7.4 percent m/m in July, headline inflation fell to 7.0 percent m/m in August as uncertainties weighing on the price formation process began to fade.

Going forward, the key ingredients behind our authorities long-run growth, inflation, and trade balance projections are the growth resilience policies and an adequate level of public capital spending. These policies are instrumental to raise the productivity of the private sector and expand the export base, helping to enlarge our net international reserve position while improving the standard of living of the population and tackling inflationary pressures.

Considering the abovementioned developments, our authorities have updated the baseline macroeconomic framework for 2022 in the following way: growth in 2022 is projected to remain unchanged (relative to program approval) at around 4 percent, and gradually moderate to 2 percent next year (consistent with Argentina's medium-term growth potential, but still a significant improvement when compared to past performance) on account of weaker global outlook and the ongoing policy tightening.

Inflation is now projected to rise to 95 percent by end-2022, reflecting the spike in global food and energy prices and impact of the recent market turbulence. Inflation is projected to fall gradually during the remainder of the year and into next year, from around 5 percent by end-2022 to 3.5 by end-2023, due to a combination of tighter fiscal policies, sufficiently positive real monetary policy rates, reduced monetary financing, improved wage-price coordination, and lower global commodity prices.

The trade surplus is projected to fall to 1.2 percent of GDP (from 3.1 percent of GDP in 2021), reflecting mainly stronger-than-expected import volume growth and less favorable terms of trade (due to higher import prices, including liquefied natural gas and fertilizers). Our end-2022 reserve accumulation target was revised down slightly (US$0.8 billion), although our authorities expect this shortfall to be compensated during 2023 on the back of tighter macroeconomic policies, efforts to increase domestic energy production, and other targeted measures (consistent with a projected rise in the trade surplus to 2.3 percent of GDP in 2023).

Fiscal Policy

Our authorities remain committed to the fiscal path envisaged in the program, and are taking important steps to improve fiscal management, redoubling efforts to meet the 2022 primary deficit target of 2.5 percent of GDP. Efforts are underway to implement the required policy package to compensate for higher energy subsidies and social assistance spending (both needed to counterbalance the effects of the war in Ukraine), while aiming to maintain public capital spending as much as possible. Securing adequate levels of public capital spending, as well as an efficient execution, is of the utmost importance to ensure that growth proceeds at sufficiently fast pace, which is critical for program success. Moreover, in the medium and long run it is clear that there is direct link between infrastructure and capital spending -that help to structurally boost exports-, and the ability of Argentina to accumulate reserves. Our approach is bearing fruit, with real spending having been contracting through September, alongside a significant reduction in domestic arrears.

Our authorities recently advanced payments of income taxes from companies with extraordinary profits related to the global commodity price shock, introduced a temporary export incentive for the soy sector, with positive revenue spillovers, tightened controls to limit monthly accrual spending to cash resources available and prioritize/reallocate expenditures within existing budgetary spending ceilings, by over 0.5 percent of GDP during the year. In addition, our authorities are taking steps to improve the targeting of energy subsidies by expanding the tariff segmentation scheme, capping utility subsidies for middle income consumers for level of consumption above certain thresholds and reducing subsidies for commercial users, raise tariffs on water utilities and public transport and contain the wage bill, by extending the public sector hiring freeze to include public companies and state-owned enterprises.

To cement the budget path, our authorities recently submitted a bill of the 2023 Budget to Congress, consistent with the 1.9 percent of GDP program deficit target. This bill includes a description and the details of the underlying policies needed to deliver the 1.9 percent of GDP primary deficit target for the non-financial public sector on a cash basis. Achievement of the proposed adjustment is largely underpinned by strengthened revenue mobilization efforts, improved targeting in subsidies (0.5 percent of GDP), including on energy, transport and water, the streamlining of social assistance (0.7 percent of GDP) and tighter expenditure controls in key areas. In turn, the wage bill is projected to remain unchanged as a share of GDP, while pension spending will continue to follow the indexation formula.

Congress approved the Fiscal Consensus agreed with 21 provincial governments in mid-September 2022. The Fiscal Consensus proposes a strategic agenda for reviewing the definition of escape clauses, an appraisal of the role of Federal Fiscal Responsibility Council, and a limit on foreign-currency denominated borrowing by provincial governments. In addition, our authorities are working to increase the speed of provincial government fiscal reporting, to ensure timely quarterly and end-year general government reports.

Building on recommendations of the IMF's Public Investment Management Assessment (PIMA), our authorities are advancing on the development of an action plan to enhance financial and budget reporting of the entities of the national public sector other than the

National Administration and to strengthen the monitoring and governance of investment projects. The government recently modified a resolution to improve the prioritization and selection criteria for the public investment projects to be included in the 2023 Budget and recommendations from the recently updated fiscal safeguards review have also been assessed.

Our authorities are intensifying efforts to improve property tax collection and to strengthen the tax and customs administration, drawing on the ongoing IMF Technical Assistance. The plan will be underpinned by institutional policies and guidelines for risk segmentation of taxpayers and foreign trade operators along with a comprehensive compliance gap analysis for key taxes. The new plan includes a new compliance risk management committee and a new risk management unit to be established by end-2022. Our authorities will also thoroughly review tax incentives to both, streamline fiscal performance and ensure that such incentives are aligned with key policies objectives.

Our authorities would also like to emphasize and underscore the importance of tax information exchanges and international cooperation for combating tax evasion and improving fiscal performance; not just in our case, but even more broadly for EMDCs.

Financing Strategy

Our authorities are also implementing an enhanced domestic peso market financing strategy buttress on strengthened commitments to meet the fiscal goals. The development of the domestic capital money and capital markets is a vital component of the macroeconomic framework. In fact, due to a more proactive debt management policy to alleviate pressures and secure additional net peso financing, the financing strategy remains on track. Voluntary debt exchanges successfully pushed around 2.3 percent of GDP of obligations falling due in August-October 2022, into the third quarter of 2023. In the most recent auctions, our authorities have secured rollover rates near 200 percent by offering sufficiently attractive interest rates (above the effective BCRA policy rate), while considering to increase the frequency of short-term issuances. In 2023, our goal is to continue extending maturities to reduce rollover risks, using inflation- and foreign exchange-linked instruments, while relying on fixed-rate instruments playing a role, as conditions allow. In addition, our authorities will seek to accumulate buffers through issuances of LEDES (Treasury short term instruments) and normalize the yield curve through operations in the secondary treasury market. The combination of these efforts will allow us to reduce monetary financing of the fiscal deficit to 0.8 percent in 2022 (below the current program target) and 0.6 percent of GDP in 2023.

Our authorities have finalized an annual borrowing plan, which will be implemented in the fourth quarter of 2022 and thereafter on an ongoing basis. The required work to complete a medium-term debt strategy (MTDS) remains on track and will be completed by end-2022, with Fund technical support. A *Committee for the Development of the Capital Markets* will be established soon, to bring together public and private actors to study and discuss initiatives to strengthen the local debt market, including proposals to widen the investor universe.

Our authorities have intensified the efforts to secure official (non-IMF) external financing. Total external disbursements in the first half of 2022 reached almost US$800 million, around US$900 million below projections established during the first review. Our government efforts in this area start to bear fruit, and official net financing is expected to pick up and reach US$ 770 million by end-September, and US$ 2,300 million by end-2022, largely reflecting a catch-up in programed budget support. The bulk of net official financing comes from multilateral development banks (US$ 2,200 million) and the remainder from bilateral creditors. Our authorities have resumed the negotiations with the Paris Club and our goal is to reach an agreement in the coming months, based on a repayment schedule that is consistent with our repayment capacity and debt sustainability.

Monetary, Exchange Rate Policies, and Anti-Inflationary Policies

Higher global energy and food prices along with domestic uncertainties have exacerbated the challenge of addressing inflation. Our authorities continue to implement monetary and exchange rate policies to secure sufficiently positive real monetary policy interest rates, which along with efforts to reduce the fiscal deficit, limit monetary financing, and improve wage-price coordination, will gradually reduce inflation. Our authorities stand ready to adapt policies based on the evolution of core inflation, forward-looking measures of inflation, and international reserves dynamics, ensuring that real policy rates stay firmly in positive territory, to guard against further inflationary shocks and keep the quasi-fiscal deficit in check.

Our authorities have raised the nominal annual policy rate by about 2300 basis points terms since end-July, bringing the monthly equivalent policy rate to 6.2 percent. Our authorities have narrowed the interest rate corridor, together with a proactive pricing policy by the Treasury on its recent issuances, helping to align interest rates of peso-denominated assets, improving the monetary policy transmission, and reducing the exchange rate gap.

The rate of crawl of the exchange rate has been adjusted, and it will remain consistent with the evolution of inflation and trading partner currency developments. This is essential to maintain competitiveness and Argentina’s current account surplus, which will be critical to boost reserve accumulation and meet the program targets. Recently introduced temporary export incentive schemes are encouraging exports of stockpiled soy and consideration is being given to measures to contain the widening services deficit and transfer pricing abuse.

Measures that improve the transmission of monetary policy rates to deposit rates are continuing to be implemented, including further raising commercial banks’ deposits floor rates and lending ceiling rates. Since the first review, the BCRA has also developed and published a plan to simplify the reserve requirements regime. The adopted regulations streamline incentives for lending to small and medium-sized enterprises and to consumers, while gradually phasing out a number of special rebates on reserve requirements, with due consideration for the capital and liquidity positions of commercial banks, and an overarching goal of minimizing the impact on the overall liquidity position of the banking system.

The banking system remains liquid and well capitalized, supported by strong oversight. Efforts are underway to support and sustain the development of the secondary market for government securities. To this end, government securities recently purchased by the BCRA in the secondary market, will be used to smooth yield curve volatility. Our authorities will consider a gradual tapering of these holdings, as conditions allow.

In the face of heightened market pressures and reserve losses, capital flow measures have been tightened, including through a broadening of import financing requirements, and additional charges on overseas credit card payments, to avoid a disorderly adjustment that would have jeopardized the program. A recently established working group to analyze CFM restrictions is advancing the preparation of a roadmap. This is expected to be completed by end-June 2023 to enable input from recently requested IMF technical assistance. As conditions permit, and reserve coverage strengthens, steps will be taken to advance gradually to ease these restrictions.

In line with the recommendations of the recently completed IMF Safeguards Assessment, our authorities are working in evaluate the underlying health of the central bank's balance sheet and discussing the options to strengthen it, based on internationally recognized accounting standards, and supported by IMF technical assistance.

Growth and Resilience Policies

Promoting strategic sectors remains key to program success. Growth and resilience policies are essential to diversify and boost net exports and to solidify the macroeconomic framework. Our authorities are giving special emphasis to policies aimed at improving the efficiency, fairness, and sustainability of the energy sector, as well as building a stronger and more diverse export base.

A critical ingredient in our strategy to spur growth is to foster public capital spending in infrastructure, and the private sector should be a partner. Discussions with relevant stakeholders, including international investors to secure financing, have intensified to increase investment in the hydrocarbon, mining, agro-industry, automotive, hydrogen and biotechnology industries. Our authorities are enhancing the regulatory frameworks in these key sectors, with the aim of boosting the country's productive and export capacity. Reform efforts in the agricultural and energy sectors are expected to reduce energy-related imports, including by tapping into Argentina's vast gas and fertilizer production potential. Initiatives will help ease international supply constraints and support global energy and food security, taking into consideration domestic market conditions.

Improving the efficiency of the energy sector is a cornerstone of our strategy to build a resilient economy and contribute to the international supply of traditional and cleaner sources of energy. A top policy priority has been mitigating the impact of the recent increase in global energy prices on the energy subsidy bill, while also ensuring distributional fairness and equity. A key part of our strategy is eliminating subsidies for residential users with the greatest payment capacity. Building on efforts to reduce costly energy imports, our authorities are implementing supply-side measures to increase domestic production and unlock Argentina's energy export potential. Our arrangements with Bolivia and Brazil will help secure energy supplies during winter and reduce reliance on costly imports of liquefied natural gas.

Our authorities are also advancing with the construction of the Nestor Kirchner gas pipeline, the first and second phases of which are expected to be completed by end-June and end-December 2023, respectively. The pipeline will support an increase in the daily supply of domestically produced gas of 11 million cubic meters (m^3), starting in July 2023. To encourage an increase in gas supply for the domestic market and incentivize exports, our authorities will also launch a new Plan Gas, which will extend current production volumes to 2028. Moreover, our authorities have been working on strengthening bilateral agreements with Chile to expand foreign markets. Finally, to underpin the increase in domestic productionthe objective is to improve the financial position of the sector, including by updating tariff agreements with electricity distributors for the metropolitan region of Buenos Aires next year, and reducing arrears to/from the state-owned electricity dispatch operator.

A decree was issued in June establishing a new residential subsidy segmentation scheme that will eliminate electricity and gas subsidies for residential consumers nationwide with the greatest payment capacity. Implementation of the scheme is supported by a new voluntary database (RASE) of energy consumers who request to keep the energy subsidy and are classified according to socio-economic characteristics.

For 2023, the overall increase in the subsidized reference prices will be capped at 40 percent and 80 percent of growth in the wage index for low- and middle-income consumers, respectively. Middle-income residential consumers will be subject to an additional consumption cap and will pay full cost for electricity use above 400KWh/month (with higher thresholds for some regions without access to natural gas) and gas use above 70 percent of the previous 5-year average for each category of users in the relevant region.

The development of the government's strategy to improve the efficiency and financial sustainability of the energy sector in the medium term is also advancing. The development of this strategy is supported by the World Bank's technical assistance. The strategy has a special emphasis on the electricity sector and includes actions to improve energy efficiency for the sector as a whole, support electricity generation cost management, strengthen the electricity distribution and transmission segment, strengthen the recent electricity and gas segmentation scheme, and improve the overall financial sustainability of the sector. Our authorities still expect to publish a draft strategy for consultation with key stakeholders, by the end of the year, along with a plan to improve further the implementation of the segmentation scheme.

Governance and Transparency

Our authorities have made additional progress in strengthening our AML/CFT regime. Our authorities recognize the need to improve governance and transparency, in order to tackle tax avoidance and external assets formation. In consultation with IMF staff, our authorities have prepared a gap analysis of the entire AML/CFT regime compared to Financial Action Task Force 40 Recommendations, the findings of which will be incorporated as necessary into the amended AML/CFT legislation during the congressional review process.

In addition, our authorities have finalized and adopted the national risk assessment of money laundering, which has been consolidated with an updated terrorist financing assessment. Lastly, our authorities remain on track to publish the National AML/CFT Strategy, including recommendations to mitigate the risks, vulnerabilities, and threats identified in the national risk assessments.

Conclusion

Our authorities reaffirm their strengthened commitment to the policies and objectives of the economic program supported by the IMF arrangement under the Extended Fund Facility (EFF), and to meeting the program's targets for the remainder of 2022 and next year, which will remain generally unchanged. The updated macroeconomic framework takes into account the more difficult global situation, recent domestic developments, and the conviction that growth and resilient policies and public capital spending, to develop infrastructure to pave the way to private investment in the real economy, are as essential as the implementation of the agreed policy actions program targets and structural benchmarks that have been adjusted to reflect the new macroeconomic framework and policy priorities. Hence, we encourage the Executive Directors to support the second review under the extended arrangement under the Extended Fund Facility, the requests for waivers of applicability and nonobservance of performance criteria, the modification of performance criteria, and the financing assurances review.