Argentina's State of Affairs: Institutional Decline and IMF Negotiations

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Context

The Argentine government is, at the time of preparing this briefing, negotiating a new financial agreement under the International Monetary Fund's (IMF) Extended Fund Facility, the third one in seven years.

The current administration carried out an intense fiscal adjustment and reduced monetary financing. Nevertheless, it still maintains a weak position in terms of reserves, with an imminent risk of a currency run and persistently high inflation (which therefore risks further increases)[1]. Despite the very high social cost of these policies, the country still faces an uncertain situation, at the brink of an economic crisis.

Negotiations between the current Argentine government and the IMF are taking place in a context of institutional weakening under the administration of Javier Milei, repeated violations of Argentine law related to debt and economic policy, and extremely negative recent experiences with IMF agreements. This situation could worsen if the country accesses resources under the IMF's exceptional access policy, particularly concerning Condition 4, which assesses government's political and institutional capacity to implement the agreement.

The briefing prepared by ETFE, FARN, and Recourse in October 2024 contains further information on the severe negative impacts of the fiscal adjustment on human rights and the acceleration of extractivism, both violating Argentina's international obligations. There has not only been a withdrawal of public investment in key areas—such as education, health, environmental protection, disaster response, and basic infrastructure—but also the elimination of regulations associated with these standards.

Institutional Weakening and the Repetition of an Illegal IMF Agreement Discussion

Argentina is undergoing a profound regression in the rule of law, as a result of institutional weakening and restrictions on human rights, casting doubt on the political and institutional capacities of Javier Milei's government to lead a new agreement with the IMF.

The current national government budgets for 2024 and 2025 are based on the extension of the 2023 budget — in both cases without obtaining Congressional approval. This has allowed the

[1] While the Argentine government managed to reduce inflation from the record levels seen at the beginning of 2024, it still remains high—similar to the levels prevailing at the beginning of 2023—mainly sustained by exchange rate controls. In the event of a peso devaluation, the inflation control would face a significant risk of a rebound.

administration extraordinary discretion in the use of resources, undermining transparency and control over their allocation and use.

Eight months into his presidency, extraordinary powers in administrative, economic, financial, and energy matters were granted, implying a transfer of functions from the Legislative to the Executive Branch, representing a setback in deliberation, participation, accountability, and thus democratic functioning. Additionally, the President appointed two members of the Supreme Court of Justice by presidential decree, undermining Congress's authority and clearly violating the separation of powers, affecting the Court's independence and neutrality.

In a context of high social unrest, resulting from harsh fiscal adjustment policies, the government responded with confrontational rhetoric and harassment of public figures. It also increased repression during growing protests (including arbitrary detentions and serious injuries), violating fundamental rights such as freedom of opinion and expression, the right to protest, the right to petition authorities, and access to justice[2].

Currently, the government is negotiating a new stand-by agreement with the IMF, in violation of Law 27.612 on Strengthening the Sustainability of Public Debt, diminishing Congress's role. The Executive Branch is systematically bypassing Congress in its credit policy discussions, violating powers and responsibilities established in the National Constitution (Article 75) and the Financial Administration Law 24.156 (Article 37 and Title III). Law 27.612 establishes that any financing program or public credit operation with the IMF, or any expansion of these programs or operations, must be expressly approved by Congress. The National Constitution also stipulates that the arrangement of external debt is Congress's responsibility[3].

However, according to Decree 179/2025, the Executive decided to proceed in full violation of the law, bypassing Congress during the initial approval of an agreement whose terms, amounts, and repayment schedules are unknown. The current Minister of Economy, Luis Caputo, justified this illegal approach by arguing in March 2025 that "there is a Kirchnerist majority in the Senate that wants the country to fail, and it could take too long," thus attempting to ignore parliamentarians elected through free and democratic elections.

Thus, Minister Caputo is once again leading IMF negotiations through illegal practices. Regarding the 2018 loan assumed by Argentina (when Caputo was also Minister of Economy), the National

[2]In this regard, the United Nations High Commissioner for Human Rights has expressed concern about measures proposed and adopted by the Argentine Government that could undermine the protection of human rights; at the same time, the Inter-American Commission on Human Rights (IACHR) and its Special Rapporteurship for Freedom of Expression (RELE) expressed concern about the disproportionate use of public force against individuals participating in peaceful protests and against journalists.

[3]During the last negotiations with the IMF in 2022, Congress not only approved the agreement by a majority in both chambers but also ensured public access to the memorandum of economic policies accompanying the agreement, including the conditionalities and the repayment scheme.

Audit Office published a report finding "regulatory breaches, lack of intervention from critical areas, absence of timely and effective technical evaluations, and poor-quality advice affecting risk management and accountability." The report concluded that "the decision-making was discretionary, lacking necessary information about costs and risks, impacting debt management effectiveness and efficiency, as well as debt sustainability and solvency."

As in 2018, the Attorney General's Office could not assess whether sufficient fiscal resources existed for repayment, nor could the Central Bank predict reserve availability (Bohoslavsky, Schorr, and Cantamutto, 2025).

Despite this, the IMF's Director of Communications, when asked about the matter, stated that the institution considers this a "domestic issue" and therefore does not affect negotiations, despite the IMF's supposed insistence that agreed-upon plans must have social acceptability. If negotiations proceed this way, the IMF would be validating an agreement that evades basic public decision-making processes, rendering it legally invalid. A group of National Senators expressed this in a letter to Kristalina Georgieva, noting that the agreement "does not respect current legality" and that their political bloc "will not recognize this agreement or this debt, due to violations of the National Constitution and existing laws."

The IMF must also bear in mind that a breach of internal law in approving an international loan can lead to its invalidation. The Vienna Convention on the Law of Treaties (Article 46) states that "a State may not invoke a violation of its internal law regarding competence to conclude treaties as invalidating its consent unless the violation was manifest and concerned a rule of fundamental importance." Requiring Congressional approval for foreign debt is a "rule of fundamental importance" in Argentina's internal law.

A New Agreement with the IMF

Argentina, like many countries, faces the consequences of irresponsible external debt. The IMF loan granted to the Argentine government in 2018 — reportedly designed to benefit President Macri's administration according to former IMF board member Claver-Carone — was the largest in IMF history and continues to have major social and economic consequences today.

A new agreement signed in 2022 primarily aimed to postpone the massive 2018 debt's principal and interest payments but failed once again.

The two ex-post evaluations of the 2018 and 2022 agreements, published in 2021 and 2025 respectively, provide interesting conclusions. They highlight the underestimation of the fiscal adjustment's negative impact on growth and the capital flight's harmful effects recognized in both reports. They also acknowledge that the IMF's balance sheet could have tolerated delays in the massive payments. This should be sufficient evidence to reconsider the approach toward Argentina.

By the end of 2024, Argentina's GDP in millions of pesos at 2004 prices was similar to that of 2011 (INDEC, 2025). The economic policy led by Javier Milei's government—fiscal adjustment, exchange rate lag, greater indebtedness, trade deregulation, and the expected removal of capital controls—is a recipe that previously failed to create the conditions necessary for debt repayment.

Repayments between 2027 and 2032, including to bondholders, the IMF, and other international organizations, will exceed 20 billion dollars (CEPA, 2025). This represents more than 25% of Argentina's 2024 exports (INDEC, 2025).

The Central Bank has extremely low international reserves, and its strategy to increase them is based on boosting exports through the Large Investment Incentives Regime (RIGI). However, similar efforts in the 1990s led to serious economic, social, and environmental harm, and negative macroeconomic impacts due to judicial and arbitration claims against Argentina totaling around 27 billion dollars (La Nación, 2025)[4]. Despite extensive regulatory privileges granted to new investments, there has been no significant interest in investing in the country. In fact, 2024 saw the lowest foreign direct investment in 20 years, according to the Central Bank.

Recommendations

In a context where the national government is again negotiating an IMF agreement without clear evidence of compliance with the four conditions for exceptional access policies (particularly regarding debt sustainability and political and institutional capacity to implement the agreed program), we recommend that the IMF Staff and Board:

- **Adopt internal policies** to ensure compliance with national regulations when negotiating agreements with countries, and encourage governments to conduct transparent discussions with stakeholders (including civil society);
- **Conduct a debt sustainability analysis** ensuring that the agreed economic plan enables Argentina to fulfill its international human rights and climate obligations, along with an analysis of the distributive impacts of the policies (including indicators for monitoring);
- **Review IMF policies toward civil society**, especially in contexts where basic constitutional and legal decision-making processes are illegally bypassed.

Signatories:

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Fundación Ambiente y Recursos Naturales (FARN)

Recourse

[4] The figure results from adding together the lawsuits handled by the Treasury Attorney General's Office (PTN) and the Legal Department of the Ministry of Economy, along with the YPF trial. More information at this link.