IMF and Argentina: new agreement, same problems

Financial and political assistance to a country in crisis

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Key messages:

- → In April 2025, Argentina signed a new Extended Fund Facility (EFF) with the International Monetary Fund (IMF) for **US$20 billion (479% of its quota)**, with an immediate disbursement of **US$12 billion**, something unprecedented in this type of agreement

- → The recession in Argentina deepened this year: construction fell by **15%**, industry by **11%**, total investment in the economy by **6%**, and **130,000 jobs** were lost. Meanwhile, private consumption grew by just **1%** between 2023 and 2025.

- → The strategy for economic stabilization was based on a delayed exchange rate and fiscal adjustment, which generated a tourism deficit of **US$12.302 billion** and eroded the trade surplus (**US$21.494 billion**) against interest payments of **US$18.118 billion**.

- → The national budget was reduced by **26.5%** in real terms between 2023 and 2025, with declines of **40% in education, 47% in housing, 78% in gender, and 83% in the environment**, affecting the fulfillment of economic, social, and environmental rights.

- → Extractive projects promoted under the Incentive Regime for Large Investments (RIGI)—such as Vaca Muerta Oil Sur and Liquefied Natural Gas (LNG) in the San Matías Gulf—deepen **dependence on fossil fuels and contradict Argentina's commitments under the Paris Agreement.** At the same time, funding for energy transition and climate mitigation is being cut.

- → The agreement with the IMF fails to comply with the conditions of the **Exceptional Access Policy (EAP)**, as it does not guarantee debt sustainability or the accumulation of reserves and allowed capital outflows of **US$14.719 billion**, which exacerbated the country's financial and political vulnerability.

- → Despite favorable trade conditions, anti-money laundering measures, and IMF assistance, the Argentine government's economic program once again entered a phase of financial and exchange rate instability starting in July 2025, and it turned to the U.S. Treasury for assistance in September.

Introduction

In April 2025, Argentina signed a new 48-month extended agreement with the International Monetary Fund (IMF) under the Extended Fund Facility (EFF), for a total of US$20 billion (equivalent to 479% of Argentina's quota). Exceptional access has become a structural feature of the country's relationship with the organization: since 2018, Argentina has been the largest user of IMF resources. Already in 2018, under the Stand-By Arrangement (SBA), and in 2022, with a 30-month EFF, the country had received extraordinary financing that far exceeded the "normal" limits of access and that has since been critically evaluated both by the IMF in 2021 and by national audits.

Despite the approval of the third consecutive agreement between the IMF and Argentina, the country's economic situation continues to deteriorate. The new 2025 EFF included an immediate disbursement of $12 billion (60% of the total), unprecedented in the history of such programs, which usually require a country to demonstrate consistent progress over time and receive finance in several tranches. The first review was conducted in June 2025, with an additional disbursement of approximately $2 billion. This disbursement was made despite Argentina's failure to meet its reserve target.

The agreed economic reform program ignores sustainable development goals, despite the fact that the IMF itself recognized in 2021 the impact of "non-economic" factors (such as inequality and climate change) on its macroeconomic stability mandate. The growing social and political unrest associated with the policies currently in place is jeopardizing the very sustainability of the program. Among other reasons, this is because the adjustment strategy designed around the so-called "fiscal anchor" is not only proving insufficient to stabilize the economy, but is also exacerbating the recession, eroding state capacities, and deepening the vulnerability of broad sectors of society.

In this report, we propose to analyze three central dimensions of this crisis:

- The profound productive crisis the country is undergoing.
- The structural limits and contradictions posed by the use of the "fiscal anchor" as the cornerstone of the agreement, which restricts economic, social, cultural, and environmental rights (ESCER) and hinders compliance with the country's international obligations, such as the Paris Agreement.
- The legal irregularities surrounding the agreement include non-compliance with the IMF's own exceptional access policy conditions and a lack of transparency in its negotiation and approval.

With the signing of the agreement in April 2025, the government committed to strengthening its action on the unfulfilled aspects of previous agreements, namely: progress on structural reforms, liberalization of the foreign exchange market, and accumulation of reserves. In this regard, following the agreement, a significant reduction in exchange controls was announced, especially for individuals (companies were still unable to remit profits from previous periods abroad). A floating band system was also implemented, establishing values—which were updated monthly—as a floor and ceiling: between these values, the currency could float freely, with the Central Bank intervening only once these thresholds were exceeded. With the backing of the IMF's initial disbursement, the government had the opportunity to demonstrate predictability regarding the exchange rate. In exchange, it had to acquire reserves, taking advantage of the months when the harvest was being sold.

However, the government did not acquire reserves. Starting in June, harvest sales began to decline and currency purchases for hoarding purposes increased. Although this dynamic raised doubts about the government's ability to repay its public debt and its failure to meet its reserve accumulation target, the IMF approved a second disbursement in August 2025, without managing to break expectations. This uncertainty about the economic program in general prevented a reduction in country risk to levels that would allow access to the international credit market. With growing financial and exchange rate tensions, accelerated after the ruling party's defeat in the legislative elections in the province of Buenos Aires, the government resorted to a new bailout, this time from the US Treasury. Although the outcome of these negotiations is not yet known, this clearly shows the unsustainable nature of the Argentine government's program, which requires periodic bailouts to function.

In addressing these issues, it becomes clear how the current agreement reproduces the historical problems of dependence, indebtedness, and adjustment that have characterized Argentina's relationship with the IMF, while postponing the possibility of a sustainable development strategy.

The country's productive crisis

The government of President Javier Milei, with the IMF's consent in the review of the 2022 agreement and with the signing of the new 2025 agreement, implemented a series of regressive fiscal measures that had negative effects on production. Among the first impacts, it is worth noting the cut in public works, which even paralyzed projects already underway. This led to a contraction in the construction sector, which by the second quarter of 2025 had fallen by 15% compared to the same period in 2023. Job losses in this sector were compounded by the decline in manufacturing, which was hit by the slowdown in activity and the opening up of the economy to trade (with an 11% drop in the period in question). According to a report by the Confederation of Trade Unions of the Argentine Republic, some 130,000 jobs were lost in construction, manufacturing, and mining. The economy as a whole went through a recession in 2024 and a recovery in the first months of 2025, a situation that entered a new phase of stagnation in the second quarter of the year. This shows the weak foundations of the recovery.

The national government is pinning its hopes for recovery on private investment and exports. Although exports recovered, showing a 22% increase in cumulative value as of August 2025 compared to the same period in 2023, they have not driven a widespread recovery. Only the agricultural sector shows strongly positive figures in terms of activity, but this is in comparison to a year of record drought in 60 years, as was the case in 2023. Another sector with export recovery, which went on to show a surplus, is energy, thanks to the commissioning of the Perito Moreno (formerly Néstor Kirchner) gas pipeline. However, due to a restructuring process at the country's main hydrocarbon producer, YPF, there was a significant loss of jobs. Exports are the demand factor that has seen a positive change compared to 2023 (23% in the second quarter of 2025).

With public works at a standstill, various investment projects are facing difficulties in moving forward due to basic connectivity problems, as was the case with a reactor in Mendoza. In general, there are difficulties in meeting basic needs, with the solution resting on possible actions by the provinces, as can be seen in Buenos Aires. Aggregate investment fell by 6% in the second quarter of 2025 compared to the same period in 2023.

The government implemented two major measures to encourage capital inflows for investment. A tax amnesty at the end of 2024, which had no specific investment destination but facilitated the repatriation of funds from abroad, and the Incentive Regime for Large Investments (RIGI), approved in mid-2024, which granted tax, institutional, and exchange rate advantages for large-scale projects. Although the former succeeded in bringing foreign currency back into the country, it did not generate investment momentum. Under the RIGI, meanwhile, seven projects were approved by September 2025, three of which involve the oil company YPF, in which the Argentine state itself holds a majority stake. In none of them has the implementation even started. In other words, it has not attracted widespread private investment, despite granting extensive benefits for a period of 30 years, even violating national and international legislation on human rights and the environment. This scheme favors the expansion of extractive projects—such as Vaca Muerta Oil Sur or Liquefied Natural Gas (LNG) in the San Matías Gulf —which deepen fossil fuel dependence and contradict the Paris Agreement. At the same time, fiscal adjustment restricts resources for adaptation, mitigation, and energy transition, jeopardizing compliance with the Nationally Determined Contribution (NDC).

From December 10, 2023, when Milei's government took office, to July 2025 (the latest data available in the Central Bank of Argentina's balance of payments), foreign investment outflows totaled US$1.191 billion, with an additional US$391 million in portfolio investment. **The year 2024 saw the lowest foreign investment in a quarter of a century.** Contrary to what it proposes in its public discourse, the government failed to attract investors interested in its economic proposal.

From a macroeconomic point of view, the government managed to reduce the inflation rate to around 1.9% per month, but it did so through a strategy of dubious sustainability: two anchors with harmful effects. On the one hand, through a distributive anchor: the deterioration of the labor market, where formal jobs are lost and self-employment and informal work are on the rise. This also leads to a drop in income, with only wages in the registered private sector (a segment that is becoming increasingly less significant) keeping pace with inflation. This is why private consumption has not taken off, growing by only 1% between the second quarter of 2025 and the same period in 2023. This growth is driven solely by consumption in high-income sectors, which have even been able to increase their purchases of imported goods and travel abroad. This unequal mechanism has macroeconomic effects: the external balance of the tourism account in the foreign exchange balance shows a negative balance of $12.302 billion. Thus, while the trade balance for goods shows a surplus, services are negative and erode the result.

The basis for this boost to imports of goods and services is supported by the second anchor of the stabilization scheme, namely the exchange rate lag. After an initial devaluation in December 2023, the government alternated between exchange rate adjustment schemes that lagged behind inflation, causing a real exchange rate appreciation. In doing so, it encouraged an increase in imports, worsening the current account. From the trade balance of $21.494 billion, $18.118 billion in debt interest payments between December 2023 and July 2025 must be subtracted. The balance of payment stability is threatened by this scheme. In the financial account, as we pointed out, foreign investments are at a record low. The only item that generated foreign exchange income was financial loans and credits from international organizations. They managed to offset the capital flight of $14.719.

The fiscal anchor that is sinking Argentina

The maturity schedule of Argentina's sovereign debt for the coming years is of such magnitude that it will be difficult to meet with fiscal consolidation alone. Maturities from March to December 2025 are estimated at $111,952.748 billion for debt payable in pesos and the equivalent of $21.404 billion for debt in USD It is important to note that, even with this burden, the commitments for 2025 are relatively low compared to what is to come: the highest peaks of maturities are concentrated from 2026 onwards, both with private creditors and with the IMF itself. The most critical payments under the Fund's programs are between 2027 and 2032, remaining above $20 billion annually, thus affecting the next two national governments.

Foreign currency commitments to international organizations and private creditors add to a heavy domestic debt burden that requires constant renewals in a context of high interest rates and growing market mistrust. It should be emphasized that the government engaged in a kind of creative accounting to hide the weight of these maturities, capitalizing the interest on the Treasury's domestic debt on a monthly basis in a dynamic that depends on permanent—and uncertain—renewals. If these interest payments were to be calculated accurately, they would exceed e.g., the total expenditure of the pension system.

The EFF requires a primary surplus of 1.6% of GDP in 2025, converging towards 2.5% in the medium term. This target relies on rapid reductions in the primary deficit in a context of low growth and cumulative inflation of 33.6% over the last twelve months. Fiscal consolidation has involved sharp cuts in public spending, including basic items such as the environment, health, education, and gender. This is unsustainable.

In 2025, the executive branch decided to extend the 2023 national budget—the last year in which the National Congress approved a budget law—for the second time, further distancing the possibility of having a democratically debated and approved law. In real terms, the total budget fell by 26.5% between 2023 and 2025, while total consolidated spending fell by 24%. In this context, social services as a whole contracted by 17% compared to 2023, making **the 2025 budget the lowest level of social spending since 2010.** The declines are particularly severe in Education and Culture (–40%), with the Kindergarten Building Strengthening program plummeting 69% compared to 2023; Drinking Water and Sewage (–57%); and Housing and Urban Planning (–47%).

The environmental area suffered critical cuts, including an 83.2% reduction in the Matanza-Riachuelo Basin Sanitation program and a 77.8% reduction in the National Fund for the Enrichment and Conservation of Native Forests. Other key agencies also show sharp declines: the Undersecretary of Environment (–68.9%), National Parks (–40.1%), the National Institute of Indigenous Affairs (–40.6%), the National Meteorological Service (–36.5%), and the Marine Protected Areas System (–28.1%).

Gender policies are among the most affected, with a real reduction of 78% in programs against gender based violence compared to 2023. In addition, fundamental items such as the Acompañar Program and funding for the Strengthening of Comprehensive Sexual Education (ESI) have been eliminated, while 13 programs that depended on the former Ministry of Women have been closed.

These cuts, which involve ceasing to allocate resources to guarantee rights, seriously erode economic, social, cultural, and environmental rights, in stark contrast to the real increase of 19.2% in the budget of the State Intelligence Secretariat (SIDE) between 2025 and 2023. Added to this is the maintenance of tax privileges such as tax reductions on luxury cars and personal property taxes, as well as the approval of the Incentive Regime for Large Investments (RIGI), which grants extraordinary tax and exchange benefits to concentrated sectors of the economy.

Fiscal targets rely on cuts that deepen social and environmental vulnerabilities and directly impact wages, pensions, subsidies for basic services, and social transfers.

The 2026 budget bill revolves around maintaining the fiscal surplus or balance. Likewise, in 2025, a complementary law was presented that would oblige future administrations to maintain this line of fiscal balance or surplus, with the aggravating factor of containing an amendment to the Penal Code that would punish officials of the Executive or Legislative branches who take measures against it.

The proposed fiscal expenditure is 24.6% lower than in 2023. The differences are explained by the 42.6% drop in social services and the 36.2% drop in economic services. In the first category, the items most affected were Education and Culture, and Labor, Promotion, and Social Assistance. It is proposed to repeal the automatic update mechanism.

The national government's proposed public investment for 2026 is 76% lower than in 2023. Even the most important entities in the agricultural sector, allies of the government, have complained about the impact this has on economic activity.

In environmental matters, the former Ministry of Environment and Sustainable Development, downgraded to the Undersecretariat of Environment under the Secretariat of Tourism, Environment, and Sports, shows a 78.5% drop compared to 2023, directly interfering with the capacity for action and coordination of various environmental programs, such as the protection of native forests and environmental assessment and control.

In recent months, mobilizations by unions, social movements, environmental and community organizations have been increasing, expressing widespread discontent with cuts in education and health, and denouncing an "institutional hollowing out" and loss of purchasing power. Recent events have had an impact on the political system: in September 2025, the Argentine Congress rejected several presidential vetoes on key social financing laws, which was a significant political setback for the government. In the Chamber of Deputies, more than two-thirds voted in favor of restoring university funding and the pediatric emergency law—including the Garrahan Hospital, a public health center specializing in pediatrics and serious or rare diseases. In the Senate, the opposition also succeeded in rejecting the presidential veto on the law on protection and spending for people with disabilities. In short, there is strong tension between the branches of government, with the executive branch failing to respect Congress's constitutional powers on budgetary and credit matters and even refusing to comply with duly approved laws. This raises serious questions about the viability of the economic program.

Debt maturities for 2025 exceed the total annual state budget, including all areas of expenditure. **The combination of high debt maturities and strong social resistance makes the fiscal adjustment strategy a dead end that compromises not only economic stability but also social cohesion and democratic governance.** In this context, the IMF warned that the October midterm legislative elections could "add volatility to the markets," although it noted that the risk "should remain contained, given the strength of the fundamentals and the commitment to the fiscal anchor."

How are IMF resources being used?

According to Article VI 1.a. of the IMF's Articles of Agreement, "no member country may use the Fund's general resources to address a significant or continuing capital outflow." According to the Balance of Payments of the Central Bank of the Argentine Republic (BCRA) in August 2025, the formation of foreign assets in the non-financial sector increased to $5.432 billion in July 2025, the second highest since 2002, according to CEPA. The outflow amounts to $14.719 billion from the exchange rate unification to the start of the agreement with the IMF, a figure curiously similar to the $14 billion received by the government between April and August 2025 (IMF, 2025).

The decision to increase borrowing from an institution with which debt cannot be restructured will have serious consequences for macroeconomic and financial stability. According to the IMF's 2021 ex post analysis of the agreement signed in 2018, supporting Mauricio Macri's government in its decision not to restructure debt maturities and not to implement capital controls was a grave mistake. Officials involved in those decisions, such as Luis Caputo, first Minister of Finance and then president of the BCRA, and Federico Sturzenegger, also head of the BCRA between 2015 and 2018, before Caputo, are now officials in the national government.

The current Minister of Economy, Luis Caputo, was summoned to appear before the Federal Court of Dolores for irregularities in the signing of Emergency Decree (DNU) 179/2025 regarding the Law on Access to Public Information. This is in addition to the role that the current Minister of Economy played at the time as Minister of Finance, leading the 2018 agreement. Regarding this agreement, the National Audit Office determined in 2023 that it did not comply with the framework of processes and procedures that ensure efficiency and effectiveness in debt management, causing legal breaches, affecting prudence in debt management, undermining adequate supervision of financing, and adversely impacting the solvency and sustainability of public debt.

Furthermore, this is the second time that the United States (US) has explicitly recognized the geopolitical support that this financing implies. In 2020, the former IMF Director for the US acknowledged this at an event, while in 2025, the US Treasury Secretary explained the reasons for potential economic assistance in a similar vein, raising the need to support the Argentine government in the run-up to national elections.

Analysis of compliance with the Exceptional Access Policy criteria

Condition 2: *A rigorous and systematic analysis indicates that there is a high probability that debt will remain sustainable.*

Condition 3: *The member has good prospects of regaining access to private capital markets within the time Fund resources would be outstanding, so that the Fund's financing would provide a bridge.*

The IMF's August 2025 debt sustainability analysis states that the accumulation of reserves and the fiscal anchor are the basis for asserting that the debt is sustainable (although not with a high probability). As described above, the fiscal adjustment is becoming increasingly unsustainable, and the lack of reserve accumulation in a context of relaxed capital controls is sufficient evidence to question compliance with this condition.

Other factors that increase vulnerability include the poorly diversified export basket, the lack of local capital markets, the nature of the debt, which is mainly in foreign currency and belongs to non-residents, and the deterioration of the financial situation of the provinces. Current policies that undermine the productive fabric and promote enclave economies for export only increase these vulnerabilities.

In a context of increased country risk, lack of reserve accumulation, and unsustainable fiscal anchors, the space to launch a new debt restructuring under conditions that do not further deteriorate future fiscal space is minimal. The debt restructured in 2020 saw large cuts in interest payments, given that those agreed by the government between 2016 and 2018 were extremely high. The government's decision, through Decree 846/2024, to amend the Financial Administration and Public Debt Sustainability Strengthening Laws sets a worrying precedent by eliminating the requirement to improve two of the following three debt conditions: interest rate, principal owed, and debt maturity dates.

Condition 4: *The policy program of the member country provides a reasonably strong prospect of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment.*

It must be emphasized that the government's decision, through DNU 179/2025, to move **forward with the agreement with the IMF through bypassing Congress in violation of the law, necessarily calls into question compliance with this condition.** Caputo, when speaking to the media about the reasons behind the decision to proceed with this illegal approach, explained that it was because "there is a Kirchnerist majority in the Senate that wants the country to do badly and it could take a long time." This argument seeks to ignore the parliamentarians elected by the people in free and democratic elections.

The first review of the agreement states that this condition is met, given the government's willingness to implement the fiscal anchor at all costs through vetoes and the consensus reached in the May Pact. To date, Congress has gathered two-thirds of the votes needed to overturn the president's veto of one of the laws declaring a disability emergency. In addition, the governors—who, according to the IMF, support the economic plan—presented to Congress a reform of the law governing the National Treasury Contributions, from which funds are transferred to the provinces. This law was vetoed by the president, and Congress overturned the veto.

What comes next? More debt?

The economic and fiscal model promoted by the current government and backed by the IMF does not generate the foreign exchange needed to ensure debt sustainability in the medium term. The debt agenda remains focused on the financial sector and interest payments, while the productive and social sectors continue to weaken. The fiscal adjustment strategy, based on strict compliance with the primary surplus, is being implemented through deep cuts in education, health, gender, and environmental policies, eroding economic, social, cultural, and environmental rights and increasing the vulnerability of the most disadvantaged sectors.

At the time of writing, Javier Milei's government is negotiating more debt with the United States, while the opposition has already warned that it could reject this financial aid if it is not approved by Congress, highlighting the exceptional and controversial nature of the authorization of external financing. Although the details of the agreement are not yet fully known, it is clear that Argentina's economic program cannot function without permanent external assistance: after the money laundering in October-November 2024, it received an agreement from the IMF in April 2025, and by September it was already requesting new funds. Far from focusing on productive investment, capacity building, or support for the most vulnerable sectors, the program focuses on precarious price stability achieved through job losses and ongoing external assistance.

This political and institutional context increases uncertainty about the executive branch's ability to implement sustainable fiscal and economic policies and calls into question the legitimacy of the agreement as a whole.

The "social cost" of the program erodes the legitimacy of economic management and creates a climate of conflict that reduces the chances of political sustainability. The recent midterm legislative elections in a key location, such as the province of Buenos Aires show the public's rejection of a model that has repeatedly failed, increasing economic turmoil.

In addition, there is a scenario of institutional and legal risk: the negotiation of the 2026 budget includes mechanisms that would oblige future administrations to maintain the fiscal surplus and the debt incurred, limiting Congress's ability to control resources and the legitimacy of critical economic decisions. This concentration of executive powers reduces transparency in fiscal policy management and restricts the participation of civil society, trade unions, environmental organizations, and other social actors that could contribute to the debate and monitoring of public policy implementation. The government's explicit refusal to comply with laws passed by large majorities in Congress—such as the pediatric emergency—has opened a completely unknown chapter in Argentina's republican and democratic institutions. We may be facing an autocratic course of government.

The IMF's own assessments recognize that programs based on assumptions of "expansionary adjustment" tend to fail when they do not consider the political and social conditions of implementation, increasing the strain on the sustainability of the adjustment. On this occasion, these tensions, which limit the program's viability, are plain for any observer to see. In the near future, the highest peaks of debt maturities will be concentrated between 2027 and 2032, conditioning the next two administrations and consolidating a scenario of chronic dependence on external financing, pressure on resources, and limitations on the state's capacity to guarantee fundamental human rights.