Debt sustainability and the role of the IMF: what is not being said about the Argentine crisis

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Key messages

- **The record trade surplus has not translated into a corresponding increase in reserves.** With historically high terms of trade, the goods balance recorded a surplus of US$20,073 million between January and July 2026, but foreign exchange outflows continue through interest payments, tourism, profit remittances and the private-sector accumulation of foreign assets. Without loans from the Fund, there would be no net accumulation of reserves, and a shock to international prices or a drought like that of 2023 could trigger a balance of payments crisis.

- **The deterioration in employment and incomes is pushing households into debt.** Industry, construction and trade – the main sources of formal employment – are weakening, whilst growth is concentrated in sectors that generate relatively little employment. Unemployment rose to 7.9%, informal employment accounts for 45% of employment, the minimum wage has lost 40.8% of its purchasing power since November 2023, and poverty has risen again to 32.3%. The share of household loans in arrears has nearly doubled in ten months and exceeds 26% with non-bank lenders charging annual interest rates of up to 144%.

- **The fiscal anchor relies on spending cuts rather than on robust tax revenue.** Revenue is projected to fall by 2.5% in real terms in 2026, partly reflecting lower export duties and import taxes. The surplus is sustained by cuts to public works, social programmes, pensions, healthcare and environmental programmes, whilst debt servicing costs have risen from 9.1% to 12.3% of actual budget expenditure.

- **The Incentive Scheme for Large Investments (RIGI) entrenches an extractive economic model that runs counter to climate commitments and shifts costs onto local communities.** 99% of the US$138 billion committed goes to hydrocarbons and mining, with just 14,240 direct jobs projected during operations, with 30-year regulatory and tax stability guarantees and international arbitration that turn any policy change into a fiscal contingency. The preliminary NDC 3.0 raises the emissions cap, and the impacts on communities are mounting in Neuquén, the Gulf of San Matías and the Salar del Hombre Muerto.

- **The 2027 Budget exacerbates the underfunding of environmental protection and reduces transparency.** The Under-Secretariat for the Environment would be 84.3% lower than in 2023, and the Native Forests Fund would receive only 4% of the amount stipulated by Law 26,331. The closure of the trust funds, required as a structural benchmark under the agreement, makes it difficult to track how their resources are allocated, and the draft does not estimate how much revenue the State will forgo from the RIGI.

- **The IMF is once again judging the criteria for exceptional access to have been met despite significant vulnerabilities.** The Staff considers the debt to be sustainable but not with high probability – the same assessment that preceded the 2018 and 2022 programmes. Its scenario depends on several variables that could deteriorate simultaneously following a single shock; the growing share of debt held by official creditors limits the prospects for regaining market access; and the contingency plan envisages further adjustment in the event of a shock, which would exacerbate the 'reform fatigue' that the Fund itself identifies as a risk.

Introduction

Domestically, as you know, the country is due to hold elections in October, and it is very important that they do not derail the will for change.
Kristalina Georgieva, Managing Director of the IMF, in April 2025.

Argentina now resembles a normal country; for example, I could mention Peru. In Peru, they change presidents and it doesn't affect the macroeconomy.
Luis Caputo, Minister of Economy, March 2025.

The Managing Director of the IMF, Kristalina Georgieva, expressed clear support for the current government's policies. We in civil society have been highlighting the inconsistencies between the current agreement and the IMF's mandate for macroeconomic stability as an international organisation, the damage to Argentina's social structure and productive capacities, the contradictions with international human rights and environmental obligations, the erosion of the rule of law, and the clear failure to comply with exceptional access policies.

The aim of this briefing is to outline the impacts of the policies implemented by the current Argentine government on the development model and macroeconomic stability. It will focus on the current political context, Argentina's external position, the household financial vulnerability, the misleading portrayal of the fiscal situation, and the impacts of the accelerated expansion of fossil fuel extraction and mining under the Incentive Regime for Large Investments (RIGI). Finally, we will analyse the IMF's exceptional access policy conditions.

Finally, a series of recommendations are made to the IMF Staff and Executive Board. First, the IMF should review the programme to avoid pro-cyclical adjustment, allow for greater flexibility in the face of shocks, and protect public investment, services and state capacities, with *ex ante* and *ex post* distributional assessments that are published and used to refine the programme's design, as civil society organisations have already proposed.

Secondly, the EAC2 and EAC3 criteria should be reassessed in line with the recommendations of the Independent Evaluation Office (IEO), requiring a debt sustainability path that is sustainable with high probability, robust in the face of shocks, and verifying whether foreign exchange generated by the economy is actually accumulated as reserves and leads to increased repayment capacity.

Thirdly, reassess EAC4 by taking into account the social and institutional sustainability of the programme, rather than merely the government's capacity to pass reforms, an understanding of ownership that incorporates social dialogue. Finally, incorporate the risks associated with changes in the productive structure into the macroeconomic and debt sustainability framework, including foreign exchange outflows, the tax benefits of the RIGI, low job creation and exposure to international prices.

Record foreign exchange earnings are not translating into a corresponding increase in reserves

Strong foreign exchange earnings from trade are being offset by other balance-of-payments outflows. In the first seven months of 2026, the balance of goods recorded a surplus of US$20,073 million, but the current account surplus stood at just US$3,531 million. Argentina is experiencing exceptionally favourable trade conditions: terms of trade are at historically very high levels (higher than at the start of the century) and, at the same time, there have been no adverse weather events affecting agricultural production, placing the country in an unusually favourable trade condition. However, although foreign exchange earnings from trade are double or even triple the levels of previous years — according to data from the Mirador de la Actualidad del Trabajo y la Economía (MATE) — foreign currency continues to flow out of the country for other reasons. Indeed, the Centre for Argentine Political Economy (CEPA) estimates that the main outflows were US$8,079 million in interest payments, US$5,972 million from tourism and card spending, and US$3,326 million in profits and dividends. Since December 2023, interest payments and tourism have accounted for the equivalent of 87% of the current account surplus.

Added to this is a a sharp increase in private foreign-asset accumulation, alongside a renewed borrowing cycle. Between December 2023 and July 2026, the accumulation of foreign assets (FAE) totalled US$45,798 million, almost equal to the net increase in public and private debt, amounting to US$44,711 million, during the same period, according to CEPA calculations based on data from the Central Bank of the Argentine Republic (BCRA). Since the exchange rate unification, between April 2025 and July 2026, the FAE reached US$48,971 million. During that period, the new agreement with the IMF resulted in disbursements totalling approximately US$15,800 million: US$12,000 million in April 2025, US$2,000 million in July 2025 and US$1,000 million in May 2026. The accumulation of foreign assets was thus more than three times as large as the cumulative disbursements under the new programme with the Fund.

These pressures are also arising due to significant debt refinancing requirements. The Government's own Financial Programme, presented in July 2026, estimates the Argentine Treasury's financing needs in US dollars in dollars at US$19,200 million in 2026 and US$24,900 million in 2027. To cover these needs, the programme does not envisage issuing debt on international markets: it plans to rely, amongst other sources, on dollar purchases from the BCRA, new disbursements from the IMF and other international organisations, debt issues on the domestic market, and privatisations. In 2027 alone, the programme projects US$7,500 million in payments to the IMF comprising principal and interest, compared with US$1,700 million in new disbursements from the organisation. This strategy allows the Government to assert that the 2026–27 maturities are financed, but at the same time highlights the scale of the foreign exchange requirements associated with the debt stock and the continuing reliance on new sources of official and domestic financing, as clarified in the document 'Financial Programme of the Ministry of Finance', published in July 2026.

These foreign exchange requirements must also be understood in the context of a large pre-existing debt stock. The cycle of external borrowing that began in 2016 culminated, following the loss of market access, in the 2018 agreement with the IMF: the largest *Stand-By Arrangement* in its history, with around US$44,000 million disbursed. The Fund's own *ex-post* evaluation concluded that that programme failed to restore external viability or sustainable market access. Reserve accumulation remains very limited and all net reserve accumulation since Milei took office is attributable to IMF disbursements: without them, there would be no positive balance. If international prices were to fluctuate or a severe climatic shock were to occur—such as the drought of 2023—the economy would be highly vulnerable to a balance of payments crisis.

In this context, the projected increase in hydrocarbon and mining exports (provided that international prices do not fall) must be assessed against an external structure that continues to allocate significant resources to debt servicing and private outflows of foreign exchange, an issue we shall return to when analysing the IMF's criteria for exceptional access.

The deterioration in wages and income is leading to sharp increases in arrears

The recovery in economic activity remains uneven and has created few jobs. The IMF itself acknowledges in its latest review that "after recovering in 2025, economic activity has since slowed and continues to show uneven performance across sectors". Gross Domestic Product (GDP) grew by 2.3% year-on-year in the first quarter of 2026, but the most recent indicators show a renewed weakening in sectors central to employment. Owing to austerity policies and the sudden opening up of trade, manufacturing output fell by 5% month-on-month in July and capacity utilisation stood at a mere 58.2%. The construction sector, for its part, has been severely hit by the sharp reduction in public works; similarly, the retail sector is facing problems due to falling revenues. These three sectors are the main generators of formal employment and the ones on which most people's livelihoods depend. Meanwhile, energy, mining, agriculture and financial intermediation account for most of the economic growth. However, these sectors have a very limited impact on the labour market. In the second half of 2026, the unemployment rate rose to 7.9%.

Income trends reinforce this divergence. There are segments that have regained purchasing power: according to official data, the real average wage for registered private-sector employment in April was 4.3% higher than in November 2023. But this indicator specifically describes the most protected segment of the labour market and contrasts sharply with the situation faced by public-sector employees, informal workers and those dependent on the minimum wage. The most extreme case is the Minimum, Vital and Adjustable Wage (SMVM), which lost 40.8% of its purchasing power between November 2023 and September 2026 and, in real terms, stands at levels similar to those of April 2002. To simply return to the 2023 average, it would need to rise by 70.7%, although the figure set for September 2026 is just $383,793. Income distribution also reflects this disparity: in the first quarter of 2026, average per capita income stood at $728,008, but the median was just $500,000 – a considerable gap between the average income and that of the person situated in the middle of the distribution. Consequently, the improvement in some aggregate wage indicators should not be confused with a generalised recovery in incomes.

The problem extends beyond unemployment: the shift from formal salaried employment towards more precarious forms of work, such as self-employment and the 'popular economy', continues. Informal employment accounted for 45% of the employed population, according to the National Institute of Statistics and Censuses of the Argentine Republic (INDEC). The scale of this group is significant for evaluating the programme: the Union of Workers in the Popular Economy (UTEP)[1] estimates that more than 1.1 million workers in this sector rely on income-support programmes because they cannot find employment in the formal labour market. Among these income-support policies is the 'Back to Work' programme, which in May 2026 provided a monthly payment of just 78,000 pesos (the equivalent of 50 USD). The expansion

1. The UTEP defines the 'popular economy' as the group of people excluded from the formal labour market who have created their own livelihoods to survive through activities such as urban recycling, street vending, construction, family farming or community-based care and food provision, generally without labour rights or social security. For further information, see: https://utep.org.ar/.

of sectors that generate relatively little employment is therefore not sufficiently offsetting the loss or precariousness of employment in traditionally labour-intensive sectors.

With a labour market in sharp decline and falling incomes, it is inevitable that there will be an impact on incomes. In April this year, we shared a *briefing* with the *Board* providing further information on the limitations of poverty indicators and the pressing situation regarding healthcare and pensions. These concerns proved to be well-founded, given that the most recent official report from INDEC shows an increase in the incidence of poverty (affecting 32.3% of the country's population) and extreme poverty (7.5%). Poverty is even higher when measured using the updated consumer basket, already exceeding the levels recorded under the previous government, according to the consultancy firm Equilibra.

Insufficient income is increasingly reflected in households' reliance on credit. This trend has spread to both traditional financial institutions and non-financial credit providers (NFCPs), including *fintech firms* and non-bank card issuers. As of February 2026, according to the BCRA, 12.1 million people had taken out loans from NFCPs. The outstanding balance of financing from NFCs reached $13.9 trillion, 22% higher in real terms than a year earlier; within this sector, credit from fintech firms grew even more rapidly, by 47% in real terms year-on-year. The cost of this financing is particularly high: in February 2026, the average annual percentage rate (APR) on personal loans granted by other non-financial providers stood at 144%, whilst credit cards from non-bank issuers averaged 87% – a figure well above inflation.

Against a backdrop of deteriorating employment and income, this expansion is accompanied by a very rapid deterioration in repayment capacity, as reported by MATE. In the banking system, according to the BCRA, the proportion of loans to households in arrears rose from 6.6% in August 2025 to 12.8% in June 2026—practically doubling in ten months. By comparison, corporate arrears stood at just 3.5% in June. The deterioration is even more pronounced amongst non-financial lenders: according to the latest data available from the BCRA, dating from February 2026, 26.9% of their portfolio was in arrears, rising to 34.1% for personal loans, compared with 19.4% for credit cards. This disparity does not yet imply a banking crisis – the BCRA notes that financial institutions maintain high levels of credit risk coverage – but it does highlight a growing vulnerability amongst households: credit expanded rapidly whilst repayment capacity deteriorated, particularly in non-banking segments characterised by exceptionally high interest rates.

The misleading fiscal anchor and revenue collection problems

Fiscal balance continues to rest primarily on a sharp reduction in expenditure, whilst tax revenue shows signs of weakness. In the first eight months of 2026, the National Public Administration (APN) maintained a primary and fiscal surplus of $15.4 trillion and $3.2 trillion, respectively, but total revenue fell by 2.5% year-on-year in real terms, more than expenditure (-1%); in August alone, revenue fell by 3.8%. The Congressional Budget Office identifies among the main causes lower revenue from export duties, linked to a reduction in tax rates, and a 20.3% fall in taxes on imports. This is occurring against the backdrop of a tax structure that had already seen its tax burden reduced from 31.5% of GDP in 2015 to 27.6% in 2024, and which remains heavily reliant on indirect taxes.

The most worrying consequence is the dramatically low level of investment and reduced state capacity. According to MATE, between January and July 2026, government expenditure stood at 93 trillion pesos (constant prices), whilst in the same period of 2023 it had been $133 trillion. In particular, during Milei's administration, the government cut spending by $169 trillion, comprising cuts to public works of $41.7 trillion, to social programmes of $29.5 trillion, to pensions of $24.5 trillion, to energy subsidies of $20.8

million, to wages of $18 million and to education of $11.6 million. The same pattern is evident in environmental programmes at national level. According to the Environment and Natural Resources Foundation (FARN), the budget of the Under-Secretariat for the Environment is 82.4% lower than in 2023, that of National Parks is 41.7% lower, the Native Forests Fund is 71% lower and the National Fire Management Service is 72.3% lower. Meanwhile, debt servicing rose from 9.1% of the budget executed in 2023 to 12.3% in the first half of 2026.

The economic recovery has not resolved the healthcare and pension pressures that we flagged in a previous input to the IMF Board in April 2026. At that time, the programme's social safety nets protected the Universal Child Allowance (AUH), the Pregnancy Allowance (AUE) and the Food Card[2], but excluded healthcare, education, pensions, public sector wages and protection against utility price rises. As of August this year, CEPA reports real-terms declines compared with 2023 of 61% at the Superintendency of Health Services, 28–51% at national hospitals, 30% at the 'Dr Carlos G. Malbrán' National Administration of Laboratories and Health Institutes, and 38% at the National Administration of Medicines, Food and Medical Technology (ANMAT); the National Social Security Administration (ANSES), for its part, remains 6% below 2023 levels. In April, national contributions to the Comprehensive Medical Care Programme (PAMI) had fallen by 41% in real terms between the first quarters of 2025 and 2026. Added to this is the fact that the cost of medicines was being passed on to pensioners themselves.

Nor does the increase in aggregate pension expenditure imply a recovery in benefits for those receiving the lowest pensions. In September 2026, the minimum pension stood at $428,633 and $498,633 when the bonus was included, but the latter has remained frozen at $70,000 since March 2024. As a result, according to Chequeado, the minimum income including the bonus is 9.3% below the November 2023 level in real terms, whilst the bonus has lost around 57% of its purchasing power and would need to reach approximately $162,900 to retain its March 2024 value. This is significant in light of the IMF's assessment, which attributes an improvement in the real income of low-income older households to indexation and targeted allowances, but does not analyse in its latest review the cumulative loss of purchasing power of the minimum income, including the allowance.

The programme's impact on the productive structure and international commitments

RIGI: Vaca Muerta and mining

Two years after its enactment, the Incentive Scheme for Major Investments (RIGI) has cemented an extractive model that hinders the diversification of Argentina's productive structure. Following the ruling party's victory in the 2025 parliamentary elections, Decree 105/2026 extended the scheme to include hydrocarbon extraction and increased the committed investment from US$68,000 million to over US$138,000 million, spread across 40 projects. Hydrocarbons, led by Vaca Muerta, account for 62.3% of the capital, and mining for 36.6%, whilst tourism, technology and the forestry industry have no projects on record.

2. The AUH is a monthly transfer for children under the age of 18 (with no age limit in the case of disability) of unemployed people, informal workers or domestic workers with incomes below the minimum wage. Meanwhile, the AUE extends this coverage to pregnant women from the 12th week of pregnancy, and the Food Card complements both schemes with a sum earmarked exclusively for the purchase of food for families with children up to the age of 14.

The concentration is also evident at both the regional and corporate levels. Five provinces account for more than 95% of the investment and six companies account for 64%, with projected direct employment during operations of just 14,240 jobs, of which only 8.3% are in the oil and gas sector. Most of the approved projects had already been announced or were under way, and cumulative foreign direct investment between December 2023 and April 2026 showed a shortfall of more than US$1.5 billion, according to data from the BCRA.

Added to this is a legal framework that restricts the State's policy space. The regime grants stability for thirty years and permits international arbitration (at the International Centre for Settlement of Investment Disputes, the Permanent Court of Arbitration and the International Court of Arbitration of the International Chamber of Commerce) even for domestic companies, prevents the imposition of local value-added requirements and broadens the channels for the outflow of foreign currency (such as the remittance of profits, interest on intra-corporate debts and the free availability of export proceeds).

Environmental budget, debt and climate commitments

The underfunding of environmental spending is part of an austerity programme that has now been in place for three consecutive years. The national budget falls by 36.3% in real terms in 2026 compared with 2023, following reductions of 26.3% in 2024 and 28.8% in 2025. Within this framework, the cut to environmental spending was considerably deeper. The Forest Fund has a budget of $17,442 million, 25 times less than the amount stipulated by Law 26,331, and spent barely 15% of this in the first half of the year. Following three consecutive years of austerity measures, the risk is that these low budgetary levels will become the norm for national environmental policy.

The composition of spending points to different priorities. Debt servicing absorbed more than $12 out of every $100 spent in the first half of the year, and subsidies for the hydrocarbon sector amount to 14.5 times the budget of the National Fire Management Service, even though maintaining that service at its 2023 level would have cost 3.6% of the period's fiscal surplus. Debt also exerts a twofold pressure, as it consumes fiscal resources and, given the need for foreign currency to meet external commitments, encourages the expansion of extractive export sectors.

This approach runs counter to the Paris Agreement, Article 4.3 of which requires that each Nationally Determined Contribution (NDC) represents an improvement on the previous one. Although it has not yet done so formally before the United Nations Framework Convention on Climate Change (UNFCCC), in November 2025 Argentina convened two formal forums to present the preliminary results of NDC 3.0, with an emissions cap of 375 $MtCO_2e$ for 2030 and 2035, compared to the 349 $MtCO_2e$ of the second updated NDC from 2021 – a difference the government attributes to methodological changes. Climate Action Tracker rates Argentina's climate policies as highly insufficient and projects emissions 7% above 2024 levels by 2030. Furthermore, it warns that the improvement in its rating is due to the recession rather than new climate action, and that it is unclear whether current policies can be sustained following the drastic reduction in human and financial resources, linking budgetary cuts to compliance with the Paris Agreement. Its recommendation is clear: to stop supporting the upstream oil and gas sector.

These cuts also undermine the country's capacity to respond. On adaptation, the National Meteorological Service made more than 200 staff redundant between 2024 and 2026 and has the lowest budget of the past decade. On mitigation, spending on renewable energy and energy efficiency amounted to a mere 4.6%. Argentina's emissions tend to rise as the years go by, moving further away from its international

commitments. Relying on extractive sectors to generate foreign exchange is difficult to reconcile with these environmental and climate obligations.

Territorial and social impacts

The expansion of Vaca Muerta and its export infrastructure shifts environmental and social costs to regions where the state has less capacity for oversight. In 2025, a record 23,896 hydraulic fractures and 121 induced earthquakes were recorded in Neuquén, and in the first half of 2026, 14,963 fractures and 51 earthquakes had already been recorded in a province with no history of seismic activity prior to unconventional extraction. Meanwhile, the Seismic Prevention programme has seen a 39.9% real-terms decline compared with 2023, and the rate of drilling has risen from 250 wells per year between 2013 and 2023 to 400 in 2025.

Proposed hydrocarbon projects in the Gulf of San Matías, situated on the Atlantic coast of the provinces of Río Negro and Chubut, extend this pattern to new areas, with effects on air quality, the southern right whale, tourism and small-scale fishing.

These concerns have also reached the Church. In August 2025, Bishop Fernando Croxatto of Neuquén asked the governor for the environmental impact assessments and for consultation with the Mapuche communities regarding hydraulic fracturing near the Mari Menuco reservoir, a key source of drinking water for the region. On 27 August 2026, he also issued a statement on the Comarsa case, concerning the treatment of hazardous waste from oil extraction, calling for a judicial response attentive to community concerns and for the care of our common home. The defendants' application for probation remains pending before the High Court of Justice of Neuquén.

Projects in the San Matías Gulf incur high costs due to their distance from markets and require high international prices to break even, whilst increased liquefaction capacity links domestic gas, electricity and fuel prices to international levels—an effect that is currently only mitigated by currency appreciation. Furthermore, the thirty-year stability combined with international arbitration turns any future policy change into a potential fiscal contingency, potentially creating fiscal risks that sit uneasily with the IMF's macroeconomic-stability mandate.

The same pattern is evident in the lithium sector and in relation to Indigenous rights. In the Salar del Hombre Muerto, in the province of Catamarca, three projects worth US$1,369 million overlap within the same catchment area, in a region that has been in a state of water emergency since 2021. In March 2026, the provincial court overturned the measure requiring a cumulative impact assessment.

The government has proposed extending this approach further. The draft bill known as 'Super RIGI', submitted to the National Congress, replicates the guarantees of the original scheme — a 15% income tax rate, thirty years of stability and international arbitration — for investments exceeding US$1 billion in new industries such as artificial intelligence and data centres, whilst limiting the fiscal and regulatory powers of provinces and local authorities. The domestic procurement quota is weak and does not provide for penalties. This comes at a time when tax expenditure is already set to reach 3.4% of GDP by 2026—more than 20% of national expenditure—without taking into account the benefits of the RIGI scheme.

At the same time, the draft Private Property Inviolability Bill proposed removing the caps set out in Land Law No. 26,737, including the 15% limit on land held by foreign owners, the 30% limit per nationality, and the 1,000-hectare limit per owner in the core zone. The attempt failed in the Senate, which on 6 August

gave preliminary approval to the bill following the removal of the provisions on rural land and fire management. The text that was sent to the Chamber of Deputies retains the reforms on expropriations, evictions, land title regularisation and property registers.

What's next? The 2027 Budget

The draft Budget Bill for 2027 continues to prioritise a fiscal surplus achieved through cuts to spending on areas underpinning essential rights such as education, health and the environment. Once again, the current Under-Secretariat for the Environment is set to face a cut of 10.84% in 2027 compared with 2026, and 84.3% compared with 2023.

Meanwhile, funding for the National Fire Management Service (SNMF) shows an increase compared with 2026, but the decline when compared with 2023 stands at 55.8%. This is reflected in the reduction in targets: the number of reports produced for early warning and fire risk assessment would stand at 1,950 in 2027, 781 fewer than in 2023. It is worth noting that the trust fund which managed the resources of the National Fire Management Fund was dissolved in 2025[3].

Meanwhile, the National Fund for the Enrichment and Conservation of Native Forests should, according to Law 26.331, receive 0.3% of the national budget. However, in 2027 it will receive $28,322.56 million, 25 times less than what it is entitled to by law. The trust fund that managed these resources was also closed in 2024, pursuant to Decree 888/2024. The closure of trust funds is one of the *structural benchmarks* of the 2025 Agreement. Whilst the Government seeks to meet the IMF's targets in the name of transparency, it is difficult to ascertain the destination of the resources held by the funds, or to view their revenue and how they were used.

Nor does the 2027 Budget Bill report on the tax revenue losses attributable to the RIGI: it details the announced investment amounts, but does not estimate how much revenue the national government will forgo by promoting them[4]. The RIGI is one of the major reforms carried out by the current government, promoted and welcomed by the IMF, alongside the amendments to the Glaciers Act secured in April this year, which also favour mining activity. The projects enabled by both reforms are predominantly mining and hydrocarbon-related, with the serious socio-environmental and territorial impacts already described, and constitute precisely the mechanisms through which the IMF and the national government hope to generate the foreign currency needed to service the debt.

3. Under Decree 463/2025, the National Government closed the National Fire Management Fund (FNMF), citing, as they explained, irregularities and delays in the procurement processes. For further information: https://farn.org.ar/wp-content/uploads/2026/04/Presupuesto-ambiental-en-Argentina-la-consolidacion-de-un-ajuste.pdf

4. As explained in the draft bill, this is because most of the projects approved under the RIGI are at an early stage, meaning that the associated tax costs can be calculated at a later date. However, estimates have been produced by sources outside the Government.

Analysis of the conditions under the exceptional access policy

The arrangement with Argentina is already under the exceptional access policy, and in the second review, the IMF staff once again considers the four criteria to have been met. The point of contention centres on EAC2, 3 and 4. This calls for particular caution given Argentina's track record. The *Ex Post Evaluation* (EPE) of the 2022 agreement specifically criticised the fact that the reviews had treated the various exceptional access policy requirements as technically met without a sufficiently holistic assessment of the risks, and called for a more rigorous application of the framework.

EAC2 and EAC3 – Debt sustainability and regaining market access. The Staff considers the debt to be sustainable, but not with a high degree of probability. Their assessment depends on maintaining the fiscal anchor, rebuilding reserves, reducing spreads, sustaining growth and expanding exports, including by drawing on the country's '*vast energy and mining wealth*'. The problem is not only that these variables are uncertain, but that several of the main risks identified by the IMF itself could cause them to deteriorate simultaneously: a climatic phenomenon such as El Niño (for reference, the 2023 drought reduced exports by 20,000 million), a global slowdown that could reduce growth and demand or export prices, or worsening international financial conditions that could raise the cost of refinancing and hinder market access.

But the main question raised by this briefing is even more pressing: increased generation and inflow of foreign exchange is not leading to a corresponding build-up of reserves. The problem for EAC2 and EAC3 is therefore not merely whether Argentina can generate more dollars, but whether those dollars actually translate into reserves and repayment capacity rather than being used to finance interest payments, the remittance of profits abroad, private accumulation of foreign assets, increased imports and tourism.

Past experience warrants particular caution. Both in 2018 and during the 2022 programme, Argentina's debt was assessed as sustainable but not with a high probability, and both programmes ended up falling far short of their initial scenarios. The 2018 EPE specifically recommended conservative *baselines* and robustness tests against shocks; the 2022 EPE shows how first the international commodities shock and then the drought—which reduced exports by a quarter and plunged the economy into recession—radically altered the scenario. *The Independent Evaluation Office's* (IEO) general assessment of exceptional access policy, in turn, recommends greater scrutiny of cases in the '*grey zone*' and that these cases regain sustainability with a high probability during the programme, as well as a more rigorous and forward-looking assessment of market access.

It is therefore particularly questionable that the safeguard for EAC2 against an adverse scenario should once again rest on the assumption that there will be sufficient private foreign-currency debt eligible for restructuring after the programme has ended. This safeguard warrants even greater scrutiny given that Argentina continues to accumulate obligations to the IMF and other official creditors: the programme itself acknowledges that exposure to these creditors will remain high and must be gradually reduced. The possibility of restructuring private debt in the future does not demonstrate that the programme is addressing external vulnerability today; it shows how part of the losses would be absorbed if projected reserve accumulation, growth and renewed market access fail to materialise.

To this must be added a significant point. As modelled by two Argentine researchers, Jorge Carrera and Fernando Toledo, the proportion of *senior* debt within total debt may impose a limit on access to the private capital markets. Due to its priority in the event of repayment, the proportion of debt held by official

creditors — the IMF foremost among them — creates greater sovereign risk for private investors, which can increase up to fivefold when reserves are low — as in the case of Argentina. The IMF's own previous agreements act as a constraint on Argentina's access to the voluntary market. In the eight years since the signing of the 2018 *Stand-By Arrangement* (SBA), this appears to be the case.

EAC4 – Political and institutional capacity. The positive assessment rests largely on the Government's enhanced capacity to pass reforms following the 2025 elections. However, the IEO recommends that EAC4 consider not only *political assurances*, but also the programme's design, its trade-offs and the political and institutional capacity to sustain it. This is particularly important because one of the main risks identified by the IMF — *reform fatigue* linked to weak employment and income outcomes — may be exacerbated by the very response envisaged to shocks. The contingency plan provides for preserving the fiscal anchor through further cuts to subsidies, transfers and other expenditure should external conditions deteriorate.

This comes against the backdrop of an economy that is already exhibiting the imbalances documented previously: industrial output down 5% month-on-month in July, capacity utilisation at 58.2%, unemployment at 7.9%, the minimum wage more than 40% below its November 2023 level in real terms, and sharp cuts to public investment and services. At the same time, the energy, mining and agricultural sectors are showing greater dynamism, creating an increasingly two-speed economy, with sectors that generate exports but have a limited ability to drive employment and domestic demand. A new external shock could thus trigger a slowdown or recession and, under the contingency plan itself, lead to further fiscal tightening, exacerbating the conditions that the IMF identifies as a source of '*reform fatigue*'.

Nor is this mechanism new. The EPE accompanying the 2018 agreement explicitly warned that fiscal and monetary tightening could reduce growth, raise risk premiums and weaken the currency, creating a vicious circle that would further erode external viability. The 2022 EPE once again demonstrated how a recession, external shocks and electoral uncertainty could interact and derail the programme's scenario. The question for EAC4 is therefore not simply whether the Government currently has the votes to pass reforms, but whether there is sufficient economic, institutional and social capacity to sustain programme implementation when the shocks envisaged by the IMF itself materialise.

Recommendations to the IMF Staff and Executive Board

Review the programme with the Argentine Government and avoid deepening pro-cyclical adjustment. Given the weakening of labour-intensive sectors, low incomes and falling tax revenues, the programme should allow for greater flexibility in the face of shocks and protect public investment, services and state capacities. In line with previous recommendations from civil society, Staff should carry out and publish ex ante and ex post distributional assessments of the programme's policies and use the results to refine its design.

Re-evaluate EAC2 and EAC3 by applying the IEO's recommendations on *Exceptional Access Policy*. Staff and the Board should subject Argentina's '*grey zone*' case to greater scrutiny and demonstrate a path towards debt sustainability that is highly likely to be robust in the face of shocks and does not depend on an adjustment which, by undermining growth, tax revenue, investment, employment or social stability, creates new risks to sustainability itself. The assessment must also consider whether the foreign exchange generated is effectively translated into reserves and repayment capacity, and establish clear criteria for evaluating a sustainable return to the markets.

Re-evaluate EAC4 and the social and institutional sustainability of the programme. Implementation capacity should not be equated with the Government's ability to pass reforms. Staff and the Board should consider how the adjustment and its effects on employment, incomes, inequality, public services and state capacities affect the programme's sustainability, including the risk that pro-cyclical fiscal responses may exacerbate '*reform fatigue*'. This also requires a concept of ownership that goes beyond the will of the authorities and incorporates social dialogue, as civil society organisations have previously called for.

Incorporate the risks of changes in the productive structure into the macroeconomic and debt sustainability framework. Growth, balance of payments and debt projections — and the EAC2 and EAC3 assessments based on them — should take into account not only the expected increases in energy and mining exports and investment, but also foreign exchange outflows, the tax expenditures associated with the RIGI, low job creation, exposure to international prices and the weakening of state capacities associated with this strategy.

Previous reports:

Argentina under IMF Orthodox Adjustment Policy (2024).

The situation in Argentina and the agreement with the IMF: perspectives from civil society (2024).

The situation in Argentina: institutional weakening and negotiations with the International Monetary Fund (2025).

The IMF and Argentina: a new agreement, the same problems (2025).

Argentina and the IMF: a highly unstable stabilisation (2026).

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