



Auditoría General de la Nación

PUBLIC DEBT

ARRANGEMENT WITH THE

INTERNATIONAL MONETARY FUND

IMPACT ON SOLVENCY AND SUSTAINABILITY

SPECIALIZED AUDIT OF PUBLIC DEBT

AUDITED PERIOD: 2018 – 2019

Record No. 294/2020

Public Debt Control Management
May 2023



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Acronyms and Abbreviations

AGN: *Auditoría General de la Nación* / National Audit Office (**AGN**)

ABN: *Ahorro Bruto Nacional* / National Gross Savings (**NGS**)

APN: *Administración Pública Nacional* / National Public Administration (**NPA**)

ASB: *Acuerdo Stand By* / Stand-By Arrangement (**SBA**)

ASD: *Análisis de Sostenibilidad de la deuda* / Debt Sustainability Analysis (**DSA**)

BCRA: *Banco Central de la República Argentina* / Central Bank of the Republic of Argentina

BM: *Banco Mundial* / World Bank (**WB**)

CC: *Convenio Constitutivo del FMI* / IMF's Articles of Agreement (**AA**)

CCyC: *Código Civil y Comercial* / Argentine Civil and Commercial Code

CGN: *Contaduría General de la Nación* / National Accounting Office

CI: *Carta de Intención* / Letter of Intent (**LOI**)

CSCDP: *Comisión de Supervisión de Control de la Deuda Pública* / Supervisory Commission for Public Debt Control

DA: *Decisión Administrativa* / Administrative Decision

DADP: *Dirección de Administración de Deuda Pública* / Public Debt Management Office

DEG: *Derechos Especiales de Giro* / Special Drawing Rights (**SDR**)

DGAJ: *Dirección General de Asuntos Jurídicos* (ME) / Department of Legal Affairs

DNI: *Dirección Nacional de Impuestos* / National Office of Taxes

DPI: *Indicador de deuda pública* / Public Debt Indicator (**PDI**)

e-SIDIF: *Sistema Integrado de Información Financiera Internet* / Internet Integrated Financial Information System

FMI: *Fondo Monetario Internacional* / International Monetary Fund (**IMF**)

DNIP: *Dirección Nacional de Inversión Pública* / National Office for Public Investment

DNFOIC: *Dirección Nacional de Proyectos con Organismos Internacionales de Crédito* / National Office for Projects with International Credit Institutions

DNEF: *Dirección Nacional de Estrategia del Financiamiento* / National Office of Financing Strategy

GDE: *Sistema de Gestión Documental Electrónica* / Electronic Document Management System

INDEC: *Instituto Nacional de Estadísticas y Censos* / National Institute of Statistics and Censuses

JGM: *Jefe de Gabinete de Ministros* / Chief of the Ministers Cabinet

LPA: *Ley de Procedimientos Administrativos* / Argentine Law of Administrative Procedures

MECON: *Ministerio de Economía* / Ministry of Economy



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MET: *Memorándum de Entendimiento Técnico* / Technical Memorandum of Understanding (TMU)

MF: *Ministerio de Finanzas* / Ministry of Finance

MH: *Ministerio de Hacienda* / Ministry of the Treasury

MHyFP: *Ministerio de Hacienda y Finanzas Públicas* / Ministry of the Treasury and Public Finance

MPEF: *Memorándum de Políticas Económicas y Financieras* / Memorandum of Economic and Financial Policies (**MEFP**)

OGD: *Oficina de Gestión de la Deuda* / Debt Management Office (**DMO**)

ONCP: *Oficina Nacional de Crédito Público* / National Office of Public Credit

ONP: *Oficina Nacional de Presupuesto* / National Budget Office

PEN: *Poder Ejecutivo Nacional* / Argentina National Executive Branch

PF: *Programa financiero* / **FP:** Finance Program

DALI: *Dirección de Asuntos Legales Internacionales* / International Legal Affairs Department

POA: *Plan operativo anual de la Auditoría General de la Nación* / Annual Operation Plan of the National Audit Office (**AOP**)

PTN: *Procuración del Tesoro de la Nación* / National Treasury Attorney's Office

SAF: *Servicios de administración financiera* / Financial Administration Services

SF: *Secretaría de Finanzas* / Secretariat of Finance

SIGADE: *Sistema de Gestión y Análisis de la Deuda* / Debt Management and Financial Analysis System (**DMFAS**)

SIGEN: *Sindicatura General de la Nación* / General Accounting Office

SSF: *Subsecretaría de Financiamiento* / Undersecretariat of Finance

SPE: *Secretaría de Política Económica* / Secretariat of Political Economy

SLyA: *Secretaría Legal y Administrativa (del MEyFP)* / Legal and Administrative Secretariat

DGD: *Dirección de Gestión Documental* / Document Management Division

DCOCPyS: *Departamento de Control de Operaciones de Crédito Público y Sustentabilidad* / Department of Control of Public Credit Operations and Sustainability

DAF: *Dirección de Análisis del Financiamiento* / Office of Financing Analysis

TC: Tipo de cambio / Exchange Rate (**EXR**)

TP: *Títulos Públicos* / Government Bonds (**GB**)



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UAI: *Unidad de Auditoría Interna* / Internal Audit Unit (**IAU**)

UEF: *Unidad de Evaluación del Financiamiento* / Financing Evaluation Unit (**FEU**)

UNCTAD: United Nations Conference on Trade and Development /

DNAYCI: *Dirección Nacional de Asuntos y Controversias Internacionales* / National Office for International Matters and Controversies

LAF: *Ley 24.156 de Administración Financiera y los Sistemas de Control del Sector Público Nacional*

/ Argentine Law 24,156 of Financial Administration and Control Systems of the National Public Sector (“LAF”)

OCSAF: *Órgano Coordinador de los Sistemas de Administración Financiera* / Coordinating Body for Financial Administration Systems

INTOSAI: International Organization of Supreme Audit Institutions / *Organización Internacional de las Entidades Fiscalizadoras Superiores*

ISSAI: International Standards of Supreme Audit Institutions / *Normas Internacionales de Entidades Fiscalizadoras Superiores*

DeMPA: Debt management performance assessment / *Metodología de la herramienta de evaluación del desempeño en la gestión de la deuda*

DPIF: *Dirección de Programación e Información Financiera* / Programming & Financial Information Department

SSRFI: *Subsecretaría de Relaciones Financieras Internacionales* / Undersecretariat for International Financial Relations

DNFOIC: *Dirección Nacional de Financiamiento con Organismos Internacionales de Crédito* National Office of Financing from International Financial Organizations

DACLyT: *Dirección de Asuntos Contractuales, Legislativos y Tributarios (del MH)* / Office of Contractual, Legislative and Tax Affairs

GPEJ: *Gerencia de Personal y Escalafón Judicial (del BCRA)* / Department of Personnel and Judicial Staff Management

DAAEPyFP: *Dirección de Asuntos Administrativos, Empleo Público y Finanzas Públicas* / *Office of Administrative Affairs, Public Employment and Public Finance*

DOCP: *Dirección de Operaciones de Crédito Público* / Office of Public Credit Operations

DDADF: *Dirección de Análisis del Financiamiento* / Office of Financing Analysis

DADP: *Dirección de Administración de la Deuda Pública* / Office of Public Debt Management



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GEDO: *Generador Electrónico de Documentos Oficiales* / Electronic Generator of Official Documents

TAD: *Trámites a Distancia* / Remote Procedures Platform

SMA: *Secretaría de Modernización Administrativa* / Secretariat of Administrative Modernization

LI: *Letras Intransferibles del Tesoro* / Non-transferrable Treasury Bills

CARyFP: *Coordinación de Análisis de Riesgos y Programación Financiera* / Coordination of Risk Analysis and Financial Programming

SPN: Sector Público Nacional / National Public Sector (**NPS**)

OIC: *Organismos Internacionales de Crédito* / International Financial Institutions (**IFI**)

DIF: Dirección de Informaciones Financieras / Financial Information Office

SSRFI: *Subsecretaría de Relaciones Financieras Internacionales* / Undersecretariat for International Financial Relations



Auditoría General de la Nación

TO THE MINISTER OF ECONOMY

Dr. Sergio Tomás MASSA

TO THE GOVERNOR OF THE

BANCO CENTRAL DE LA REPÚBLICA ARGENTINA

Lic. Miguel Ángel PESCE

Pursuant to the authorization conferred by Section 118 of Law No. 24,156, the National Audit Office ("AGN") has conducted an audit of the Ministry of Economy ("ME") (former Ministry of Finance and former Ministry of the Treasury) and of the Central Bank of Argentina ("BCRA"), with the purpose detailed below.

1. SUBJECT MATTER

“Public Debt - Arrangement with the IMF. Impact on Solvency and Sustainability”

2. OBJECTIVES

The main audit question was: Was the SBA arrangement undertaken within due diligence processes and procedures that ensure efficiency and effectiveness in debt management?

Based on the question posed and the risks detected, the objectives have been defined as follows:

Objective 1: Evaluate whether the borrowing process from the IMF complied with national laws and followed sound international practices.

Objective 2: Evaluate whether the management process of the IMF loan was efficient, effective and transparent based on national standards and sound international practices.

Sub-Objective 1: Determine whether the steps followed by the manager within the borrowing process are homogeneous, contemplate the interventions of critical areas, and are transparent.



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Sub-Objective 2: Determine whether the advice¹ included in the actual process was efficient and effective.

Sub-Objective 3: Determine whether the process for managing the IMF loan ensures effectiveness/accountability and avoids misuse of funds.

Objective 3: Verify whether the creditor-debtor relationship was within the framework of UNCTAD Principles.

Objective 4: Determine the impact of the Stand-By Arrangement on the solvency and sustainability of the debt.

3. SCOPE

This assessment is prepared pursuant to the authority conferred by Section 118 of Law 24,156, and in accordance with the provisions of the Government External Auditing Standards of the National Audit Office approved by Resolution No. 26/15-AGN, the Standards applicable to Specialized Audit of Public Debt (Resolution 188/16), the Standards for Control of Government Compliance (Resolution 187/16), the Standards for External Auditing of Government Management (Resolution 186/16) and the standards and best practices applicable to specialized auditing.

a) Audited period

The audited period of time is from 01 January 2018 to 31 December 2019².

Fieldwork started on 25 August 2020³ and ended on 13 October 2022.

b) Criteria

- National Constitution;
- Law 24,156 on Financial Administration and Control Systems of the National Public Sector (“LAF”) and Regulatory Decree 1344/07 thereof;
- Law 19,549 on Administrative Procedure;

¹ Legal advice and advice in terms of cost/risk.

² According to Annual Operation Plan (“AOP”) 2020, Resolution 176/19.

³ Authorization to commence work through Minutes 115/2020 of the “CSCDP” (Supervisory Commission for Public Debt Control).



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- Law 11,672, Supplementary Budget Law;
- Resolution 108/09 of the Ministry of Economy and Public Finance, Administrative management circuit for the approval and signing of loan arrangements or contracts with International Credit Organizations;
- Law 20,305 on Sworn Translators;
- Articles of Agreement (Decree Law 15,970/56 - added by Law 25,939 legal digest), IMF: Article VI, Section 1;
- Decree 2/17, Law on Ministries;
- Decree 32/17, National Public Administration;
- Administrative Decision 309/18, Ministry of Finance, Administrative Structures;
- Law 26,097, United Nations Convention Against Corruption;
- Debt management performance assessment (DeMPA) of the World Bank:
- DPI-1: Legal Framework. The existence, coverage, and content of the legal framework on authorization to borrow and undertake other DeM activities and to issue loan guarantees;
- DPI-2: Managerial Structure;
- DPI-6 - Coordination with Fiscal Policy, Dimension 2. Availability of key macro variables, an analysis of debt sustainability, and the frequency with which it is undertaken;
- DPI-7 - Coordination with Monetary Policy, Dimension 2. Coordination through regular information sharing on current and future debt transactions and the central government's cash flows with the central bank;
- DPI 9 – External Borrowing,
 - Dimension 1. Documented assessment of the most beneficial or cost- effective borrowing terms and conditions (lender or source of funds, currency, interest rate, and maturity) and a borrowing plan.
 - Dimension 2. Availability and quality of documented procedures for external borrowings.
 - Dimension 3. Availability and degree of involvement of legal advisers before signing of the loan contract.



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- UNCTAD, Principles on Promoting Responsible Sovereign Lending and Borrowing:
Preamble: (paragraph 3)
 1. Agency
 2. Informed Decisions
 3. Due Authorization
 4. Responsible credit decisions
 5. Project financing
 8. Agency
 9. Binding Agreements
 10. Transparency
 11. Disclosure and Publication
 13. Adequate Management and Monitoring
- GUID 5250, 54
- Guidelines revised for public debt management, IMF 2014:
 - No. 3.1 Institutional Framework. Governance
 - No. 3.2 Appropriate legal advice
 - No. 11 Debt management objectives and coordination
 - No. 43 Backing up by an accurate and complete information management system
 - No. 45 Adequate legal advice and ensuring that the transactions carried out involve appropriate legal features
 - No. 51 Debt strategy
- Agreement entered into between the Ministry of the Treasury (MH) and the BCRA;
- Office of the National Treasury Attorney (Opinion 298-313);
- Specific criteria were established for the objective: The SBA has a significant impact on debt sustainability if it adversely affected the debt structure⁴.

⁴ Adverse impact on the debt structure occurs when the borrowing taken significantly increased the composition of foreign currency and variable rate debt, the reduction of the duration of the debt, the amount issued, and the concentration in one type of creditor.



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c) Procedures

The following is a list of the general procedures applied in the implementation tasks:

- Analysis of transaction files processed at the Ministry of Economy (former MH and former MF).
- Analysis of applicable regulations.
- Analysis of responses and documentation obtained from the audited entities.
- Analysis of the participation of the areas that ought to have intervened according to their regulatory duties. Identification of the participating areas in the actual process.
- Verification of an existing analysis in terms of financial costs/risks of funding and of solvency/sustainability at the time of the decision to request the IMF loan.
- For the analysis of the debtor-creditor relationship using UNCTAD Principles, elaboration of guiding questions for each of the Principles selected as criteria, analysis of information provided identifying lender and borrower exchanges.
- Determining the existence of a formalized process for IMF transactions negotiation and authorization at the time of the signing of the Arrangement.
- Identification of the actual process for both auditees (BCRA and MH):
 - Process prior to the signing (design, negotiation, and signing of the Arrangement).
 - Process for updates and reviews.
 - Process after the signing (implementation of the Arrangement).
- Analysis of the homogeneity of the actual process carried out in every instance.



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- Verification of compliance with the applicable provisions regarding use and application of funds as to accountability to the IMF as set forth for in the MH-BCRA Agreement.
- Analysis with respect to the measures set forth in the Articles of Agreement on capital outflows.
- Analysis of the impact on debt sustainability.

d) Audit approach. Relevance of the transaction management process

The object and the main audit issue determined a methodological approach to the monitoring work resulting from combining the specific technical approach to the audited subject matter provided for in Res. AGN 188/16 and the compliance (Res. AGN 187/16) and management (Res. AGN 186/16) monitoring procedures.

The combined *compliance/management* monitoring within the frame of the standards applicable to specialized auditing, sought to evaluate the efficiency and effectiveness of the processes used to carry out the IMF borrowing transactions and the compliance with the rules and sound public debt management practices. Within this context and based on the risks detected, a *process* and *problem* oriented management monitoring approach was selected. Aspects related to compliance control are addressed from the *regularity* and *integrity* approaches, which allows to adjust the task to the specialized monitoring, determining not only the compliance with formal regulations, but also with those aspects that can promote improvements in the debt management and its transparency.

The definitions established in Res. 188/16-AGN are used to evaluate the aforementioned performance dimensions, as transcribed below:

Efficiency

The audit examines the links between the resources or funds used and the specific objectives achieved in debt management activities. The main question in an efficiency audit is: Have the objectives of public debt management been achieved in a cost-effective manner? Efficiency in public debt is a common max-min problem. That is, maximizing the attainment of public debt resources while minimizing costs considering the risk.



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Effectiveness

In an effectiveness audit, the auditor evaluates whether debt management achieved its objectives and obtained the intended results.

Regarding the adoption of a combined *process* and *problem* approach⁵, the former serves the purpose of enabling a comprehensive understanding of the way in which a Public Administration program or system works. The process-oriented approach does not focus primarily on policy or objectives, but on the proper functioning of government systems as a condition for effective and efficient policies.

In this context, and in line with the constitutional mandate of our Institution (Section 85 of the National Constitution) and the objectives of External Governmental Monitoring, performance/management auditing "promotes accountability by assisting those responsible for governance and supervision duties to improve performance. It does so by assessing whether the decisions of the legislature or the executive branch are prepared and implemented efficiently and effectively, and whether taxpayers or citizens have received fair value for their money. This does not question the intentions and decisions of the legislature, but examines whether deficiencies in laws and regulations or their method of implementation have prevented the achievement of the objectives. Performance auditing focuses on areas where it can add value to citizens, and where the potential for improvement is greatest. It provides constructive incentives for responsible parties to take appropriate action. Performance auditing promotes transparency by providing parliament/congress, taxpayers and other funding sources, target groups of government policies, and media, an overview of the management and the results of the government's various activities. In doing so, it makes a direct contribution by providing useful information to the citizens while serving as a basis for learning and improvement..."⁶

⁶ ISSAI 300, 12. Objectives of Performance Auditing.

⁵ The approach of a performance auditing, in general, may be process-oriented, result-oriented or problem-oriented, or a combination of them (Standards for External Government Management Monitoring, Res. AGN 186/16, item II.B.3: "Approach to performance auditing").



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On the other hand, the problem approach "is used when there is a hint of a problem and it is the starting point, and therefore, the audit consists of verifying its existence in order to analyze its causes and identify feasible measures to reduce or eliminate such problem. In this case, the causes of the selected problem are analyzed in a cause-effect correlation"⁷. In this context, it is considered a problematic situation that Argentina undertook negotiations with the International Monetary Fund, given the difficulty of meeting the commitments assumed under the original terms and conditions of the SBA. In this sense, the relative importance of the amount of the SBA loan with respect to the total debt, increased its vulnerability and heightened the risks derived from the debt structure, as it increased the percentage share of short-term, floating-rate foreign-currency-denominated debt. This supports the selection of the combined approach, as an assessment of a series of key actions as components of a process (plan, consult, evaluate) that, in light of the current situation, guide the monitoring work to verify whether the borrowing has been managed efficiently and effectively, and to indicate whether there are opportunities for improvement for future transactions.

The risks detected⁸ - particularly, the absence of procedure manuals and/or formal evaluation processes - and the auditee's responses⁹ determined that the analysis of the

⁷ Standards for External Government Management Monitoring, Res. AGN 186/16, item II. B. 3.

⁸ The lack of manuals and instructions raised the existence of risks that may impact the management of this type of loan. During the planning stage, the following risks were pointed out:

- Risk that the SBA loan does not have formally established procedures that structure the work flow in a predictable manner and according to an adequate design, with appropriate audit references, also ensuring the participations of critical areas (such as an analysis of the risks and costs and their implication in the borrowing).
- Risk of not being able to accurately determine the applicable regulatory frame; risk of not having authorizations, participations and evaluations that ensure the feasibility of the committed objectives.
- Risk of not having the legal powers to sign the arrangement, thus being subject to nullity.
- Risk of not having due authorization of the transactions and interjurisdictional coordination, and of not having all the corresponding actions due to the lack of manuals and standardization of processes.

⁹ "...it should be noted that, in all cases, the form of entering into these arrangements has been the one used for such cases (...)" Response given by the Ministry of Economy via NO- 2021-90300089-APN-SLYA#MEC in response to AGN Note 665/21 A-05.



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process should be approached from several angles, considering - under the combined approach - the application of the "according-to the-rules" process¹⁰, i.e. the one that should be applied insofar as the loan with the IMF is a *multilateral* loan, according to the recognition by the National Public Administration in different account renderings (investment account). The approval procedure for multilateral indebtedness in general (classification corresponding to IMF loan), is the one set forth in Resolution MEyFP 108/09, which approves the "Administrative Action Circuit of the Ministry of Economy and Public Finance for the Approval and Signing of Loan Arrangements or Contracts with International Credit Organizations."

In addition, and in order to cover not only the evaluation of the compliance with regulations, but also the possibility of making recommendations adding value over management, the participation of areas with critical functions, according to their competence, was analyzed. Finally, the "actual process" perspective was addressed, i.e. the process actually carried out by the auditee, which is not standardized.

Regarding compliance monitoring, Res. AGN 187/16 states: "The purpose of Compliance Audits is to evaluate whether the activities, financial transactions, and/or information prepared comply, in the relevant aspects, with the legal and regulatory provisions that govern or regulate the audited entity, body, organization, program, project, activity, or governmental matter".

The aspects related to compliance monitoring are approached using the regularity and integrity approaches, allowing to adjust specialized monitoring tasks, not only to determine compliance with formal regulations, but also with those aspects that may promote improvements in the debt management guidelines and their transparency.

¹⁰ Confr. "Process Mapping", in Performance Auditing Techniques, *Instituto Serzedello Corrêa*, TCU (Brazil). This document contains the following definition: *Actual Process* - An actual process is one that is being carried out, which already constitutes a work routine. *Process According to the Rule* - It is that process that is typified, that is, one that already has guidelines on how it should be conducted. *Ideal Process* - It is the process considered to be the recommended method to promote performance improvements.

To avoid confusion, it should be made clear that the term "specific process" does not refer to an ideal process, but to a standardized process (as a measure to make it "equivalent" to that applicable to multilateral loans -Res. 108/09- and therefore to replace the process corresponding to the type of loan) and applicable only to transactions with the IMF.)



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4. PRELIMINARY NOTES

a) The Arrangement

Argentina entered into a Stand-By Arrangement (hereinafter, the "SBA") with the IMF in June 2018, which was amended in October 2018, resulting in the addendum to the Arrangement¹¹. The Arrangement was signed by the Minister of the Treasury (MH) and by the Governor of the Central Bank of the Argentine Republic (BCRA).

Notably, the Letter of Intent (hereinafter, the "LOI") published by the current Ministry of Economy is dated 12 June 2018, which date is prior to the date of approval of the Arrangement (20 June 2018)¹².

i. Documents of the Arrangement

The documents of the Arrangement consist of 3 parts: Letters of Intent, Memorandum of Economic and Financial Policies (MEFP) and a Technical Memorandum of Understanding (TMU)¹³.

¹¹ Publicly available versions are available on MECON's website at: <https://www.argentina.gob.ar/economia/finanzas/deudapublica/cartadeintencionmemorandumdepoliticaseconomicas>

¹² IMF PRESS RELEASE NO. 18/245 - IMF Web, available at: <https://www.imf.org/es/News/Articles/2018/06/20/pr18245-argentina-imf-executive-board-approves-us50-billion-stand-by-arrangement>. This date is the date proposed by Argentina in the LOI of 12 June 18 for the approval of the Program.

¹³ With regard to the documents that make up the Arrangement, it should be made clear that in response to repeated requests to "provide definitive and approved versions of the Stand-By Arrangement signed", the auditee sent documentation containing different versions of the Letters of Intent and attached Memoranda, and no separate document referred to as "Stand-By Arrangement" was found. The reason for this remark is that in the History of Arrangements published by the BCRA, previous arrangements containing this document were found (2003, 1996, 1991, 1989). However, a content control shows that the current set (Letter and Memoranda) is similar to the previous versions that contained this document separately. No further explanations were found in the files reviewed. The auditee replied "...it seems appropriate to state that, in all cases, the signing of these agreements has been done in the usual way; that is, not through the signing of a single document by the parties but through the signing of the respective letter of intent by the competent Argentine authorities and the subsequent approval by the board of directors of the international financial institution" (NO-2021-90300089-APN-SLYA#MEC in response to the AGN Note 665/21 A-05).

The content of the letter and memoranda is as follows:

- **Letter of Intent** addressed to the Managing Director of the IMF, describing the program and the authorities' willingness to obtain financing, and context for such request.
- **ATTACHMENT I. Memorandum of Economic and Financial Policies ("MEFP")**, describing the economic objectives and policies of the government of Argentina for 2018 and beyond. It consists of several sections: A. Fiscal Policy, B. Protecting the Most Vulnerable, C. Supporting Gender Equity, D. Monetary Policy, Debt Management (in October 2018), E. Banking Sector, F. Economic Outlook Supporting the Program, G. Supply-Side Policies, Meeting Government Funding Needs (October 2018).



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Regarding the modification of the original Arrangement signed on 12 June 2018 between the Ministry of the Treasury (MH) and the IMF, which resulted in the addendum of October 2018, the ME (Ministry of Economy) was requested to detail the background to the modification and to state the reasons for such modification. In response, the Secretariat of Finance replied via the ONCP (National Office of Public Credit), explaining that said agency had not intervened in the matter requested¹⁴.

Complementary to the Arrangement, an Agreement is signed between the Ministry of the Treasury (MH) and the BCRA (dated 19 June 2018, and its subsequent addendum on 5 November 2018), referring to their respective responsibilities in relation to the Stand-By Arrangement between the Republic of Argentina and the IMF¹⁵. Issues concerning the use of funds related to the financing of the national budget, to the recording of the debt with the IMF, and to the repayment of such financing are established. The term of the Arrangement is extended until all foreign currency purchases under the SBA are fully repaid (MH-BCRA Agreement, Article 4).

Regarding the amendment to the Agreement between the BCRA and the MH that resulted in the addendum of October 2018, the BCRA¹⁶ was requested to detail the background and indicate the reasons for such amendment. In its reply, the entity did not provide an explicit answer with respect to the background that supported the amendment and/or the reasons therefor, and it attached a file¹⁷ containing the administrative actions taken at the BCRA for the signing and creation of such action (amended Agreement), and no records were found in the file to respond to the request of the acting audit team.

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- **ATTACHMENT II. Technical Memorandum of Understanding (TMU)**, which establishes the understanding on the definitions of the Quantitative Performance Criteria (QPCs), Indicative Targets (ITs) and consultation clauses, to be applied under the Stand-By Arrangement, as specified in the Memorandum of Economic and Financial Policies (MEFP) and its accompanying tables. It also describes the methods to be used to assess program compliance and the reporting requirements to ensure adequate monitoring of objectives.

¹⁴ NO-2020-91140043-APN-ONCP#MHA, response to the Note AGN 676/20 to the SF (Secretariat of Finance), question 8.

¹⁵ CONVE-2018-00158547-GDEBCRA-P#BCRA and CONVE-2018-00276569-GDEBCRA-P#BCRA.

¹⁶ Reply to Note AGN 674/20 to the BCRA, question 7, by Email dated 22 December 2020.

¹⁷ EX-2018-00268613- -GDEBCRA-SD#BCRA, referring to the "Amendment to the Agreement between the Ministry of the Treasury and the Central Bank of the Argentine Republic, on the respective responsibilities of the Ministry of the Treasury and the Central Bank of the Argentine Republic in connection with the Stand-By Arrangement between the Republic of Argentina and the International Monetary Fund".



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Regarding the approval of the MH-IMF Arrangement and the IMF and the MH-BCRA Agreement and their respective addenda, there were no administrative acts approving them, as it is done in lending transactions with multilateral lending institutions (Law, Decree, and other regulatory acts involved).

It should be made clear that the amounts received from the IMF loan under the SBA represent an external debt of the Republic of Argentina under the terms of the Financial Administration Law. In addition, the BCRA states that “*the BCRA is the financial agent of the National Government. It participates in the signing of the Agreement, as the President of the entity is the Alternate Governor to the IM., and it then monitors the compliance with the undertakings binding it regarding the goals set and the disbursement and repayment of the Arrangement.*”^{18,19}. Similarly, the BCRA's General Audit Office informed that no audit procedures have been conducted, since the arrangement was between the Ministry of Economy and the IMF, and pointed out that the BCRA has signed the letter of intent in its capacity of Alternate Governor before the IMF and acting as the Government's Financial Agent²⁰.

ii. Objectives set forth in the Letters of Intent published on the ME's website

The table below shows the objectives proposed by Argentina in the LOIs published on the website of the Ministry of Economy (12 June 2018 and 17 October 2018):

¹⁸ Reply to Note AGN 674/20, question 4.

¹⁹ Its role as financial agent is set forth in Law 24,144, Charter of the Central Bank of the Argentine Republic. As regards disbursements and payments of the SBA, following instructions from the MH, it is in charge of making payments in accordance with the payment schedule and IMF procedures. (MH-BCRA Agreement, Article 3).

²⁰ Reply to Note AGN 675/20.



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Table No. 1

Comparison of the objectives in the Letters of Intent

	First Letter of Intent, dated 12 June 2018	Second Letter of Intent, dated 17 October 2018
Objectives	<p>*Restore market confidence through macroeconomic policies that reduce the national government's financing needs and place our public debt on a steady downward path.</p> <p>* Strengthen the BCRA's institutional and inflation targeting framework by reinforcing its autonomy and by establishing a realistic inflation path, which takes into account the implications of recent market volatility but, nevertheless, seeks to bring inflation down to single digits by the end of 2021.</p> <p>* Reduce tensions in our balance of payments by allowing the exchange rate to operate flexibly as a shock absorber, increasing our international reserves, decreasing our current account deficit, and reducing our external financing needs.</p> <p>* Protect the most vulnerable sectors from the burden of this necessary recalibration of economic policy.</p> <p>*The ultimate goal of this plan is to boost economic activity, create new jobs, improve the attractiveness of investing in our economy, reduce poverty, improve social cohesion, and raise the living standards of all Argentines.</p>	<p>This memorandum supplements and updates the Memorandum on Economic and Financial Policies dated 12 June 2018.</p> <p>* Fully restore market confidence through macroeconomic policies to lower the national government's financing needs and place our public debt on a steady downward path.</p> <p>* Redesign the BCRA's policy strategy and strengthen its institutional framework to ensure that inflation drops to single digits by 2021.</p> <p>* Reduce tensions in our balance of payments by allowing our exchange rate to operate flexibly as a shock absorber, increasing our international reserves, decreasing our current account deficit, and reducing our external financing needs.</p> <p>* Protect the most vulnerable sectors from the burden of this necessary recalibration of economic policy.</p> <p>(This objective disappears.)</p>

Source: Compilation based on letters of intent

iii. Terms and Conditions of the Arrangement

The main terms and conditions of the funding granted are summarized below:

Table No. 2

Main terms and conditions of the Stand-By Arrangement signed in 2018

Stand-By Arrangement Factsheet	
Term	36 months (3 years)
Currency	SDR
Rate (2)	<p>1) The SDR interest rate determined by the market -at a minimum level of 5 basis points- plus a margin (currently 100 basis points), jointly representing the basic rate of charge, and</p> <p>2) Surcharges, which depend on the amount and the repayment term of the loan. A surcharge of 200 basis points is paid on the outstanding loan amount exceeding 187.5% of quota. If the loan remains above 187.5% of quota after three years, this surcharge rises to 300 basis points. These surcharges are intended to discourage a significant and lengthy use of IMF resources.</p> <p>The surcharge that Argentina will actually have to pay is not specified in the signed Arrangement or in any other published source of information.</p> <p>The DMFAS only states "IMF+2 surcharge rate" for the first 3 years and "IMF+3 surcharge rate" for the remaining period. Interest payment dates are in February, May, August and November.</p>
Total amount (SBA)	<p>SBA 06/18: SDR 35.379 billion (approx. US\$ 50 billion, or 1110 % of Argentina's IMF quota).</p> <p>Half would be used as budget support, while the remaining tranches would be treated as precautionary.</p>



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	SBA 10/18: SDR 40.714 billion (approx. US\$ 57 billion), or 1277 % of Argentina's IMF quota). It is requested that the full amount available under the programme be disbursed and that all tranches may be used as budget support, without considering precautionary tranches.		
Amount disbursed (DMFAS) (1)	DMFAS Registration Date	SDR Amount	Amount in Bn. US\$
	22 Jun 2018 - 1 st disbursement (tranche #1)	10.613710 Bn. SDR	14.719 Bn. US\$
	30 Oct 2018 - 2 nd disbursement (tranche #2)	4.100 Bn. SDR	5.686 Bn. US\$
	21 Dec 2018 - 3 rd disbursement (tranche #3)	5.500 Bn. SDR	7.627 Bn. US\$
	09 Apr 2019 - 4 th disbursement (tranche #4)	7.800 Bn. SDR	10.785 Bn. US\$
	16 Jul 2019 - 5 th disbursement (tranche #5)	3.900 Bn. SDR	5.393 Bn. US\$
	Total	31.913710 Bn. SDR	44.210 Bn. US\$
Amortization (2)	Amortization begins 3¼ to 5 years after disbursement, which means that each disbursement is repaid in eight equal quarterly payments starting 3¼ years after the date of each disbursement. The amortization schedule of the tranches disbursed can be seen in the DMFAS, starting 3¼ years after the disbursement of each tranche.		

Source: Compilation based on the Ministry of Economy, DMFAS and IMF.

Note: (1) Disbursements from the account statement are obtained from DMFAS

(2) Rate and amortization data are from IMF factsheets

(<https://www.imf.org/es/About/Factsheets/Sheets/2016/08/01/20/33/Stand-By-Arrangement>)

The amount of financing differs between the June Arrangement and its October addendum, with the latter being 15% higher. This reflects a greater need for short-term funding (given the term of the Arrangement) and in foreign currency.

It should be noted that the wording of the Arrangement does not detail in full the conditions of the loan: while the amount, term, and currency are provided in the letter of intent, no express indication is given in the arrangement as to the rate and amortization, which were found in the IMF's factsheets. On the other hand, the DMFAS reports include the amount, currency, term, a theoretical flow of refunds, and the theoretical rate (IMF charge rate plus a margin)²¹. However, these reports are not publicly available, but can only be accessed upon request to the Ministry or by accessing the management software. The ME provided some explanation on the conditions of the loan²²; however, these aspects are not contained in the files or in the written document of the signed Arrangement, and are not publicly available, thereby hindering recalculation, monitoring, and transparency.

²¹ The Debt Management and Financial Analysis System (DMFAS) is a computerized debt management software system derived from UNCTAD's support to developing countries. The reports referred to are the amortization tables and statements for each tranche (disbursements) of the loan.

²² In connection with these concepts, the SF (under Proceeding 449/19) indicated as follows:

- *Rate:* "the rule is that a surcharge of 100 basis points must be paid on the amount of the outstanding loan not exceeding 187.5% of quota, and 200 basis points on the amount exceeding that limit. The SDR rate value is fixed on a weekly basis. Consequently, for each week a corresponding value must be applied, until the quarter is completed. The calculation method is present/present. The interest period begins on the first day of each quarter and is applied until the day before the last day of the quarter, and interest is accrued until the day before the maturity month, regardless of when it is paid".

- *Maturity dates:* Maturity dates fall in February, May, August and November of each year. IMF does not send an invoice, as the rest of the creditors generally do; it sends a SWIFT message to the BCRA indicat-



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iv. Exceptional Access

A country's quota in the IMF serves, among other purposes²³, to establish the maximum amount of financing a member country can obtain from the IMF. Under normal access conditions, cumulative access over the duration of the program is up to 435% of its new quota (net of repayments)²⁴.

At the time of signing, the quota amounted to SDR 3.187 billion. The amounts requested in the Letters of Intent of June and October 2018 were far above the normal access limit. Then, while the amounts actually disbursed were lower than those intended in the letters and this resulted in a lower percentage over quota, the amount actually disbursed also exceeded the normal access limit.

Table No. 3

Relative importance of the IMF loan with respect to Argentina's quota

	2018	2019
2013-2020 Argentina's Quota (SDG Bn.)	3.187	
Amount requested in Letter of Intent (in SDR billion)	35.379	40.714
<i>% on quota</i>	1110%	1277%
Amount of IMF loan effectively disbursed (DMFAS) (in SDR billion)	20.214	31.914
<i>% on quota</i>	634%	1001%
Limit on IMF lending under normal access conditions	<i>In %</i>	435%
	<i>In Bn. SDR</i>	17.052
<i>Excess over limit (percentage points)</i>	199	566
<i>Excess over limit (in SDR billion)</i>	3.162	14.862

Source: Compilation based on DMFAS and IMF website

ing the date and amount to be paid, the day before the due date. The BCRA notifies this via email to the Ministry. The payment date is determined by the Fund itself and may be any date between the 1st business day and the 10th business day of the maturity month (the payment is usually made on the 6th day of the month). They also point out that the BCRA does not recalculate the amount to be paid stated by the IMF and that it only requests the payment note to authorize the debit.

- *Payment adjustment*: Since the payment must be prepared well in advance, an estimated amount is submitted for payment with a due date on the first business day. Once the definitive amount and date are known, the corresponding adjustment is made in the *e-SIDIF* (Internet Integrated Financial Information System) of the payment note.

²³ <https://www.imf.org/es/About/Factsheets/Sheets/2016/07/14/12/21/IMF-Quotas>

²⁴ <https://www.imf.org/es/About/Factsheets/Sheets/2016/08/01/20/33/Stand-By-Arrangement>



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According to what has been published by the IMF, the IMF may lend funds above the normal limits on a case-by-case basis within its exceptional access policy, which implies a more rigorous analysis by its Executive Board. Nevertheless, no record of the IMF's analysis of the exceptional grant to Argentina has been recorded in the files, nor is there any mention of it in the SBA.

v. *Charges and Services*

According to the IMF factsheet, an initial fee is charged for Stand-By Arrangements at the beginning of each 12-month period for amounts that could be drawn down during the period. In the case of Argentina, given the loan's percentage of quota, it would be 60 basis points (a value for amounts exceeding 575% of quota). These charges are returned pro rata if the amounts are drawn during the relevant period. Additionally, a service charge of 50 basis points is applied on each amount used. No information on payments for these charges and fees appears in the disclosed information.

The following table shows the amounts disclosed by the Ministry of Economy as payments for charges and fees:

Table No. 4

Accrued amounts of item 7.2.8 in Argentine pesos (budget line item of expenditures related to DMFAS 29510000 allocated to the SBA)

Year	DMFAS	Budget Line Item	Accrued (Arg. pesos)	Accrued (SDR)
2018	29510000	7.2.8 - Fees and Other Expenses on Long-Term Foreign Currency Debt ²⁵	6.730225700 Bn	128,362,443
2019	29510000	7.2.8 - Fees and Other Expenses on Long-Term Foreign Currency Debt	6.407528386 Bn	77,367,469

Source: Compilation based on information of the ONP (National Budget Office)²⁶

Note: Information provided in Argentine Pesos. Converted to SDR with Investment Account EXR as of December 31.

²⁶ The data provided by the ONP (National Budget Office) corresponds to the allocation to the corresponding line item in the DMFAS. Also, ONCP (National Office of Public Credit) reported payments for fees and services (net of reimbursements) that differ from what was reported by the ONP (PV-2021-83477148-APN-ONCP#MEC in response to Note AGN No. 610/21 A-05). According to the ONCP, such items reached SDR 146,650,468 in 2018 and SDR 40,126,983 in 2019. As a result, in 2018 the ONP value is 14% lower than the ONCP value, while in 2019 it is 48% higher.



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In order to identify the importance of such payments, the amounts accrued are compared with the budget of socially and economically important jurisdictions:

Table No. 5

Expenses and fees paid to the IMF in respect of budgets

In SDR

<u>BUDGES ALLOTTED TO THE JURISDICTIONS</u>	2018	2019
National Scientific and Technical Research Council (“CONICET”)	52%	39%
Ministry of Education, Culture, Science and Technology	4%	3%
Ministry of Health and Social Development	3%	1%
Public Debt Service	2%	1%

Source: Compilation based on information from the ONP (reply to Note AGN No. 610/21 and budgets by jurisdiction published on the web²⁷)

Note: The budget was converted to SDRs at the investment account EXR as of December 31.

vi. Disbursement request mechanism

When the MH requires to make a purchase of foreign currency under the SBA, it must notify the BCRA (no less than 3 business days prior to the date scheduled for the purchase), who must send a purchase request to the IMF within the immediately following business day (MH-BCRA Agreement, Article 1). The MH determines independently the foreign currency composition of each purchase from the IMF, and the BCRA, as financial agent of the National Government before the IMF, will identify in the purchase request to the IMF the accounts of the MH at the BCRA to which the amounts purchased shall be credited (MH-BCRA Agreement, Article 3).

As long as they are not used by the MH, purchases from the IMF will be held in the foreign currency denominated accounts of the MH with the BCRA. The MH will keep all foreign currency amounts deposited with the BCRA (MH-BCRA Agreement, Article 4).

Each time Argentina requests a purchase of foreign currency from the IMF under the Program, the MH, on behalf of the Argentine Republic, issues a *Letra Intransferible* in favor of the IMF in Argentine pesos and adjustable for the equivalent of the requested disbursement. The characteristics of such *Letra Intransferible* are summarized below:

²⁷ Available at: <https://www.economia.gob.ar/onp/presupuestos/2018>
and <https://www.economia.gob.ar/onp/presupuestos/2019>



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Table No. 6

Main terms and conditions of the “Letras Intransferibles” (LI) issued by the MH in favor of the IMF

“Letra Intransferible” Factsheet	
Term	At sight ²⁸
Currency	The LI is subscribed in Argentine pesos for the local currency equivalent of the SDRs requested. Equivalence results from the BCRA's SWIFT to the IMF requesting the purchase.
Rate	Non-interest bearing
Negotiation	Non-transferable. Non-negotiable
Adjustable	Will be adjusted to reflect changes in the IMF's Arg. peso holding level in accordance with IMF rules related to such adjustments. The BCRA will notify the MH when such changes are necessary and will provide the IMF with a signed copy of the amended LI. The LI, as amended by the MH throughout the arrangement, will be deposited with the BCRA in the name of the IMF, and the IMF's Securities Accounts will be credited accordingly. From the records provided by the auditee, it appears that the revaluation is reported by the IMF to the BCRA through SWIFT, indicating the revaluation amount in Arg. pesos and the EXR in SDRs.
Amount	For the IMF's holdings in Arg. pesos, subject to charges, resulting from purchases of foreign exchange under the SBA.
Deposit	Will be deposited with the BCRA in the name of the IMF, and the IMF's Securities Accounts will be credited accordingly.
Payment	When payment is required, by credit to the IMF's account with the BCRA. In case of a partial payment, the amount paid shall be stated on the reverse side of this treasury LI or, at the option of the IMF or of the underwriter, a new treasury LI shall be issued substantially in the same terms as the present one, for the unpaid balance, and exchanged for this treasury LI..
Instrument selection	The characteristics of the LI are derived from the provisions of the IMF Articles of Agreement (Article III, Section 4 ²⁹ , and Article 5, Section 11 ³⁰).
Underwriter	Minister of the Treasury (“Ministro de Hacienda”)

Source: Compilation based on the MH and the BCRA

vii. Conditionality

When a country requests a loan from the IMF, it agrees to adjust its economic policies with the objective of ensuring progress in the implementation of the program and reduction of risks associated with the IMF's resources. The member country is primarily responsible for the selection, formulation and implementation of the policies to be adopted to achieve the IMF-supported program objectives³¹.

²⁸ Pursuant to Section 36 of the COMMERCIAL CODE. BILLS OF EXCHANGE AND PROMISSORY NOTES. – The sight bill of exchange is payable upon presentation. It must be presented for payment within one year from its date, and the drawer may shorten or extend this period. These terms may be shortened by the endorsers. The drawer may provide that a bill of exchange at sight shall not be presented for payment before a fixed term. In such a case, the time limit for presentation runs from that term.

²⁹ According to the Legal Opinion of Order 21 of EX-2018-29237799-APN-DGD#MHA

³⁰ According to Minutes in Order 24 of EX-2018-29237799-APN-DGD#MHA

³¹ <https://www.imf.org/es/About/Factsheets/Sheets/2016/08/02/21/28/IMF-Conditionality>



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These commitments are described in the LOI and Memoranda and consist of either *quantitative conditions* -to which IMF disbursements are subject, unless the Executive Board decides to suspend their application-³², or *structural measures* -the progress of which is comprehensively assessed through benchmarks in key policy areas, inter alia³³.

In the event of *noncompliance with a quantitative performance criterion*, the Executive Board may approve a formal waiver for the review to be concluded, provided it is considered that, even then, the program will be successfully implemented, either because the deviation was insignificant or temporary, or because the authorities have taken corrective actions. Non-compliance with structural performance criteria and indicative targets does not require a waiver; these are assessed in the context of overall program performance³⁴.

In the text of the addendum to the Arrangement (October 2018), the authorities state the impossibility of meeting the objectives proposed in the first LOI and request exemption from compliance with the performance criteria³⁵. On the other hand, the background of

³² The commitments are as follows:

Quantitative conditions: progress of borrowing countries is tracked on the basis of quantitative targets for the programs, which may be:

- **Quantitative performance criteria**: specific and quantifiable conditions to be met in order to conclude the review. They always refer to macroeconomic variables under the control of the authorities, such as monetary and credit aggregates, international reserves, fiscal balances, or external borrowing (e.g., minimum level of net international reserves, maximum level of net domestic assets of the central bank, or maximum level of government borrowing).
- **Indicative targets** as quantitative indicators to assess the progress made by a member country in meeting the objectives of a program. In some cases these targets are also set when quantitative performance criteria cannot be defined due to uncertainty in data on economic trends (e.g., for the last few months of the program). As this uncertainty is reduced, these targets are usually converted to quantitative performance criteria, with modifications as deemed necessary.

³³ Structural performance criteria (usually non-quantifiable) are reform measures that are critical to meeting program goals and are intended to serve as indicators for assessing program implementation during a review. These criteria vary from program to program, but may include, for example, measures to improve financial sector operations, strengthen social safety nets, or strengthen public financial management.

³⁴ The IMF factsheets indicate a publicly available database on the monitoring of IMF arrangements (MONA) covering all aspects of program conditionality (<https://www.imf.org/external/np/pdr/mona/index.aspx>). However the URL address works.

³⁵ They request exemption from compliance with the end-September performance criteria for net international reserves, net credit to the government and futures, which could not be met due to the deterioration in market conditions and its correlation with difficulties in accessing financing; and the exemption from the application of performance criteria on the federal government's primary balance sheet, domestic arrears and social assistance spending, given that the final information will not be available at the time of the Executive Board's consideration.



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the legal opinions refers to the change in the criteria (agreed with the IMF)³⁶. However, the records provided by the ME do not contain any information regarding compliance with the quantitative execution criteria that would enable disbursements to be made or the existence of waivers granted by the Fund. Likewise, when consulted on the matter, the ME did not provide additional information³⁷.

viii. Frequency of IMF reviews

According to the IMF, the frequency of reviews is determined on a flexible basis depending on the strength of the country's policies and the nature of its financing needs. In relation to this, in the October addendum, the Argentine authorities require the Fund to increase the frequency of reviews for 2018³⁸.

ix. Classification and recording of the loan

The IMF loan constitutes direct external debt³⁹ and due to the characteristics of the creditor, it has been recorded under Multilaterals in Table 1-A of the Investment Account (National Accounting Office) as Multilateral.

³⁶ IF-2019-18110612-APN-SECH#MHA and IF-2019-59213871-APN-SECPE#MHA

³⁷ NO-2021-88720707-APN-SLYA#MEC, response to Note AGN 610/21, question 7. The Ministry states that "no documents have been found that provide other evidence on the issues consulted" and referred to the response given in IF-2021-06151446-APN-SLYA#MEC (reply to Note AGN 676/20), where there is no information on this subject.

³⁸ The Memorandum of Economic and Financial Policies (MEFP) states: "Given the uncertainties we face on several fronts, we also request that in the near term, the IMF increase the frequency of its program reviews to every two months (based on the end-October and end-December performance criteria) and to quarterly thereafter. This will provide an opportunity for the international community to judge our performance on a more regular basis and, if necessary, for us to rapidly deepen our efforts to achieve our policy objectives" (p. 11).

³⁹ Public debt is classified as direct and indirect, and internal and external (FAL and Decree 1344/07, Section 58). Deuda pública directa: es aquella asumida por la Administración Central en calidad de deudor principal. Direct public debt: is that assumed by the Central Administration as principal debtor. External public debt: debt contracted with another State or international organization or with any other individual or legal entity without residence or domicile in the Republic of Argentina and whose payment may be enforceable outside its territory. In those cases in which securities, bonds, long and medium-term obligations or Treasury Bills are placed, external debt shall be considered to be that whose jurisdiction or applicable law is not Argentine Law.



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b) Relative importance of the SBA

Significance in relation to the debt

Debt with the International Monetary Fund (IMF) generated under the STAND-BY Arrangement totaled US\$ 44.128 billion as of 12 December 2019, as the result of 5 disbursements (three in 2018 and two in 2019).

The IMF loan accounted for 8.8% in 2018 and 14% in 2019 of direct debt.

In relation to multilateral debt, it represented more than 50%. It also accounted for 11.33% in 2018 and 20.14% in 2019 of the debt in the form of government securities (the main item of total debt).

The relative importance of the SBA loan is greater if measured in terms of debt disbursements for the period, reflecting the weight of the financing provided by the IMF with respect to the total in the period analyzed.

Table No. 7

Relative importance of the debt to the IMF

%

	PERCENTAGE BY TYPE OF DEBT IN ENDING CAPITAL BALANCES			PERCENTAGE BY TYPE OF DEBT IN DISBURSEMENTS			PERCENTAGE BY TYPE OF DEBT IN DECREASES TOTAL PRINCIPAL AMOUNT		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
IMF / D. DIRECT		8.8%	14.2%		22.74%	21.63%		0.00%	0.00%
IMF / TA		210.8%	310.0%		232.81%	113.63%		0.00%	0.00%
IMF / D. MULTILATERAL		57.19%	66.94%		89.34%	87.32%		0.00%	0.00%
IMF / D. GOVERNMENT BONDS		11.33%	20.14%		35.75%	42.29%		0.00%	0.00%
IMF / OFFICIAL BANKING		189.16%	258.71%		232.81%	100.65%		0.00%	0.00%
IMF / PRIVATE BANKING		3349.89%	4862.26%		8341261.55%	6681.87%		0.00%	0.00%
IMF / BILATERAL		359.91%	685.68%		2136.48%	1087.24%		0.00%	0.00%
IMF / SUPPLIERS		17329.86%	19091.43%		26495.84%	7877.94%		0.00%	0.00%

Source: Compilation based on data from Table 1A of the Statement Account.

References: TA: Temporary advances granted by the BCRA

Direct D.: Direct Debt



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Importance in relation to other variables

Table No. 8

IMF loan with respect to relevant macroeconomic variables
US\$ billion and %

Values in US\$ Billion and %								
Year	Current GDP (GDP)	IMF SBA	Total Debt (TD)	Exports (X)	Internl. Reserves (IR)	Internal Debt Public Sector (IDPS)	Foreign Currency Debt (FCD)	External Debt (EXD)
2018	389.989	28.032	330.597	61.782	65.806	126.188	245.636	161.180
2019	359.937	44.128	321.679	65.115	44.848	129.078	242.732	155.872
Year	Debt TD / GDP	Debt to IMF / GDP	Debt to IMF / TD	Debt to IMF / X	Debt to IMF / IR	Debt to IMF / IDSP	Debt to IMF / FCD	Deuda FMI / EXD
2018	84.8%	7.3%	8.5%	45.4%	42.6%	22.2%	11.4%	17.4%
2019	89.4%	12.3%	13.7%	67.8%	98.4%	34.2%	18.2%	28.3%

Source: Compilation based on data from Table 1A of the Statement Account, INDEC, BCRA and Ministry of Economy.

Note: Direct debt: Stock as of December 31. It includes performing and non-performing loan.
GDP: INDEC data as of September 2022.



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Regarding GDP, the IMF gains significance in 2019 with respect to 2018, as a result of a strong increase in the final balance of the loan (57% more than in 2018) and to a fall in output (-7%). With respect to International Reserves, for 2019 the loan is equivalent to more than 90% of reserves and almost 68% with respect to exports⁴⁰.

c) Administrative structure of the audited entities

i. Ministry of Economy

In 2018-2019, the Ministry was subject to 9 organizational restructurings: 3 changes at ministerial level, 4 at sub-secretariat level, and 2 at the first and second operational levels. The most significant change consisted in the splitting of Ministries (Ministry of the Treasury on the one hand and Ministry of Finance on the other), to be later unified again. The following chart illustrates the chronological changes:

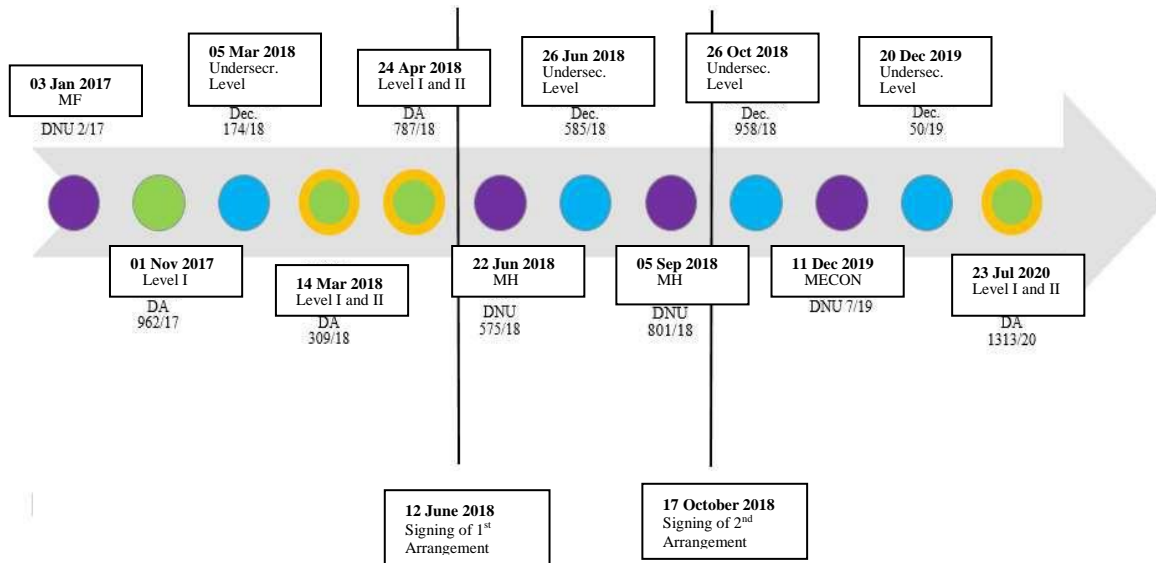
⁴⁰ The IMF Debt / Exports indicator is linked to the country's capacity to repay and is defined as the ratio between the debt to the IMF at the end of the year and the economy's exports of goods and services during the year. The IMF Debt / International Reserves indicator, on the other hand, is a measure of how well the economy can cover loan repayments using its own international reserves. Low export performance may result in a shortage of international reserves, which may in turn cause liquidity problems. Accordingly, if the issuer loses access to external financing and must cover the repayments of the Agreement with international reserves, the scarcity of liquid assets would affect the economy's capability to meet its obligations.



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Chart No. 1

Chronology of regulatory changes related to organizational structure



References:

- Ministerial Modifications
- Modifications up to Undersecretariat Level
- Modifications of the first operative level
- Modifications of the first and second operating levels

Source: Compilation based on regulations.

It should be noted that the 3 ministerial modifications and 3 of the modifications at the undersecretariat level took place within the term of the Arrangement with the IMF (after the signing of the Arrangement in June 2018).

At the time of the signing of the IMF Arrangement (12 June 2018), the Ministry of Finance⁴¹ (MF) was in legal existence, and its main competence was to assist the President of the Nation and the Chief of the Cabinet of Ministers in all matters related to the *financing* of the National Public Sector, the safeguarding of the Nation's *public credit*, and the financial relations with the Provinces. It also acted as the Coordinating Body for Financial Administration Systems (OCSAF) for the public credit system⁴². The organization chart of the entity in charge of public credit was as follows:

⁴¹ Decree 2/2017 (2 January 2017) provided for the split of the Ministry of the Treasury and Public Finance into two: Ministry of the Treasury (MH) and Ministry of Finance (MF). The organizational structure of the Ministry of Finance was approved by Section 4 of Decree 32/2017 (Official Gazette of 13 June 17), and that of the Ministry of the Treasury (MH) was approved by Section 4 of Decree 64/2017 (Official Gazette of 25 January 17).

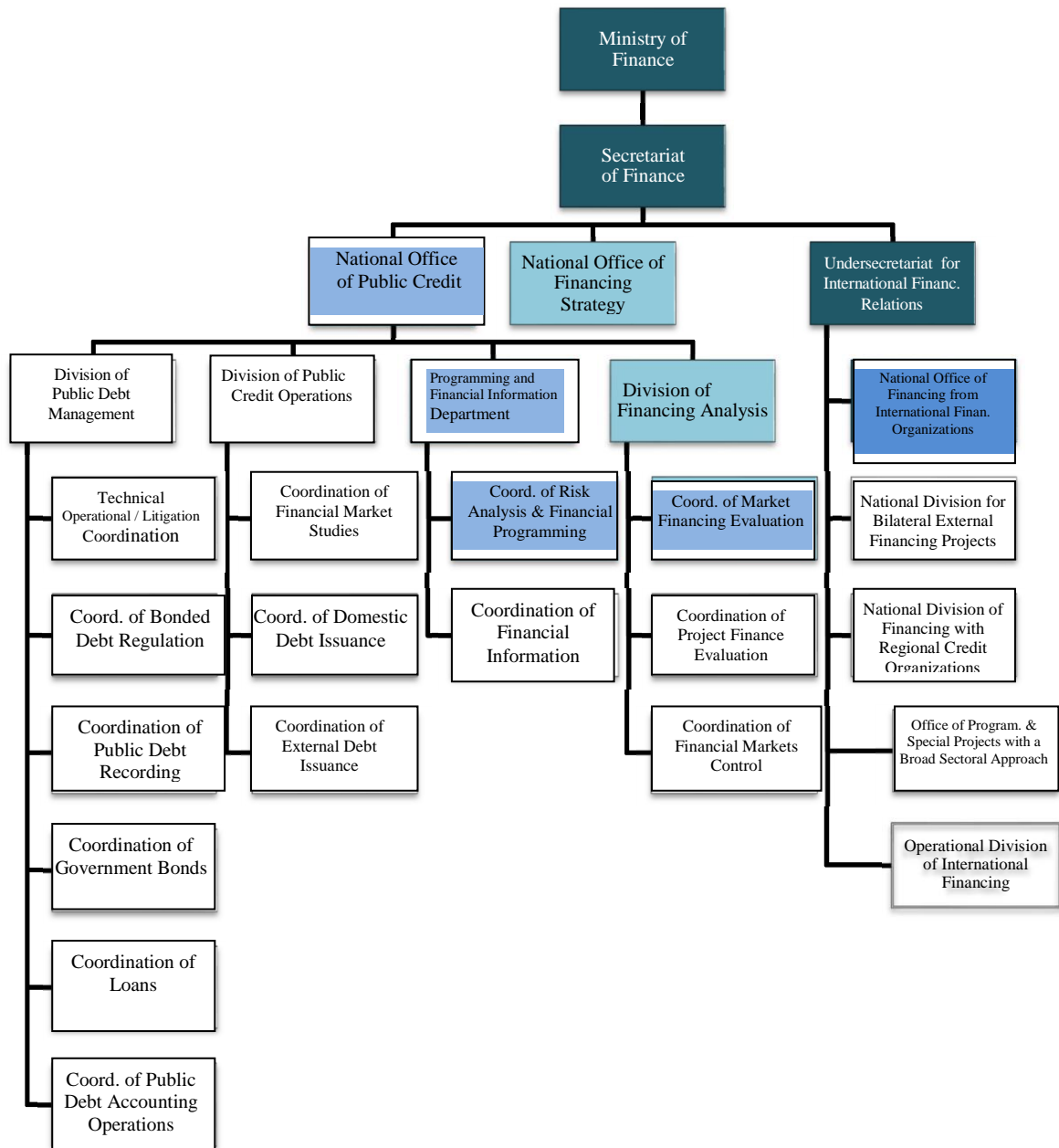
⁴² The MH exercised the functions of the Coordinating Body for Financial Administration Systems (OCSAF) with respect to treasury, budget, and accounting (Decree 32/17, Section 10).



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Chart No.2

Organizational chart of the Ministry of Finance(MF) prior to the signing of the Arrangement



References⁴³:

- Front office, in connection with the management of the Stand-By Arrangement
- Middle office, in connection with the management of the Stand-By Arrangement

Source: Compilation based on Decree 2/17, Decree 174/18 and DA 309/18

⁴³ A Debt Management Office (DMO) is normally organized in separate roles consisting of front office, middle office, and back office services.

The front office duties are those of a "window" towards markets and potential creditors, i.e., they are associated with the mobilization of the financial resources necessary to meet the sovereign's borrowing needs, which involves (i) regular communication and consultation with internal and external financing sources; (ii) the negotiation of loans; and (iii) the issuance of public debt securities and the contracting of bank debt.

Middle office functions include: (i) researching and analyzing the costs and market risks of the debt portfolio; (ii) advising on debt management strategy with a view to achieving a prudent risk management; (iii) developing operating procedures to reduce operational risks, and (iv) ensuring that debt management operations carried out by front office staff comply with the stipulated risk limits.



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On 21 June 2018, DNU 575/2018⁴⁴ came into force, which abolished the Ministry of Finance (MF) (it became a Secretariat) and established the Ministry of the Treasury (MH) as its continuator, whose primary role at the time of the signing of the SBA, was to assist the President of the Nation and the Chief of the Cabinet of Ministers, in all matters related to economic, budgetary and financial policy, the administration of public finances, and the economic, financial and fiscal relations with the Provinces and the Autonomous City of Buenos Aires. Subsequently, by means of Decree 585/18⁴⁵, the Undersecretariats were modified: the Undersecretariat of International Financial Relations (SSRFI) became part of the Secretariat of the Treasury (SH), and the Undersecretariat of Financing and Financial Services was created (Section 2). In addition, the functions of the OCSAF were reassigned to the Secretariat of the Treasury (SH) and the Secretariat of Finance (SF) jointly, both of which reporting to the Ministry of the Treasury (MH)⁴⁶.

On account of the objectives of the SF in relation to the SBA with the IMF⁴⁷, the ministerial changes directly affect the audited subject, which went from having a ministerial character to a secretariat status during the audited period.

Therefore, at the time of signing the addendum (17 October 2018), the administrative structure had been modified with respect to the signing of the first Letter of Intent. Below is the organizational chart at the time of the addendum:

The back office is responsible for centralizing all sovereign debt transactions related to (i) the recording and validation of debt data; (ii) the settlement of borrowing and debt management transactions; (iii) the monitoring and control of disbursements; (iv) the execution and management of transactions related to debt service payments; and (v) the production of statistical information.

Source: INTOSAI Development Initiative, 2014, E-Learning Course on Public Debt - Auditing the Frameworks for Borrowing and Lending, Module II, p. 22.

⁴⁴ Section 7 (Official Gazette of 22 June 2018).

⁴⁵ Official Gazette of 26 June 2018.

⁴⁶ Decree 585/18, Section 11, which replaces paragraph I of Section 6 of the Annex to Decree 1344/2007.

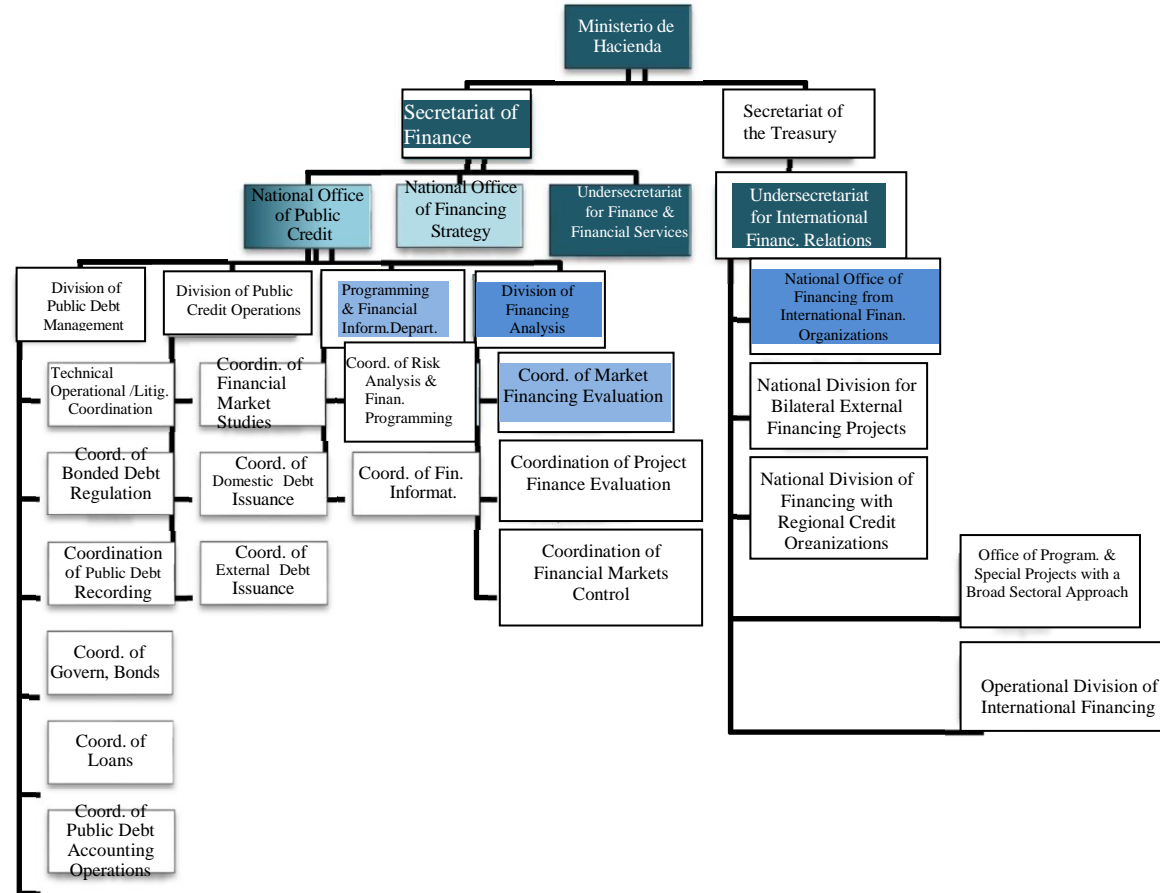
⁴⁷ The SF's objective is "To take part in the execution of the policies and measures related to the credit aspects of the financial policy and the external and internal indebtedness of the Republic of Argentina, engaging in the relevant negotiations with national, foreign, public and private financial entities and the International Monetary Fund (IMF) and taking charge of the relations with the international financial community and the coordination of the representations abroad". It should be pointed out that this objective was sustained throughout all the amendments proposed from Decree 741/2015, insert attached to Section 2 (Official Gazette of 7 May 15) to Decree 50/2019, Section 2, Annex II (Official Gazette of 20 December 19).



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Chart No. 3

Organizational chart of the Ministry of the Treasury (MH) as of the date of the addendum to the Arrangement (17 October 2018)



Note: The areas related to the subject matter of the audit were taken into consideration in the preparation of the organization chart. The Secretariat of the Treasury also had an Undersecretariat of Budget, which is not considered for this purpose.

Source: Decree 585/2018 and DA 309/18.



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ii. Central Bank of the Argentine Republic (BCRA)

The administrative structure of the BCRA underwent 13 modifications throughout the 2018-2019 period, that resulted in the elimination of 15 areas or agencies, the incorporation of 9, and 6 changes in its operational office⁴⁸.

Nevertheless, the areas that specifically participated in the SBA, did not undergo any changes, except for the Chief Management of International Relations and Agreements, which was modified in its operational/reporting line.

d) Timeline

For a better understanding, below is a table containing the relevant dates and events of the Arrangement:

⁴⁸ According to the information provided by the Chief Management of International Relations and Agreements of the BCRA in the response to the request made by Note AGN 674/20, item 3), where thirteen files in PDF format were sent in reference to the modifications made in the administrative structure for the audited period.



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Table No. 9

Timeline of relevant events related to SBA

Subject	Date	Description	Source		OCSAF Legal Existence
Administrative Structure	2 Jun 2017	Splitting of former Ministry of the Treasury and Public Finance into two: MH and MF.	Decree 2/2017 (2 Jan 2017)	Infoleg	OCSAF under MF
SBA	8 May 2018	The President of the Nation announced in a brief speech on national broadcast that due to the complex world conditions - rising interest rates, oil prices, devaluations in emerging countries- and the country's dependence on external financing, "as a preventive measure, I have decided to start talks with the IMF for a new line of financial support".	National Transmission by the President of the Nation	https://www.youtube.com/watch?v=rCKXqm5dVWY&ab_channel=CasaRosada-Rep%C3%BAblicaArgentina	
SBA	7 Jun 2018	Close date of negotiations	IMF Country Report No. 18/219	https://www.imf.org/~/-/media/Files/Publications/CR/2018/cr18219.ashx	
SBA	12 Jun 2018	Letter of Intent and Memoranda of the SBA published by June 2018. Signing by Sturzenegger (BCRA) and Dujovne (MH).	ME's Website	https://www.argentina.gob.ar/economia/finanzas/deudapublica/cartadeintencionmemorandumdepolicaseconomicas	
			- Order 2 IF-2018-29241426-APN-SECH#MHA - Order 3 IF-2018-29241409-APN-SECH#MHA	EX-2018-29237799-APN-DGD#MHA, provided by the auditee response to Note AGN 676/20 to the SF	
Competence	14 Jun 2018	Sturzenegger resigns to the position of Governor of the BCRA. End date of Sturzenegger's term as Governor of the BCRA. Start date of Luis Caputo's term as Governor of the BCRA according to Central Bank's website. BCRA Communication of the appointment of Lic. Caputo as President of BCRA and of the resignation of Lic. Sturzenegger as President of BCRA.	Resignation Letter	https://www.infobae.com/economia/2018/06/14/la-carta-de-renuncia-de-federico-sturzenegger/	
			List of BCRA's Presidents on the Bank's Website	http://www.bcr.gov.ar/Institucional/Presidentes_Anteriores.asp	
			Press release of the BCRA 14 June 2018	http://www.bcr.gov.ar/noticias/Luis_Caputo_nuevo_presidente_del_BCRA.asp	
Competence	15 Jun 2018	Sturzenegger's resignation as BCRA is accepted. (It does not state as of when it is accepted or when it enters into effect. The Decree was published on 18 June 2018).	Decree 555/2018	Infoleg	



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Competence		Message is sent to the Senate requesting concurrence to Caputo's appointment at BCRA.	MEN-2018-88-APN-PTE	(File 0178-PE-2018), Information provided by the Organization and Parliamentary Law Department of the Office of Parliamentary Information
		Issuance of Dec. 556/2018 of Caputo's resignation to the MF (Effective as of 18 June 2018).	Decree 556/18	Infoleg
		Issuance of Dec. 557/2018 appointing Caputo as Governor of the BCRA (Effective as of 18 June 2018).	Decree 557/18	Infoleg
Competence		Resignation by Luis Andrés CAPUTO (D.N.I. No. 17256028) to the position of Minister of Finance is accepted. (Date as of which resignation is accepted is stated in Decree 556/18).	Decree 556/2018	Infoleg
		Date of Caputo's last day in office as Minister of Finance.	List of Ministers of Economy on the Ministry's Website	http://cdi.MECON.gob.ar/ministros-de-economia
Competence		Luis Andrés CAPUTO (D.N.I. No. 17256028) is appointed as BCRA's President (Appointment date is stated in Dec. 557/18).	Decree 557/2018	Infoleg
SBA	18 Jun 2018	Signing of the SBA (Letter of Intent) by Caputo, as BCRA President and by Dujovne as MH.	IF-2018-29241507-APN-SECH#MHA	EX-2018-29772791- -APN-DGD#MHA, EX-2018-29237799-APN-DGD#MHA and EX-201841154063- -APN-DGD#MHA, provided by the auditee response to Note AGN 676/20 to the SF
SBA		The SF gives conformity to the model of the MH- BCRA Agreement. The legal service gives its opinion on the MH-BCRA Agreement model.	PV-2018-29243063-APN-SECF#MF, order 7 IF-2018-29244177-APN-DACLYT#MHA, order 9	EX-2018-29237799-APN-DGD#MHA
Disbursements		SWIFT MT-298 transmission order dated 18 Jun 2018 from the BCRA to the IMF requesting foreign currency purchase for SDR 10.61371 Bn.	IF-2018-29756437-APN-SECH#MHA imported through GDE system at IF-2018-29759685-APN-SECH#MHA	EX-2018-29237799-APN-DGD#MHA, provided by the auditee response to Note AGN 676/21 to the SF
Disbursements	19 Jun 2018	Note from MH to BCRA: request for foreign currency purchase for SDR 10.61371 Bn by 22 Jun 2018.	NO-2018-29491876-APN-MHA	EX-2018-292238098- -APN-DGD#MHA, provided by the auditee response to Note AGN 676/20 to the SF
SBA	19 Jun 2018	Signing of MH-BCRA Agreement.	CONVE-2018-00158547-GDEBCRA-P#BCRA	EX-2018-29237799-APN-DGD#MHA, provided by the auditee response to Note AGN 676/21 to the SF
SBA	20 Jun 2018	Approval Date established for the SBA as per schedule of reviews and disbursements stated in the text of the Arrangement.	Arrangement published on the ME website dated 12 Jun 2018 (Table 1, page 18)	https://www.argentina.gob.ar/economia/finanzas/deudapublica/cartadeintencionmemorandumdepolicaseconomicas
SBA	20 Jun 2018	Announcement of SBA approval.	Press release of the IMF 18/245	https://www.imf.org/es/News/Articles/2018/06/20/pr18245-argentina-imf-executive-board-approves-us50-billion-stand-by-arrangement



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Administrative Structure	21 Jun 2018	DNU 575/2018 enters into force (on the same June 21, according to Section 10 of DNU 575/18). MF is abolished and MH is established as a continuation. Functions related to public credit are transferred to MH.	DNU 575/2018 (Official Gazette 22 Jun 2018)	Infoleg	
Competence	22 Jun 2018	DNU 575/2018 published in the Official Gazette (becomes effective on June 21, pursuant to Section 10 of DNU 575/18).	DNU 575/2018 (Official Gazette 22 Jun 2018)	Infoleg	OCSAF under MH
Competence		Legal Service opinion determining that MH was competent at the time of signing the SBA.	IF-2018-30023715-APN-DACLTY#MHA	EX-2018-29772791- -APN-DGD#MHA	
Disbursements		1st Disbursement (Tranche #1 DMFAS), for SDR 10.61371Bn.	DMFAS Statement of Account	DMFAS	
Disbursements		LI is issued for the first disbursement - ACTA-2018-29826301-APN-MHA LETRA DEL TESORO INTRANSFERIBLE	ACTA-2018-29826301-APN-MHA	EX-2018-29237799-APN-DGD#MHA, provided by the auditee response to Note AGN 676/21 to the SF	
Administrative Structure	25 Jun 2018	OCSAF's functions were again granted to the SH and the SF jointly, both under the MH.	Decree 585/18 (Official Gazette 26 Jun 2018)	Infoleg	
Competence	25 Sep 2018	Date of termination of Luis Caputo's term as President of BCRA.	List of BCRA's Presidents on the Bank's Website	http://www.bcra.gov.ar/Institucional/Presidentes_Anterior.es.asp	OCSAF under SH and SF
SBA	17 Oct 2018	Addendum to SBA.	MECON's Website	https://www.argentina.gob.ar/economia/finanzas/deudapublica/cartadeintencionmemorandumdepoliticaseconomicas	
Disbursements	24 Oct 2018	Note from the MH to the BCRA: foreign currency purchase request for SDR 4.1 Bn for 30 Oct 2018.	NO-2018-54086833-APN-MHA	EX-2018-54074016-APN-DGD#MHA, provided by the auditee response to Note AGN 676/20 to the SF	
SBA - IMF Review	26 Oct 2018	1 st IMF Review.	Press release of the IMF 18/395	https://www.imf.org/es/News/Articles/2018/10/26/pr18395-argentina-imf-executive-board-completes-first-review-under-argentina-stand-arrangement	
Disbursements	30 Oct 2018	2 nd Disbursement (Tranch #2 DMFAS) for SDR 4.1 Bn.	DMFAS Statement of Account	DMFAS	
SBA	5 Nov 2018	Signing of addendum to MH-BCRA Agreement.	CONVE-2018-00276569-GDEBCRA-P#BCRA	EX-2018-29237799-APN-DGD#MHA and EX-2018-292238098- -APN-DGD#MHA, provided by the auditee response to Note AGN 676/21 to the SF	
SBA	7 Dec 2018	Signing of SBA (Letter of Intent. Memoranda not available). With Sandleris/Dujovne - holographic signature. In English. It says "STRICTLY CONFIDENTIAL".	IF-2018-64359384-APN-SECPE#MHA	EX-2018-52368222- -APN-DGD#MHA, provided by the auditee response to Note AGN 676/20 to the SF	
SBA	11 Dec 2018	Signing of the SBA (CI+ MEFP + MET).	Not found in the files, but IF-2019-18125341-APN-SECLYA#MHA states that the MEFP of 25 Mar 2019 supplements and updates the memorandum of 11 Dec 2018	EX-2018-52368222- -APN-DGD#MHA, provided by the auditee response to Note AGN 676/20 to the SF	



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SBA	13 Dec 2018	Signing of SBA (LOI + MEFP + TMU). MEFP states that it supplements and updates the MEFP of 17 Oct 2018. WITHOUT holographic signature of Sandleris/Dujovne. In English. It says "STRICTLY CONFIDENTIAL".	- IF-2018-65669295-APN-SECPE#MHA - IF-2019-90493107-APN-SECH#MHA	EX-2018-52368222- -APN-DGD#MHA, provided by the auditee response to Note AGN 676/20 to the SF
SBA - IMF Review	19 Dec 2018	2 nd IMF Review.	Press release of the IMF 18/485	https://www.imf.org/es/News/Articles/2018/12/19/pr18485-argentina-imf-executive-board-completes-second-review-under-stand-by-arrangement
Disbursements	20 Dec 2018	Note from the MH to the BCRA: foreign currency purchase request for SDR 5.5 Bn for 21 Dec 2018.	NO-2018-66983039-APN-MHA	EX-2018-54074016-APN-DGD#MHA, provided by the auditee response to Note AGN 676/20 to the SF
Disbursements	21 Dec 2018	3 rd Disbursement (Tranch #3 DMFAS) SDR 5.5 Bn.	DMFAS Statement of Account	DMFAS
SBA	25 Mar 2019	Signing of SBA (LOI + MEFP + TMU). MEFP states that it supplements and updates the Memorandum of 11 Dec 2018.	IF-2019-18125341-APN-SECLYA#MHA	EX-2018-52368222- -APN-DGD#MHA, provided by the auditee response to Note AGN 676/20 to the SF
SBA - IMF Review	5 Apr 2019	3 rd IMF Review.	Press release of the IMF 19/107	https://www.imf.org/es/News/Articles/2019/04/05/pr19107-argentina-imf-executive-board-completes-third-review-under-argentinas-stand-by-arrangement
Disbursements	1 Apr 2019	Note from the MH to the BCRA: foreign currency purchase request for SDR 7.8 Bn for 09 Apr 2019.	NO-2019-19898977-APN-MHA	EX-2018-54074016-APN-DGD#MHA, provided by the auditee response to Note AGN 676/20 to the SF
Disbursements	9 Apr 2019	4 th Disbursement (Tranch #4 DMFAS) SDR 7.8 Bn.	DMFAS Statement of Account	DMFAS
SBA	3 Jul 2019	Signing of SBA (LOI + MEFP + TMU). MEFP states that it supplements and updates the Memorandum of 25 Mar 2019.	- IF-2019-59161254-APN-SECPE#MHA - IF-2019-59161853-APN-SECPE#MHA	EX-2018-52368222- -APN-DGD#MHA, provided by the auditee response to Note AGN 676/20 a la SF
SBA - IMF Review	12 Jul 2019	4 th IMF Review.	Press release of the IMF 19/268	https://www.imf.org/es/News/Articles/2019/07/12/pr19268-argentina-imf-executive-board-completes-fourth-review-under-sba-approves-disbursement
Disbursements	15 Jul 2019	Note from the MH to the BCRA: foreign currency purchase request for SDR 3.9Bn for 16Jul 2019.	NO-2019-63733023-APN-MHA	EX-2018-54074016-APN-DGD#MHA, provided by the auditee response to Note AGN 676/20 to the SF
Disbursements	16 Jul 2019	5 th Disbursement (Tranch #5 DMFAS) SDR 3.9 Bn.	DMFAS Statement of Account	DMFAS
Administrative Structure	10 Dec 2019	MH renamed Ministry of Economy (ME).	DNU 7/2019 (Official Gazette 11 December 2019)	http://servicios.infoleg.gob.ar/infolegInternet/anexos/330000-334999/333138/norma.htm

Source: Compilation.



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It is important to note that the request for the first disbursement through the SWIFT transmission order (18 Jun 2018) predates the approval of the SBA (20 Jun 2018), the signing of the MH-BCRA Agreement establishing the procedures to be followed for disbursements (19 Jun 2018), the notification from the SH requesting the disbursement (19 Jun 2018), and the issuance of the legal opinion determining that the MH was competent at the time of signing the SBA (22 Jun 2018).

5. FINDINGS AND RECOMMENDATIONS

(1) Key aspects for the reading of the findings and recommendations

It was verified that during the execution process, there was no participation of the areas provided for in Resolution 108/09 MEyFP as participants in the process of credit management with multilateral organizations (National Office of Financing from International Credit Organizations, Cabinet Chief's Office, National Budget Office, National Office of Public Credit, Central Bank of the Argentine Republic, National Office of Investment) ("*DNFOIC, JGM, ONP, ONCP, BCRA, DNI*, by their Spanish acronyms) nor of the areas which, by virtue of their functions in matters of public credit, should get involved in order to ensure an efficient management of the ASB (National Office of Public Credit, Programming & Financial Information Department, Undersecretariat for International Financial Relations, Legal and Administrative Secretariat, Undersecretariat for Legal and Regulatory Affairs). From the foregoing, it appears that neither the MH nor the BCRA requested the participation of the National Treasury Attorney's Office (PTN), which must be requested by means of a Note. Furthermore, although the process applicable to borrowing from Multilateral Organizations does not specify its participation, it would have been in line with its competence given the amount and terms of the loan.

When describing the approach selected for this audit (a combination of process and problem approaches), it was mentioned that the problem-oriented approach "is used when something appears to be a problem and it is the starting point; therefore, the audit consists of verifying the existence of the problem in order to analyze its causes and identify EAFsible measures to reduce or solve it. In this case, the causes of the problem identified are analyzed in a cause-effect relationship"⁴⁹.

⁴⁹ Standards for external control over governmental administration, Res. AGN 186/16, item II. B. 3.



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In this context, it is considered a relevant fact that our country has entered into negotiations with the International Monetary Fund, given the difficulty to meet the commitments undertaken, thereby supporting our decision to select the combined approach, as it involves the evaluation of a series of desirable actions as components of a process (planning, consulting, evaluating) which, in light of the current situation, guide the audit work to verify whether the borrowing has been managed efficiently and effectively and to indicate whether there are opportunities for improvement for future operations (see section 3.d hereof).

In other words, the problematic situation detected is the unaffordability of payment and, under auditing standards, we sought to identify those defects or gaps in the management process that could have contributed to this situation.

In this case, there was a distribution of specific functions in technical areas in charge of the management of public credit in general and of transactions with international financial organizations in particular, which were not exercised, resulting in a series of inactions that determined the lack of planning, consultation and *ex ante* evaluation, which could have contributed to the current problem materialized in the impossibility of meeting the commitments undertaken.

In turn, there was a lack of coordination of these roles by the highest authority in charge of the area responsible for public credit, which at that time was the Minister of Finance (MF), given the split of the ministries at the time of the signing of the loan. In fact, the management of the loan came under the authority of the Ministry of the Treasury (MH), which was not in charge of the management of public credit.

It should be recalled that the exercise of competence as established by Law 19,549 is mandatory⁵⁰ (Section 3 of the Administrative Procedures Law -“LPA”-). This failure to

⁵⁰ In connection with competence, in principle, it is worth recalling the wording of Section 3 of Law 19,549 (Administrative Procedure Law) which provides as follows: "The competence of the administrative bodies shall be that which results, as the case may be, from the National Constitution, the laws and the regulations issued thereunder. Exercising such competence is an obligation of the corresponding authority or body and cannot be extended, unless delegation or substitution is expressly authorized; delegation of authority shall be admissible except as otherwise expressly provided by law".

As explained by Cassagne, competence at the organizational level "is a principle that predetermines, articulates and delimits the administrative function carried out by the State bodies and entities, regardless of whether they belong to the Executive Branch or not. Its *raison d'être* is found both in the principles of effectiveness and efficiency (insofar as it translates the need to allocate duties among different bodies without functional overlapping) and in the conformation of a legal guarantee, which fulfills the function of protecting the rights of individuals. Indeed, a correct allocation of competencies contributes to quality public management, in which the needs and expectations of citizens are met in a timely and satisfactory manner".



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comply with the duties assigned to the MF (Law 22,520 as amended by DNU 2/2017) resulted in a "spillover effect" with respect to the inaction of the areas in charge of applying both the procedure applicable to multilaterals (Res. 108/09 MEyFP) and the exercise of the specific competences in matters of public credit management.

As a result, failure to exercise its competence by the Ministry of Finance, both as the Coordinating Body for Financial Administration Systems (OCSAF) and for its specific competence in public credit matters, led to the inaction of all the areas included in its structure, both that which was the implementing authority of Resolution 108/09 MEyFP ("DNFOIC", the Spanish acronym for National Office of Financing from International Financial Organizations) and also those areas with technical expertise in public credit matters, which should have, due to their functions and experience, not only carried out the necessary *ex ante* evaluations, but also advised the signatory on the participation of the Chief of the Ministers Cabinet who should have, on account of their role and experience, not only carried out the necessary *ex ante* evaluations but also advised the signatory that the Chief of Cabinet of Ministers should intervene either as a participant in the process established in the aforementioned Resolution, or as interjurisdictional coordinator and of the National Treasury Attorney's Office (PTN) given the importance of the operation, thus ensuring that the appropriate regulatory steps were taken for the prudent management of such financing.

The inaction of the Internal Audit Unit (UAI) should be specially mentioned. As will be pointed out, it was never created within the Ministry of Finance (MF) after the split of the ministries and, since the signatory was the Minister of the Treasury, it could have participated (since it was the only acting Internal Audit Unit), although there is no record of having been called upon by the one in charge of that office.

Therefore, there was a vacuum of planning, consultation, control and evaluation actions by the technical areas, while the ministry that was not in charge of the functions related to public credit did participate, thus leading to the inaction of the head of the agency in charge of the debt-related duties. This misalignment of powers led to a series of procedural and functional gaps that adversely affected prudent management and led to taking on debt without timely technical evaluations, which, given both its amount and structure (particularly as to currency and term), increased the debt unsustainability risk.



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(2) Processes used to manage the IMF Arrangement

i. Authorization and signing of the SBA by the competent authority

The IMF loan was neither authorized nor signed by a competent authority in accordance with the regulations applicable to the management of public credit.

The Arrangement was signed by the MH, who was not regulatory assigned the functions related to public credit and was not the OCSAF (Coordinating Body for Financial Administration Systems). At the time of the signing of the Arrangement, such functions rested with the MF and were subsequently assigned to the MH as of DNU 575/18 entering into force.

As for the BCRA, the analysis conducted shows that the Governor of the BCRA was competent to sign the Arrangement, notwithstanding the fact that it did not have the Senate's approval and that the Bank's legal service had not issued an opinion on his competence (taking into account the initial signing).

The following is the explanation corresponding to the competence of the MH, insofar as it gives rise to audit finding. The analyses accompanying the conclusion regarding the competence of the Governor of the BCRA are included in Exhibit 6.

Competence of former Minister of Finance to sign the Stand-By Arrangement

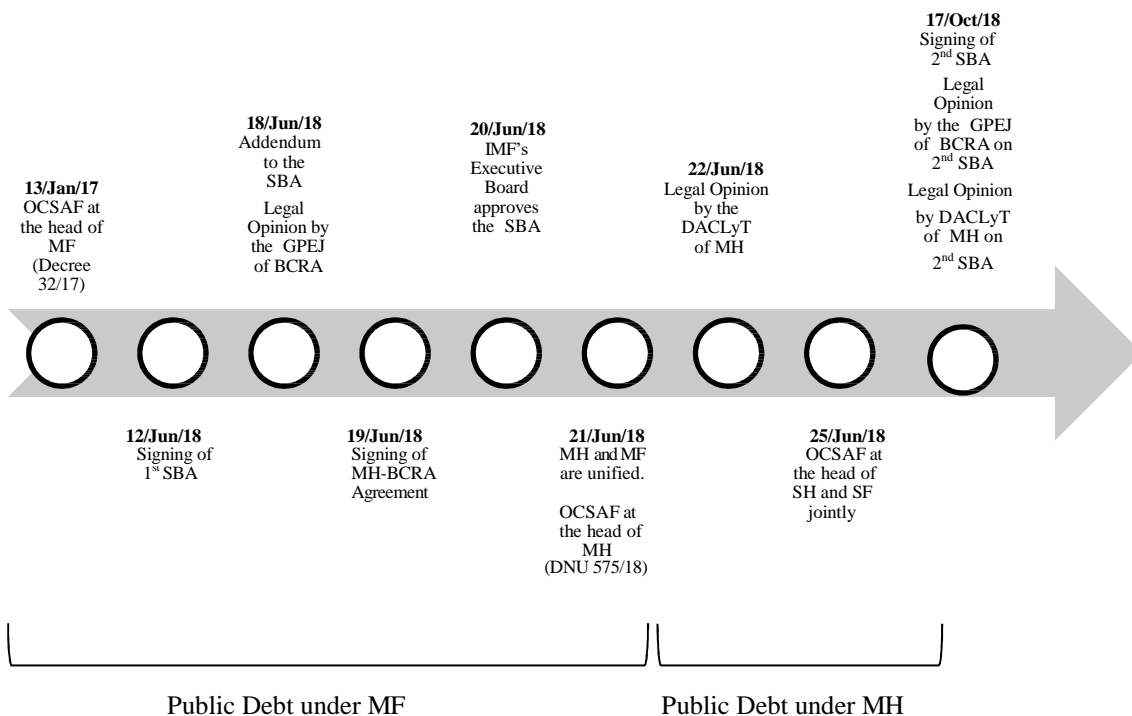
The Stand-By Arrangement dated 12 June 2018 was signed by the then Minister of the Treasury (MH) of the Republic of Argentina without the authorization of the Minister of Finance (MF). Given the importance of the dates for the understanding of the analysis, a timeline with the relevant events after the signing of the Stand-By Arrangement is provided below:



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Figure No. 4

Relevant events related to the competence of the OCSAF



References: DACLyT: Office of Contractual, Legislative and Tax Affairs

GPEJ: Department of Personnel and Judicial Staff Management

OCSAF: Coordinating Body for Financial Administration Systems

Source: Compilation based on information from files, regulations and communications from IMF press releases.

At the time the first arrangement with the IMF was signed, the current Ministry of Economy was divided into the Ministry of the Treasury (MH), on the one hand, and the Ministry of Finance (MF), on the other (DNU 2/17).

The primary responsibility of the MH was "to assist the President of the Nation and the Chief of Cabinet of Ministers, within their respective competences, in all matters related to economic, budgetary and tax policy, economic and fiscal relations with the Provinces and the Autonomous City of Buenos Aires", while that of the MF was "to assist the President of the Nation and the Chief of the Cabinet of Ministers, within their respective competences, in all matters related to the financing of the National Public Sector, the safeguarding of the Nation's public credit, and the financial relations with the Provinces and the Autonomous City of Buenos Aires".



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In addition, in the case of the MF, emphasis is placed on its duty to "engage"⁵¹ in international negotiations of a monetary and financial nature and in relations with international monetary and financial organizations" (Decree 32/17, Section 3, function No. 11).

Likewise, at that time, the MF was acting as the Coordinating Body of the Financial Administration Systems (OCSAF) in relation to the public credit system (Decree 32/17, Section 10), a function that was previously jointly exercised by the Secretariat of the Treasury (SH) and the Secretariat of Finance (SF) (prior to the spin-off of the Ministry). Therefore, the MF -as OCSAF- had the function of directing and supervising the implementation and maintenance of said system (LAF, Section 6)⁵².

With regard to the transactions and operations of the IMF, its Articles of Agreement provide that "Each member shall deal with the Fund only through its Treasury, central bank, stabilization fund, or other similar fiscal agency, and the Fund shall deal only with or through the same agencies." (Article V, section 1). In its translation into English, "*ministro de hacienda*" is referred to as "*minister of the treasury*"⁵³; a literal translation

⁵¹ According to the PTN, "engage in" refers to "dealing directly with a matter with primary responsibility (...) The power to participate - tertiary responsibility - differs from the competence to participate not only in that the participating ministry does not interpose its authority but also in that the participation takes place in a specific matter... According to the PTN, "engage in" refers to "dealing directly with a matter with primary responsibility (...) The power to participate - tertiary responsibility - differs from the competence to participate not only in that the participating ministry does not interpose its authority, but also in that the participation takes place in a specific matter... Nevertheless, the possibility of distinguishing between the elaboration of policies to be applied in a given matter and the execution of those same policies, makes it admissible to entrust one Department of State with the power to deal with the first aspect and the other with the second. This is because it cannot be the legislator's intention that one ministry should be involved in the definition of certain policies because it is specifically concerned with the subject matter, but that another ministry should be involved in the execution of those policies because, in the operational phase, those policies must be compatible with others that fall within its own primary responsibility; Therefore, the definition of policies in a given matter and the execution of those same policies may be considered as if they were different matters" (Opinion 240:184).

⁵² To this end, it had the following powers:

- Establish the characteristics and conditions not provided for in the LAF, for public credit transactions carried out by the entities of the national public sector (LAF, Section 63).
- Redistribute or reallocate the financing means obtained through public credit transactions, provided that the conditions of the respective transaction and budgetary regulations so allow (LAF, Section 67). In addition, the LAF explicitly establishes that no entity of the National Public Sector (as defined in Section 8 of the LAF) may initiate procedures to carry out public credit transactions without the prior authorization of the OCSAF (Section 59).

⁵³ To rule out any doubt regarding the translation, we searched the different versions of the Letters signed, and found that during June (Letters dated 12th and 18th) the word "*treasury*" was used, translated as "*economía*" (a version that was also sent to Congress, see reply to Note AGN 593/21 A05). This denomination does not correspond to any of the denominations of the existing ministries, which as of June 12 were the "*Ministerio de Hacienda*" (Ministry of the Treasury) -headed by the signatory of the SBA-, and the "*Ministerio de Finanzas*" (Ministry of Finance). As of October, the "*ministro de hacienda*" uses the word "*finance*" when translating the Spanish word "*hacienda*" into English. It should be noted that the ministry headed by Lic. Dujovne (who signs the SBA) before and after the unification was always called "*Ministerio de Hacienda*".



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of "minister of the treasury" from English into Spanish makes it read "*ministro del tesoro*", a denomination that does not exist in the administrative structure of Argentina's finance and treasury ministries. Historically, those areas were centralized in the same ministry.

Accordingly, Decree 227/75 established that "the Argentine representation before the International Monetary Fund (...) shall be carried out by the following officers: a) in the capacity of Regular Governor, the head of the Ministry of Economy of the Nation; b) in the capacity of Alternate or Substitute Governor, the Governor of the Banco Central de la República Argentina" (Section 1)⁵⁴. However, from 3 Jan 2017 until 22 Jun 2018, a MH and a MF coexisted separately; therefore, the appointment of the Governor before the IMF under said Law is not explicitly reserved to either of them; besides, no clarification is provided in the legal opinions in this regard; thus, the provisions of Law 24,156 and the regulations in force regarding the specific competence in this matter prevail, since it is a public credit operation..

The June 2018 Arrangement was signed by the Minister of the Treasury (MH), acting as Governor before the IMF⁵⁵. However, the competent authority to authorize the first Stand-By Arrangement was the Minister of Finance (MF): In accordance with the responsibilities conferred by Law 22,520 (Law of the Ministries)⁵⁶ and in the capacity of OCSAF; all public debt instruments had to be approved by him, including multilateral loans, which, as mentioned before, are backed by his signature in the decrees approving the model credit agreements.

⁵⁴ In turn, Law 26,849 (Official Gazette of 10 May 2013) states that the governor before the IMF should be the Minister of Economy and Public Finance (*Ministro de Economía y Finanzas Públicas*) while the alternate governor should be the Governor of the BCRA, to both of whom it empowers to accept the fifth, sixth and seventh amendments to the IMF's Articles of Agreement (Section 7).

⁵⁵ The press releases, for example <https://www.imf.org/en/News/Articles/2018/05/10/pr18169- imf-md-lagarde-and-argentina-treasury-minister-dujoyne-meet-to-discuss-financial-support> and the opinions, refer to the Minister of the Treasury (*Ministro de Hacienda*), who seems to have led the negotiations.

⁵⁶ According to DNU 2/17, the primary responsibility of the MF was "to assist the President of the Nation and the Chief of the Cabinet of Ministers, within their respective competences, in all matters related to the financing of the National Public Sector, the safeguarding of the Nation's public credit, and the financial relations with the Provinces and the Autonomous City of Buenos Aires". Particularly, it is emphasized the function to "engage in international negotiations of a monetary and financial nature and in relations with international monetary and financial organizations" (Decree 32/17, Section 3, function No. 11).



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By the time the second arrangement was signed (October 2018), the ministries were already unified under the name of Ministry of the Treasury (*Ministerio de Hacienda*), leaving no doubt as to the Minister's role as governor before the IMF.

In turn, the Office of Contractual, Legislative and Tax Affairs (DACLyT) of the Ministry of the Treasury (MH) took action on 22 June 2018, one day after the ministries were unified by DNU 575/18⁵⁷, a date on which the letters of intent had already been signed, dated 12 June 2018 and 18 June 2018.

In this context, the DACLyT⁵⁸ held that "*taking into account the role assigned to the Ministry of the Treasury by Article V, Section 1, of the Articles of Agreement of the International Monetary Fund, this legal service considers that the head of said Ministry was, at the time of its signing, empowered to send letters to said organization such as the ones he signed*", also naming functions that at the time of the signing were not in effect, since they corresponded to the Ministry of Finance (MF).

In respect of Article V, Section 1, of the IMF's Articles of Agreement, the DACLyT mentions the following functions: "It should be underlined that Section 20 of the Law of Ministries No. 22,520 (as restated by Decree No. 438/92), as amended, provides that the Ministry of the Treasury (MH) assumes responsibility for assisting the President of the Nation and the Chief of the Cabinet of Ministers in all matters related to economic, budgetary and financial policy, including as its primary competence that of "*engaging in monetary and exchange rate policy in accordance with the powers vested in the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA*" (see item 15), "*engaging in international negotiations of an economic, monetary and financial nature and in financing requests and other relations with international monetary and financial*

⁵⁷ Published on 22 Jun 2018, it becomes effective as of its passing, i.e., on 21 Jun 2018 (Section 10). In order to determine the validity and effectiveness of DNU 575/18 in terms of Law 26,122, a consultation was made to the Permanent Bicameral Committee on Legislative Procedure (Law 26,122). The President of the Committee replied "the Decree of Necessity and Urgency N° 575/2018 was discussed by the plenary of this committee on 15 August 2018. During its treatment, the majority required to issue a ruling was not reached, as established in Section 8 of Law 26,122. Therefore, the aforementioned decree was held in the committee and formally at the disposal of both chambers to be dealt with when they so decide". Likewise, the stenographic version of the session held on 15 August 2018 was attached. In said session, DNU 545/18 and DNU 575/18 were dealt with. The session concluded without ruling on the validity of DNU 575/18. Pursuant to Sections 17 and 24 of Law 26,122 and the information provided by the Bicameral Committee, it was in effect at the time of the transaction.

⁵⁸ IF-2018-30023715-APN-DACLYT#MHA of 22 Jun 2018, on electronic file EX-2018-29772791- - APN-DGD#MHA.



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organizations" (see item 26) and *"intervening in the relations with international economic organizations"* (see item 27)." These last two functions (26 and 27) correspond to the Decree 575/18 (Official Gazette of 22 June 2018), effective as of 21 June 2018, i.e. subsequent to the signing (12/Jun/18, 18/Jun/18) and to the approval by the IMF Executive Board (20/Jun/18).

In this sense, the DACLyT should have analyzed the issue under review under the regulations in force "at the time of the signing" (as stated in the opinion itself, that is, at the time of the signing), i.e. Decree 2/17 (Official Gazette of 3/Jan/17) and not Decree 575/18 (Official Gazette 22/Jun/18). Furthermore, it did not express any opinion regarding the authorization that should have been granted by the OCSAF to begin negotiations and the arrangement with the IMF.

On the other hand, it should be noted that the DACLyT was not the competent area to rule on this issue according to its functions in effect at the date of the action. Although its specific actions include "assisting in the legal analysis of international issues, within the competence of the Ministry of the Treasury (MH)", the Department of Legal Affairs (DGAJ) of the then MF was the area most specialized in the matter, with the primary responsibility to "deal with all legal matters within the competence of the ministerial jurisdiction, to promote the improvement of legal and regulatory provisions, in the analysis of the preliminary drafts of economic-financial legislation...", bearing as one of its specific responsibilities "to take part in the juridical and legal aspects of all national and international economic-financial negotiations, whether bilateral or multilateral, within the ministerial sphere" (DA 309/18, Section 1, Annex II. Official Gazette of 14/Mar/18). It should be recalled that at that date, the MH and MF had been unified (Decree 575/18 - Official Gazette 22/Jun/18), i.e., the DGAJ (Department of Legal Affairs) was formally part of the MH, which was the continuation of the MF.

Absence of the MF's participation resulted in the absence of participation of competent technical areas in matters of public credit, leaving the transaction devoid of an analysis of the specific competence according to the regulations in force at the time of the signing, which affected the effectiveness of the auditee in terms of compliance with the regulations. The transaction was carried out without complying with Section 59 of the LAF regarding the action of OCSAF on the part of the MF, and without complying with the essential competence requirement provided by Law 19,549. Likewise, non-



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participation of critical areas of the MF resulted in the absence of efficient and effective advice related to public credit management.

It is recommended to ensure the legal binding nature of the operation by verifying the signing of the instruments by the corresponding area, in addition to ensuring the participation of the specific technical areas that guarantee due advice and timely and adequate participations in accordance with an efficient management of the public debt.

ii. Compliance with Section 61 of the Financial Administration Law

The BCRA failed to comply with Section 61 of the Financial Administration Law (LAF: “Ley de Administración Financiera”) by not issuing an opinion regarding the impact of the transaction on the balance of payments.

When external public debt is created, the BCRA must issue an opinion on the impact of the operation on the balance of payments⁵⁹ (LAF, Section 61), except for those operations that the Bank carries out with international financial institutions to guarantee monetary and foreign exchange stability (LAF, Section 71⁶⁰). The analysis performed reveals that the exception is not applicable to the SBA since the purpose of the funds was defined as "budgetary" and contains other non-monetary and/or foreign exchange purposes⁶¹. Besides, the regulation refers to operations carried out by the BCRA, while the SBA is exclusively a borrowing operation of the central government.

⁵⁹ According to INDEC, the balance of payments "is a statistical accounting statement that summarizes economic transactions between residents and non-residents in terms of flows (variation of cash inflows and outflows in a given period that serves as an indicator of liquidity or capacity to generate cash). Resident: any individual or legal entity whose center of economic interest or principal activity is located within the country's boundaries. Internationally, an individual is presumed to be a resident of a country if he/she remains or intends to remain in the country for one year or more. In the case of legal entities, residence is considered to be given when they produce goods or provide services in the country, in significant quantities, for which they must maintain a production facility for one year or more. There are some exceptions to the rule of one year of permanence for specific cases, such as diplomats, military personnel, transport crews, students and sick people who keep their residence even if they remain outside the economic territory for more than one year International organizations are always considered non-residents with respect to the compiling country (INDEC Methodology No. 23. Balance of payments, international investment position and external debt).

⁶⁰ The Section is not regulated.

⁶¹ Although its specific objective is to reduce tensions in the balance of payments ("To reduce tensions in our balance of payments by allowing to operate flexibly at our exchange rate as a shock absorber, increasing our international reserves, decreasing our current account deficit, and reducing our external financing needs"), it also includes objectives related to social issues, fiscal policy, financing, social policy, social security, among others. The intention set forth in the Letter of Intent does not indicate that the loan would be used exclusively to guarantee monetary and exchange rate stability.



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Further reinforcing the above, from the information provided by the auditees, it appears that the application of this Section was not claimed to authorize the exception with respect to the issuance of the opinion provided for in Section 61 of the LAF.

The only action by the BCRA was requested by the General Manager on 14 June 2018, who sent a note to different areas, among them the Deputy Management Office of Economic Research (*Subgerencia General de Investigaciones Económicas*), requesting an opinion on the reasonableness of the monetary policy program set forth in the SBA⁶².

On 18 June 2018, the Principal Management Office of Strategy and Communication of the Monetary Policy (*Gerencia Principal de Estrategia y Comunicación de la Política Monetaria*) issued an opinion whose purpose was "to analyze the reasonableness of the monetary policy program with the International Monetary Fund described in the Letter of Intent, considering that it is the only item of the original report that is within its competence"⁶³. In this regard, the BCRA issued a report after the signing of the SBA, which did not issue an opinion as required by Section 61 of the LAF. In this regard, the Main Office of Legal Studies⁶⁴ (*Gerencia Principal de Estudios Jurídicos*) of the BCRA and the Department of Contractual, Legislative and Tax Matters⁶⁵ (*Dirección de Asuntos Contractuales, Legislativos y Tributarios*) of the then Ministry of the Treasury did not issue an opinion on the matter, while the DACLyT merely mentioned the aforementioned report of the BCRA as a background paper.

In this context, the BCRA⁶⁶ was asked whether it had issued an opinion in relation to the specific operation, or a global opinion, considering the operation with the IMF, its impact on the balance of payments, and any other relevant analysis to determine the cost/risk ratio of such operation, indicating, if so, whether the Ministry of Economy had been informed. The Bank explained that it had not issued an opinion "*since it was not*

⁶² IF-2018-00154920-GDEBCRA-GG#BCRA, on electronic file EX-2018-00154908- GDEBCRA-GG#BCRA.

⁶³ IF-2018-00156984-GDEBCRA-GPEYCPM#BCRA, embedded as a file to the note NO-2018-00159592-GDEBCRA-GG#BCRA on electronic file EX-2018-29772791- -APN- DGD#MHA.

⁶⁴ IF-2018-00157147-GDEBCRA-GPEJ#BCRA dated 18 June 2018 on electronic file EX-2018-00154908- -GDEBCRA-GG#BCRA

⁶⁵ IF-2018-30023715-APN-DACLTYT#MHA dated 22 June 2018 on electronic file EX-2018-29772791- -APN-DGD#MHA.

⁶⁶ Note AGN No. 674/20.



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required by the Ministry of Economy, the public sector entity issuing or entering into the transaction"⁶⁷. In this regard, it should be noted that, from the comparison with other debt instruments, it was verified that the Ministry of Economy is in charge of requesting such opinion. For example, in the case of the rest of the loan agreements signed with multilateral organizations, it is requested by the National Office of Financing from International Financial Organizations (DNFOIC)⁶⁸, while for the international government securities, the participations were generally requested by the National Office of Public Credit (ONCP)⁶⁹. However, taking into account that the loan was signed by the Governor of the BCRA, and that the Bank could not have been unaware of the loan's existence, it is deemed that absence of such opinion should have been noticed regardless of the lack of a specific request by the Ministry.

Upon consultation with SF⁷⁰ regarding the issuance of the BCRA's opinion, it replied that there is no record of the required opinion.

⁶⁷ In support of this, the BCRA pointed out that the requests were processed from the ONCP "addressed to the Operations Deputy General Management Office (*Subgerencia General de Operaciones*), which were referred to the Foreign Trade and Exchange Regulations and Investigation Management Office (*Gerencia de Normas e Investigación de Exterior y Cambios*). In this area, technical reports were prepared together with a draft note, which were sent with the participation of the Department of Foreign Trade and Exchange Regulations and Investigation to the Operations Deputy General Management Office (in case of absence of General Management), and a note in the projected terms was prepared with the agreement of said authorities, and received in physical form by the personnel of the General Management". On 11 December 2019, the document "P184 - Opinions on External Financing" was approved. Its process begins as follows: "there arises the "Need for specialized information on External Debt", regarding the impact on the Argentine balance of payments, from the Ministry of the Treasury (MH)" (IF-2021-00092878-GDEBCRA-GPAMYM#BCRA in response to Note AGN 370/21 A-05 received in the context of action 536/19 on "External Debt Issuances 2016-2018. Legal structure of debt issues with private holders"). In this regard, the BCRA explained that there were no modifications from the procedure used to the one finally executed (Note 400/02/2021 in response to Note AGN 607/21 A-05, item 16)..

⁶⁸ Pursuant to Resolution MEyFP 108/09.

⁶⁹ It was also requested through the Secretariat of Finance, the Legal and Administrative Secretariat, and the Undersecretariat of Financing. The discrepancy is due to the fact that there is no regulated process indicating the area responsible for requesting the opinion provided for in Section 61 of the LAF.

⁷⁰ NO-2021-01245714-APN-SPE#MEC embedded in IF-2021-06151446-APN-SLYA#MEC, response to Note AGN No. 676/20, question 13.



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The analyzed proceedings reveal the high risk derived from the non-application of Resolution MEyFP 108/09, as well as the requirements of Section 61 of Law 24,156. This situation exposes the National Government to an absence of assessment of the risks related to sovereign indebtedness, the effect on the administration of reserves and the foreign currency payment capacity of the National Treasury, a proper analysis required by applicable regulations, with a sound administration of resources and adequate monitoring of the exposure of the country's balance of payments and the management of the financial risks of the public debt.

The failure of the manager to request the analysis provided for in Section 61 of the LAF resulted in non-compliance. It is therefore *recommended* that for future indebtedness with the IMF, the BCRA's opinion be requested in compliance with Section 61 of the LAF.

iii. Approval of the SBA by a higher authority rule

The IMF loan was not approved by a Decree.

The procedure regulated by Resolution MEyFP 108/09 applicable to operations with multilateral organizations (a EAFsible process, legally and factually, to achieve effectiveness and efficiency in the management of the loan) was not applied. The information presented does not indicate that the legal service or the enforcement authority (DNFOIC) have been consulted to rule out said application.

According to Section 4 of the National Constitution, the Federal Government supplies the expenses of the Nation with the funds of the National Treasury, which is made up of two large groups:

- Own collection: includes import and export duties, sale or lease of land, post office revenues, and other contributions imposed by the Congress on the population.
- Public Credit: consists of loans and credit operations ordered by the Congress for the Nation's emergencies or for enterprises of national interest.

As regards the second group, the National Congress has the power to borrow on the Nation's credit and arranges the payment of the Nation's domestic and foreign debt (Section 75, subsections 4 and 7, of the National Constitution). It also establishes



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annually the national administration's expenditure budget and calculation of resources, based on the general government program and the public investment plan, and approves or rejects the investment account (Section 75, subsection 8, of the National Constitution).

Section 60 of the LAF exempts from the need to approve multilateral financing through a budget law or specific law, delegating this power to the National Executive Branch (PEN). Also, the LAF establishes that public sector entities must have the prior authorization of the OCSAF (MF at the time of signing the SBA) to begin procedures for public credit operations (Section 59).

On the other hand, Resolution MEyFP 108/09, regulating the "Administrative Management Circuit of the Ministry of Economy and Public Finance for the Approval and Signing of Loan Agreements or Contracts with International Credit Organizations"⁷¹, states that a decree⁷² must be approved after the negotiations with the international organization have been completed (stage 3).

Accordingly, the Law of Ministries stipulates for each minister the primary responsibility of "assisting the President of the Nation and the Chief of the Cabinet of Ministers, within their respective competences..."

⁷¹ <http://servicios.infoleg.gob.ar/infolegInternet/anexos/150000-154999/151563/norma.htm>

⁷² Regarding the importance of the issuance of a decree as an expression of will and assurance of legal binding, Gordillo (2017) expresses, in relation to the President of the Nation, as follows: "*the President is who, in accordance with the Constitution, expresses the will of the Executive Branch, before the other subjects of law, by means of decrees that must be countersigned by the respective relevant ministers, a requirement without which his actions are ineffective*" (Gordillo, 2017, "*Tratado de Derecho Administrativo y obras selectas*". Volume 1, general section. Chapter XII on the national governmental bodies. Buenos Aires, Argentina: "Fundación de Derecho Administrativo").



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For its part, the IMF's Articles of Agreement state, in relation to transactions and operations, that "member countries shall maintain relations with the Fund only through their Ministry of the Treasury, central bank, stabilization fund or other similar fiscal agencies, and the Fund shall maintain relations only with or through such agencies". Within this context, Decree 227/75 appointed the then Minister of Economy as Governor, and the Governor of the BCRA as Alternate Governor, as representatives before the IMF (it should be recalled that at the time the SBA was signed, the Ministry of the Treasury and the Ministry of Finance coexisted separately).

It should be noted that the aforementioned Resolution MEyFP 108/09 is applicable as long as the creditor counterpart is a multilateral credit organization, regardless of whether the financing object is for an investment project or not, contemplating events in which investment projects are not involved, as well as the steps to be followed⁷³. This would be the case of the SBA signed in 2018 with the IMF and of another loan granted by the Corporación Andina de Fomento -CAF-, an example of practical application of Resolution MEyFP 108/09, where the purpose of the financing is "budget support" (the same as that of the SBA). The development of this last example can be found in Exhibit 5.

Therefore, there are loans financed by multilateral lending agencies that followed the internal administrative circuit of Resolution MEyFP 108/09, i.e., they were approved by decree and are not public investment projects.

⁷³ For example, in order to obtain the "prior opinion" of the Minister of Economy and Public Finance, it is established that "such opinion shall be implemented through the Department of Public Investment of the Undersecretariat of Economic Coordination within the Secretariat of Economic Policy of the Ministry of Economy and Public Finance regarding the economic-technical preEAFsibility of the project, in those cases where the credit operation involves a project that constitutes a public investment in accordance with Law No. 24,354. **If the transaction does not include investment projects** pursuant to the preceding paragraph or if it constitutes a recognition of investment expenses previously incurred, the opinion shall be signed by the Minister of Economy and Public Finances". (Emphasis added). This is again noticed with respect to the technical opinions required prior to the opinion of valuation and financial EAFsibility of the loan conditions by the then Minister of Finance (MF). One of the areas involved is the National Office for Public Investment (DNIP), which is required to issue a technical opinion "regarding the economic-technical preEAFsibility of the project, in accordance with the terms of the National Public Investment Law No. 24,354 and Section 48, subsection a) of Law No. 11,672, Permanent Supplementary Budget Law (as restated in 2005). **This opinion shall not be necessary when the purpose of the transaction** is the acknowledgment of public investment expenses previously incurred, or when the transaction **does not constitute a public investment** under the terms of Law No. 24,354"⁷³ (emphasis added).



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As a corollary of the analysis, upon consultation on regulations approving the SBA, the Ministry of Economy responded⁷⁴ on the basis of a ruling⁷⁵ in the framework of a response to a 2019 court letter that states "*...it is deemed appropriate to state that, in all cases, the form of execution of these agreements has been the one used in these cases; that is, not through the signing of a single document by the parties but through the signing of the respective letter of intent by the competent Argentine authorities and the subsequent approval by the board of directors of the said international financial organization*".

In view of the above, it is observed that the SBA signed in 2018 with the IMF was governed by 1975 regulations (Decree 227) and the Law of Ministries, as the IMF Articles of Agreement sets forth the negotiations of the Fund with the Ministry of the Treasury (MH) (although without taking into account the division of both ministries and their correlate functions, as it will be seen further on).

Furthermore, other relevant regulations were not taken into account, such as the LAF in force since 1993 and Resolution MEyFP 108/09 -applicable to all public credit operations arranged with international financial institutions, approved after the penultimate SBA between Argentina and the IMF (2003)-.

Thus, the prerequisites for taking out a loan with the IMF were subject to the discretionary power of the auditee, with an impact on its effectiveness and efficiency, since no clear parameters were established within a specific process requiring appropriate actions and evaluations to measure the risks of the operation in question, to ensure that there would not be any breach of regulations, and to have adequate supervision and authorization from the management responsible for the operation.

⁷⁴ NO-2021-90300089-APN-SLYA#MEC in response to AGN 665/21 A-05.

⁷⁵ PV-2019-91939956-APN-SSAC#MHA which is related to the processing of a court letter received on 20 September 2019 requesting documentation related to the IMF Arrangement.



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In conclusion, Resolution MEyFP 108/09 applicable to loan agreements entered into with multilateral lending institutions, constitutes the regulatory framework to carry out the management of the IMF loan (insofar as the regulations contemplate cases where investment projects are not involved), and should have been applied for the signing of the SBA to at least its substantial parts, also considering the importance of the financing obtained through such arrangement. Additionally, in practice, the CAF loan approved by Decree 764/18 was subject to the aforementioned resolution, even though it did not qualify as an investment project. Furthermore, the then Minister of the Treasury (MH) mentioned that both loans (CAF and IMF) would serve as "budgetary support" to "comply with the objective of the Plan".

In turn, the legal service of the MH, the DACLyT, did not issue an opinion on the application of Resolution MEyFP 108/09 nor did it give an opinion on whether or not there is a need for a decree approving the public credit resulting from the IMF arrangement, nor is there any evidence that, given the years elapsed since the last SBA (2000 and 2003), the authorities, as a precautionary measure, have consulted the legal department on this matter.

It is evident that the auditee operated in a risky environment because it was a non-recurrent financing, without applying the regulations in force for multilateral indebtedness (Res. 108/09), in addition to the non-participation of the critical areas competent to provide technical opinions on public credit matters.

Considering the regulations in force, the administrator should have used the procedure applicable to multilateral borrowing (adjusted to the classification given by him/her to the loan under analysis) or, at least, consulted the legal service and the specialized area (DNFOIC) in order to be certain as to the course to follow in order to align the specific regulations (Decree 227/75) for obtaining technical opinions on the risks derived from such indebtedness in order to make informed decisions and rely on authorizations from the highest administrative authorities, in view of the exception concerning congressional authorization.



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When considering the whole regulatory scheme (national and international standards and regulations), it is observed that not approving the operation by decree determined the non-compliance with Res. 108/09, which reduced the effectiveness of the management process, since the President is the supreme head of the Nation, the head of the government and politically responsible for the general administration of the country pursuant to Section 99, paragraph 1, of the National Constitution, and his signature by means of a decree should serve as ratification and due authorization of the operation, as long as the SBA had been signed by the competent Ministry (MF). Here it should be recalled that the legal service of the MH did not give an opinion on the procedure for taking out public debt and on whether or not it was necessary to have a decree approving the public loan resulting from the arrangement with the IMF, since it did not take into account the existence of the current procedural regulations for the management of multilateral external debt (Res. MEyFP 108/09) or the regulations in force at the time of signing the SBA.

The failure to apply the procedure required for multilateral loans and the lack of specific and timely consultation with the legal service, left at the auditee's discretion the essential prerequisites for entering into the loan arrangement with the IMF, affecting its effectiveness in terms of regulatory compliance and legal obligation thereunder.

In this respect, no recommendation is made regarding the need for a decree approving the operation because Law 27.612⁷⁶ on the Strengthening and Sustainability of the Public Debt was subsequently enacted, whereby it was specified that all arrangements with the IMF must be approved by a special law.

⁷⁶ Official Gazette of 3 March 2021.



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iv. Processes associated with the signing of the SBA at MECON

It was found that the procedure applicable to multilateral loans pursuant to Resolution MEyFP 108/09 for the authorization, negotiation, signing, management, monitoring, and supervision of Stand-By Arrangements was not implemented.

The actual processes associated with the disbursements and purchases of foreign currency that were implemented, although similar, were not homogeneous in terms of the areas involved, the type of participations or procedures applied, and the sequence in which they were carried out.

The auditee did *not provide evidence of the existence* of any procedure manuals *related to operations with the International Monetary Fund*. Neither did it describe the procedures effectively applied (actual process)⁷⁷.

The auditee did not implement the procedure applicable to multilateral debt (debt category under which the loan was registered) established by Resolution MEyFP 108/09, which approves the "Administrative Management Circuit of the Ministry of Economy and Public Finance for the Approval and Signing of Loan Agreements or Contracts with International Credit Organizations".

The enforcement authority of such regulation is the DNEFOIC (National Office for Projects with International Credit Institutions), under the Secretariat of Economic Policy of the then MEyFP. However, at the time of the signing of the SBA, the Ministry had been split and such Directorate was under the Ministry of Finance (MF).

⁷⁷ Note AGN 676/20 (question 6). Consultation reiterated in Note AGN 610/21 (question 13).



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The steps and participations recorded on files related to the operation involving the design and signing of the SBA, the disbursement of resources, the foreign exchange auctions, and the revaluation of claims in favor of the IMF⁷⁸ were identified.

In relation to the Arrangements entered into by Argentina with the IMF prior to that of 2018 (2000 and 2003), no process homogeneity could be ascertained from the information provided by the ME⁷⁹.

(I) Processes associated with the authorization, negotiation, signing, and execution of the Arrangement and amendments thereto.

A letter of intent (LOI) with five subsequent amendments from 12 June 2018 to 3 July 2019 came out of the records provided by the Ministry of Economy. The table below presents the steps taken for the letters of intent surveyed in the files:

Table No. 10

Comparative table of Letters of Intent

Letter of Intent	12 Jun 2018 and 18 Jun 2018	17 Oct 2018	7 Dec 2018	13 Dec 2018	25 Mar 2019	3 Jul 2019
File	EX-2018-29772791--APN-DGD#MHA	EX-2018-52368222- -APN-DGD#MHA				
Process start date	18 Jun 2018	17 Oct 2018	6 Dec 2018	14 Dec 2018	25 Mar 2019	3 Jul 2019
Process end date	26 Jul 2018	17 Oct 2018	10 Dec 2018	17 Dec 2018	27 Mar 2019	12 Jul 2019
Duration of process (days)	38	0	4	3	2	9

Source: Compilation based on EX-2018-29772791- -APN-DGD#MHA and EX-2018- 52368222- -APN-DGD#MHA.

It can be seen that some files were indexed after the Arrangement was signed (LOI dated 12 June 2018, 18 June 2018 and 13 December 2018), and others were initiated on the same day they were signed or within a very short period of time (LOI dated 17 October 2018, 7 December 2018, 25 March 2019 and 3 July 2019).

Exhibit 1 shows the flow charts of the processes used in the issuance of the letters of intent.

⁷⁸ At the close of each financial year, foreign exchange revaluations must be made for SDR holdings for member countries (Articles of Agreement, Article V. Operations and Transactions of the Fund. Section 11. Maintenance of value. IMF Executive Board Decision No. 5590 (77/163) of 5 December 2077).

⁷⁹ The FS provided a series of outputs from the filing system and digital names of the non-accompanying documents.



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From the analysis of the actions, no real homogeneous process could be inferred as the circuits show discrepancies among the different letters of intent.

In this respect, we observed the participation of the SH, SF⁸⁰, SPE, SLyA, DGD and DACLyT (Secretariat of the Treasury; Secretariat of Finance; Secretariat of Economic Policy; Legal and Administrative Secretariat; Document Management Division; Office of Contractual, Legislative and Tax Affairs) although not homogeneously, since not all of them participated in all the circuits. The reason for their participation also differs, since on some occasions, they did so, on request and on others, the process was promoted by the sector executing it.

In addition, the sequence of participation of the areas was not respected (in some cases, the intervening area does not correspond to the area to which the file was sent).

SBA goals and objectives: Participation of the areas, agencies and jurisdictions affected by the SBA terms

In the Stand-By Arrangement signed, goals and objectives related to different areas/agencies/jurisdictions (which are not always under the orbit of the Ministry of Economy) and in relation to the fiscal performance of the Provinces were proposed.

From the evidence gathered and the information provided by the auditee, it follows that the goals and objectives proposed in the text of the Agreement were not agreed upon or validated by the relevant areas⁸¹. Its design is not substantiated and there is no evidence of previous evaluations and opinion of the areas with primary competence in the matter, metrics and expected results.

⁸⁰ The SF took action only for the adjustment of the letter of intent dated 3 July 2019. Through PV-2019-59346758-APN-SF#MHA of file EX-2018-52368222- -APN-DGD#MHA the SF agrees to the draft Letter of Intent.

⁸¹ The National Office of Provincial Affairs of the SH stated that "according to the official records of this National Office, there is no evidence of the issuance of documents or formal participations regarding the definition of goals and objectives related to the fiscal performance of the Provinces" (NO-2020-91133179-APN-DNAP#MEC, in response to Note AGN 676/20, question 9). Response accompanied by the SH.

On the side of other affected ministerial offices and agencies, the Secretariat of Economic Policy stated that "within this Secretariat there is no documentation evidencing that an evaluation of the goals and objectives set forth in the Stand-By Arrangement has been carried out" (NO-2021-01245714-APN-SPE#MEC, in response to AGN Note 676/20, question 9).



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For its part, the Chief of Cabinet of Ministers declared not to have participated as interjurisdictional coordinator in the design of the goals/commitments of the Arrangement, coordination and monitoring thereof, in accordance with the mandate provided by Decree 513/2017, Section 2, since the areas under its authority did not report any participations or competence in this regard⁸².

Regarding the goals and objectives set forth in the Stand-By Arrangement which are related to the BCRA's operations, from the information provided by the Bank, only the request for an opinion to the relevant areas on the content of the letters of intent to be signed by the Governor of the BCRA⁸³ was verified. The opinion requested refers to the reasonableness of the monetary policy program⁸⁴, the sensitivity of the information related to the participation in the foreign exchange market included in the program, and the possibility of maintaining the confidentiality of market-sensitive information. Also, the origin or design of such content was not specified. Besides, it is inferred the participation of the BCRA in stages prior to the versions of the respective letters of intent, since documents in the files mention that “...*In view of the different meetings held with officers of the International Monetary Fund, a final version of the Letter of Intent and its exhibits was prepared, which shall be signed by the President of this Central Bank and the Minister of the Treasury*”⁸⁵.

⁸² PV-2021-70992446-APN-SSCPR#JGM, in response to Note AGN 606/21 (question 4).

⁸³ IF-2018-00154920-GDEBCRA-GG#BCRA, appearing on EX-2018-00154908--GDEBCRA-GG#BCRA, provided in response to Note AGN 674/20 (question 8).

⁸⁴ The Monetary Policy Report (IF-2018-00156984-GDEBCRA-GPEYCPM#BCRA, embedded in IF-2018-00158471-GDEBCRA-GG#BCRA, as filed on EX-2018-00154908--GDEBCRA-GG#BCRA) of the Senior Management of Monetary Policy Strategy and Communication analyzes the reasonableness of the monetary policy program described in the Letter of Intent to the IMF. The report provides an opinion on the inflation targets regime with a floating exchange rate, the financial strengthening of the BCRA through the elimination of the BCRA's financial assistance to the Treasury and the cancellation by the Treasury of part of its debt with the Central Bank in the form of *Letras Intransferibles*, the independence of the Central Bank by way of the amendment of the Charter proposed in the SBA and the transparency of the BCRA's financial statements through the proposal to align the BCRA's financial statements with international standards. However, it does not account for the goals and objectives design. The report is dated 18 June 2018, subsequent to the first version of the Letter of Intent and bearing the same date as the second version of June. Thus, it is concomitant to the signing and does not account for previous analysis at the design stage.

⁸⁵ IF-2018-00154920-GDEBCRA-GG#BCRA, as filed on EX-2018-00154908--GDEBCRA-GG#BCRA.



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(2) Process associated with disbursements and foreign exchange revaluation

Within the framework of the SBA, 5 foreign currency purchases were made associated with 5 disbursements. Exhibit 2 shows the flow charts for each purchase transaction.

The foreign currency purchase process is similar in the 5 disbursements, although some discrepancies were detected with respect to the areas involved, as shown below:

Table No. 11
Comparative table of procedures for foreign currency purchases #1 to #5

	PURCHASE 1	PURCHASE 2	PURCHASE 3	PURCHASE 4	PURCHASE 5
File	EX-2018-29237799 EX-2018-29238098		EX-2018-54074016 EX-2019-76796676		
SDR Amount	10,613,710,000	4,100,000,000	5,500,000,000	7,800,000,000	3,900,000,000
Issuance date of the Bill (<i>Letra</i>)	22 Jun 2018	30 Oct 2018	21 Dec 2018	9 Apr 2019	16 Jul 2019
Requesting area (promoting the process)	SH	SH	SH	SH	SH
SF's conformity - Draft note to BCRA	YES	NO (1)	YES	YES	YES
SLyA's conformity - Draft note to BCRA	NO (2)	NO (3)	NO (4)	SI	YES
MH's Note to BCRA requiring foreign currency purchase	YES	YES	YES	YES	YES
Area that prepares model letter for foreign currency purchase	ONCP	ONCP	ONCP	ONCP	ONCP
Area that gives participation to Legal (DAAEPyFP)	ONCP	DOCP y DDADF (5)	ONCP	ONCP	ONCP
Legal Opinion	DAAEPyFP	DAAEPyFP	DAAEPyFP	DAAEPyFP	DAAEPyFP
SF's conformity - Model of <i>Letra del Tesoro Intransferible</i> (Non-transferrable Treasury Bill)	NO (6)	YES	YES	YES	YES
SLyA's conformity - Model of <i>Letra del Tesoro Intransferible</i>	NO (7)	YES	YES	NO (8)	YES
SH's conformity - Model of <i>Letra del Tesoro Intransferible</i>	NO	NO	NO	NO	YES (9)
Record of issuance of <i>Letra del Tesoro Intransferible</i> signed by Minister of the Treasury (MH)	YES	YES	YES	YES	YES
SLyA refers signed <i>Letra</i> to BCRA	YES	YES	YES	NO	NO
DGD refers actions taken to SH for communication and participation	NO	YES	YES	YES	YES
SH refers actions taken to ONCP	NO	NO	NO	YES	YES
ONCP gives participation to DADP	NO	NO	NO	YES	YES
Foreign exchange auction	YES	NO	NO	NO	NO
Description of funds movement	NO	NO	NO	NO	YES
Bank statements	NO	NO	NO	NO	NO

(1) Participation of the area was confirmed through PV-2018-54086595-APN-SECF#MF. The model of the note to be sent to the BCRA was not approved.

(2) Acted through electronic pass PV-2018-29480747-APN-SECLYA#MHA signed by legal advisor continuing the procedure. It does not issue conformity to the draft note to the BCRA.

(3) There was no evidence of its participation at this stage of the process (the file did not enter or leave the area; there are no records issued or electronic passes).

(4) There was no evidence of their participation at this stage of the process (the file did not enter or leave the area; there are no records issued or electronic passes).

(5) Joint signature report of the Office of Financing Analysis and the Office of Public Credit Operations, record IF-2018-54672660-APN-DAF#MF.

(6) There was no evidence of its participation at that stage of the process (the file did not enter or leave the area; there are no records issued or electronic passes).

(7) It acted through electronic pass PV-2018-29832386-APN-SECLYA#MHA signed by legal advisor continuing the procedure. No conformity issued to the draft of "Letra Intransferible".

(8) There was no evidence of its participation at that stage of the process (the file did not enter or leave the area; there are no records issued or electronic passes).

(9) The SH gives conformity to the model of "Letra Intransferible del Tesoro" through PV-2019-64056264-APN-SECH#MHA.



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SF: Secretariat of Finance

SLyA: Legal and Administrative Secretariat

ONCP: National Office of Public Credit

DAAEPyFP: Office of Administrative Affairs, Public Employment and Public Finance

DOCP: Office of Public Credit Operations

DDADF: Office of Financing Analysis

DADP: Office of Public Debt Management

Source: Compilation based on files EX-2018-29237799-APN-DGD#MHA, EX-2018- 29238098-APN-DGD#MHA and EX-2018-54074016-APN-DGD#MHA.



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Detailed below are the participations of the areas and their discrepancies for purchases 1 to 5:

- The SH was the driving force behind the foreign currency purchases.
- The participation and conformity by the SF in the draft notes to the BCRA in purchases #1, #3, #4 and #5 was confirmed. It participated in purchase #2 without expressly giving its consent.
- The SLyA approved the draft note to the BCRA only in purchases #4 and #5. In purchase #1, it issued an electronic pass to continue the process. It did not participate in purchases #2 and #3.
- The request for foreign currency purchases # 1 to # 5 was submitted by the Minister of the Treasury to the Governor of the BCRA in all cases, specifying the amount and the date of completion of the operation.
- The issuance of the *Letra Intransferible* was channeled within the orbit of the ONCP in all circuits⁸⁶.
- In all cases, the participation of the legal area of the DAAEPyFP was confirmed, which issued the corresponding opinion with no observations regarding the model of the *Letra Intransferible*. In all cases (foreign currency purchases #1 to #5), the opinion was issued by the DAAEPyFP under the Undersecretariat of Regulatory Affairs of the Legal and Administrative Secretariat of the MH⁸⁷.
- The SF agreed to the models of *Letras Intransferibles* for purchases #2 to #5. There was no evidence of its participation in purchase #1, the file was not referred to the area and no action of any nature was taken by the area.
- The SLyA agreed to the models of *Letras Intransferibles* for purchases #2, #3 and #5. There was no evidence of its participation in purchases #1 and #4.

⁸⁶ It is made clear that, according to the ONCP, its participation in relation to the LIs was limited to the elaboration of the model of *Letra Intransferible* under what was requested by the SH (NO-2020-91140043-APN- ONCP#MHA in NOTE IF-2021-06151446-APN-SLYA#MEC, in response to Note AGN 676/20).

⁸⁷ 87 It should be noted that the opinion was issued on 22 June 2018, date on which the Ministry of Finance (MF) was abolished and the Ministry of the Treasury (MH) was established as its successor (see DNU 575/18).



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- The SH agreed to the issuance of the *Letra Intransferible* only in the case of purchase #5.
- All purchases (#1 to #5) have their corresponding issuance records for *Letras Intransferibles*.
- Once the Letra Intransferible was issued, the files were referred to the ONCP for participation in purchases #4 and #5. The area did not participate in purchases #1 to #3.
- DADP was involved in purchases #4 and #5. The area does not participate in purchases #1 to #3.

Regarding the foreign exchange auctions, they were carried out in a homogeneous manner within the framework of the foreign currency purchase #1. In all cases the SH initiates the process by forwarding the requirements to the BCRA with the details of the period and amount of the auction.

As for the revaluation of foreign currency, the MH does not have a regulated process for this purpose. On the other hand, during the audited period, a revaluation corresponding to the closing of the 2019 financial year was carried out and there was no other revaluation to compare during the audited period⁸⁸.

⁸⁸ It should be noted that the following revaluation took place in 2020, and uniform procedures were observed in both operations.



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(3) Regulation approving the issued “Letras Intransferibles”

The Letras Intransferibles (LI) issued by the National Treasury in consideration of the foreign currency purchase from the IMF, on the occasion of each disbursement requested, were recorded in the “GDE” (Electronic Document Management) as electronic documents (“GEDO”) “ACTAS”⁸⁹ (Records) and were not approved by a regulation (decree and/or resolution of OCSAF).

The records contained in the files do not refer to any regulation (authorization to the indebtedness, ministerial resolution, OCSAF joint resolution) approving the issuance of the obligations, nor does the search in Infoleg. In this respect, the MECON did not mention that the LIs issued under the SBA were approved by ministerial resolution⁹⁰.

An analysis of previous issues of LI (although they do not correspond to *Letras* issued under an SBA with the IMF, they replicate the debt instrument) shows that all the LI placed to the BCRA since 2006 had an approving regulation (decree and/or resolution of OCSAF), including those issued for the payment to the IMF in 2006⁹¹ and the one for the payment of the 2016⁹² quota. However, the *Letras* originated under the 2018 SBA were not supported by any approving regulation. Below is the analysis regarding the lack of a ministerial resolution.

⁸⁹ The *ACTAS* (Records) related to the disbursements describe the obligation to pay the amount established therein, specifying that it is issued under the Arrangement and that it will be adjusted to reflect the maintenance of the adjusted values, in accordance with the IMF's rules. It should be mentioned that, at the time of the issuance of the first LI, the regulations for the use of the Electronic Document Management System (GDE) and the Remote Procedures Platform (TAD) did not define the Record as an electronic document (Resolution SMA 90/17, Official Gazette of 19/Sep/17). Only in May 2019, with the updated version of the regulation, it is defined that “the official electronic document produced to record, certify, attest to, or register a fact, disaffections, overturns, issues discussed at meetings of collegiate bodies, etc., constitutes a Record (*Acta*)” (Resolution SMA No. 43/2019) (SMA: Secretariat of Administrative Modernization).

⁹⁰ Reply to Note AGN 610/21 (question 5.e).

⁹¹ Decree No. 1601/05 and Joint Resolution 1/2006 SF and 4/2006 SH. It is noteworthy for being associated to the same creditor. Issued on 3/Jan/2006 when the total repayment of the debt with the IMF with freely available reserves exceeding the percentage established in Section 4 of Law 23,928, as amended, was ordered.

This LI was exchanged on 30/Dec/2015 for a freely tradable bond in the market -BONAR 7.875% 2027- (Decree 2011/2015 of 22/Dec/2015 (<http://servicios.infoleg.gob.ar/infolegInternet/anexos/255000-259999/257245/norma.htm>) and Joint Resolution SH 35/2015 and SF 5/2015 of 30/Dec/2015).

⁹² Resolution SF 262/2016.



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As mentioned above, the documentation provided by the auditee did not include any Resolutions from a competent authority ordering the issuance of the LI. In this regard, previous cases of issuance of *Letras Intransferibles* indicate that they were issued by Resolution of the Minister or of the OCSAF. In fact, looking at the regulatory framework of the issuance of these instruments in previous cases in general, the framework of the issuance refers to Section 6 and/or 63 of the LAF (as an instrumentation of the transactions of Section 57⁹³ of the same law) and regulations thereof, resulting in practice in the issuance of the Letras by the OCSAF (in this case by joint Resolution of the SH and SF) or by Ministerial Resolution (directly or by delegation) in each case, following the guidelines of the budget laws that authorized the public credit operations, special laws or presidential decrees.

For the purpose of examining this issue, we searched for IMF-related transactions involving the issuance of LIs in order to establish whether rules were issued to support the debt instruments and their general regulatory framework. Two specific events prior to the 2018 SBA were identified, where LIs were confirmed to have been issued:

- Cancellation of the debt with the IMF
- Integration of the increase in Argentina's quota with the IMF

⁹³ Section 57 of the LAF states: "The indebtedness resulting from public credit operations shall be called public debt and may be originated in: ...b) The issuance and placement of *Letras del Tesoro* (Treasury Bills) whose maturity exceeds the financial year..."; Section 63 states: "The coordinating body of the financial administration systems shall establish the characteristics and conditions not provided for in this law, for the public credit operations carried out by the entities of the national public sector". And with respect to this same Section, the regulatory decree states: "The Coordinating Body shall fix and determine the occasion and financial characteristics of the public credit instruments mentioned in Section 57 of the law applicable to issuances and placements of the Central Administration, and shall proceed to issue them under the terms, for the purposes and for up to the amounts stipulated in the Budget Law of the fiscal year in question or in a specific law, and shall carry out such operations, to which end it is empowered to (a) To provide for the issuance and placement of *Letras del Tesoro* (Treasury Bills) under the terms, for the purposes and up to the amounts stipulated in the Budget Law of the fiscal year in question, in accordance with the provisions of Sections 57, subsection b), and 82, of the law..."; Section 6 refers to the functions of OCSAF; at the time of the signing of the SBA, the functions of OCSAF with respect to public credit were held by the Ministry of Finance (MF) (Decree 32/17 - Official Gazette of 13/Jan/2017) until Decree 585/18 was issued, which placed the functions of OCSAF back in the SH and SF (Official Gazette of 26/Jun/18, effective as of its issuance on 25/Jun/2018).



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For the first operation mentioned above, there was a regulatory chain consisting of decrees (DNU 1599/05 amending Law 23,928) and 1601/06 which empowered the then Ministry of Economy and Production to adopt the necessary measures to execute the cancellation of the debt with the IMF with BCRA's freely available reserves (Section 3). In this context, the Ministry, by means of Resolution 49/05, instructed the OCSAF (the Secretariat of the Treasury and Finance at that time) to implement the exchange of reserves for the LI and to issue the necessary regulations, which led to the Joint Resolution SH 4/06 and SF 1/06 providing for the issuance of the LI.

In the second operation, Law 26,849 approved the increase of Argentina's quota with the IMF (Section 1) and empowered the then Ministry of Economy and Public Finance to issue one or more LIs in consideration of the payments to be made by the BCRA. In compliance with this mandate, the Ministry issued Resolution 262/16 providing for the issuance of a LI to cancel 25% of the quota increase with the IMF.

It is worth mentioning at this point of the analysis that in the operations under study, the *Letra Intransferible* (Non-transferrable Bill) is the instrument that represents the public credit operation itself. In general, the operation is instrumented with the BCRA as the creditor, granting the financing through the use of reserves, and the National Government as the debtor.

In the case under study, the public credit operation is the loan (the SBA) with the IMF and the LIs serve as proofs or promises of payment to the IMF in connection with the main operation, i.e., they do not constitute the public credit operation itself⁹⁴.

⁹⁴ The *Letras de Tesorería* (Treasury Bills) issued by the National Government in favor of the IMF represent the obligations that the National Government has in respect of the Stand-By Arrangements and are deposited in custody at the BCRA and recorded in Memorandum Accounts. Memorandum accounts are accounting accounts which record: a) a) third-party assets, whose registration is necessary for operational reasons and for their control through the results of physical counts; b) b) contingencies for which no change in equity has been computed, including those that could arise from incidents affecting the assets of third parties (Source: "Contabilidad Básica" - Enrique Fowler Newton - Ediciones Macchi: Contabilidad Básica - Enrique Fowler Newton - Ediciones Macchi. Pages 150 and 151; edition not mentioned).



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Notwithstanding what was mentioned in the previous paragraph and the fact that no evidence of a Decree or other approving regulation was found, the previous event or "cause" of the issuance of the LIs was sought, that is to say, a previous and valid administrative act that would support the issuance of the LIs. From the documentation provided, it appears that the original cause for the issuance of the *Letras Intransferibles* is the SBA, this being the act which produced legal effects (since no other regulation from competent officers was provided). Requirements for their validity are the powers of the MH and the validity of the signatures as per the applicable regulations, which are discussed below.

(a) Competence of the officers

As regards the competence of the Minister of the Treasury (MH), at the time of the execution of the SBA on both June 12 and June 18, he did not have the competence on public credit, which he only had at the time of the unification of the ministries on June 21 (DNU 575/18).

It is also noteworthy that the text of the SBA did not include any reference to the issuance of LIs. Reference to the issuance of these instruments can be found in Article 2.1 of the MH-BCRA Agreement: *"For the IMF's holdings in Argentine pesos, subject to charges, resulting from foreign currency purchases under the SBA, the MH, on behalf of the Republic of Argentina, shall issue a non-negotiable, non-interest bearing, non-transferable demand bill of exchange in Argentine pesos in favor of the IMF"*. In the absence of other regulatory instruments, this Agreement is the immediate antecedent of the issuance of the *Letras Intransferibles*.

Regarding the competence related to public credit, at the time of the execution of the MH-BCRA Agreement (19 June 2018) the MH did not yet have the specific authority, which, as stated, was granted to it only on 21 June.



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The opinion of the Legal Service of 22 June 2018⁹⁵ does not take into account that the said agreement involves a public credit operation (the SBA loan) under the terms of Section 57 of the LAF. In fact, the legal service should have taken as a reference the public credit function which, at that date, was still headed by the Ministry of Finance (MF). The regulatory reference for the competence of the Ministry of the Treasury (MH) is item 15 of Section 20 of the Law of Ministries "to deal with monetary and foreign exchange policy in accordance with the powers vested in the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA". The other regulatory references are Article V, Section 1, of the Articles of Agreement, which provides that "Each member shall deal with the Fund only through its Treasury, central bank, stabilization fund, or other similar fiscal agency, and the Fund shall deal only with or through the same agencies", and Section 1 of Decree No. 227/75 stating that "'Argentina's representation before the International Monetary Fund... shall be vested in the following officers: (a) in the capacity of Regular Governor, the head of the Ministry of Economy of the Nation; (b) in the capacity of Alternate or Substitute Governor, the Governor of the BANCO CENTRAL DE LA REPUBLICA ARGENTINA".

Here it is pointed out that, given the division of the ministries and the various designations of the responsible officer, an examination focused on competences was required, especially considering that it was important to bear in mind that on the same day of the opinion, June 18, resignation of the Minister of Finance was accepted, who at the same time was assuming as Governor of the BCRA and signing the SBA.

On the other hand, it should be noted that although the Secretary of Finance agrees to the MH-BCRA Agreement minutes before the opinion of the legal area was given, there is no reference made to any delegating rule by the minister neither in the order where the officer gives conformity (PV-2018-29243063-APN-SECF#MF, order 7) nor in the opinion. All this in compliance with Section 3 of the LPA (Law on Administrative Procedures) which establishes the express authorization in the case of an extension of competence, in particular of OCSAF's function for public credit.

⁹⁵ IF-2018-29244177-APN-DACLYT#MHA, File EX-2018-29237799-APN-DGD#MHA, order 9.



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Likewise, in the event that the functions attributed to the Secretariat of Finance to have a role in the relationship with international financial organizations (Decree 32/17, functions 9 and 10) were considered sufficient, no explanation was found as to why the MH subscribed the MH-BCRA Agreement instead of the Ministry of Finance (MF).

The first LI was issued on 22 June 2018, the date on which the ministries were unified; the MH, being the continuator of the MF, had the function of OCSAF and therefore subscribed the LI. The other LIs were subscribed by the SH and SF jointly, as the OCSAF was effective as of 25 June 2018 (Decree 585/18).

(b) Signatures (formalization of issuances)

In order to follow the analysis line, the signatures affixed to the different instruments were compared. In the case of the ILs, discrepancies were found regarding the quality of the signature (digital with token or system signature), although both are valid based on the current regulatory framework for digital signatures⁹⁶. A detailed explanation thereof can be found in Exhibit 14.

The SBA signature is described in detail in section 5.a)viii below.

The MH-BCRA Agreement in its two versions is signed by the officers with digital signature, so it does not raise doubts, at least as to the validity of the signature.

However, and as a result of the analysis, it should be mentioned that the first of the LIs is dated 22 June 2018, one day after the specific competence on public credit matters was transferred to the Minister of the Treasury (MF) by DNU 575/2018, so the letters themselves were signed by the officer within the required competence, notwithstanding what has been pointed out regarding the sources giving rise to the issuance of such LIs ((as already analyzed, the source of the obligation represented by the LIs is the text of the SBA and that of the MH-BCRA Agreement, which were not signed by a competent authority in matters of public credit).

⁹⁶ The LIs were registered in Electronic Documents/Records (Resolution SMA 43/19, Annex I - Regulations for the use of the GDE and TAD system, Sec. 2, item h, Record: "The official electronic document produced to record, certify, attest to, or register a fact, disaffectations, overturns, issues discussed at meetings of collegiate bodies, etc., constitutes a Record (*Acta*)", an electronic vehicle that would admit, *a priori*, any type of digital signature.



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Given the discrepancies regarding the signing of the documents and what has been pointed out regarding competence, the non-existence of a decree or resolution authorizing the issuance⁹⁷, and the regulatory changes verified that could affect the validity of the original instrument and the subsequent Agreement, it would have been more effective in terms of regulatory compliance if the LIs had had some supporting legislation, such as a Resolution of the MH. A regulated process for the issuance of LI under the MH-BCRA Agreement that would require the participation of different areas according to their specific competences could have left this issue out of the question.

The LIs themselves became directly linked to the original SBA (Letters of Intent and Memoranda) and to the MH-BCRA Agreement, which Agreement specifically provided for their issuance, with the observations made with respect to the competence of the acting officers.

In view of the above, the auditee issued the LIs without a standardized process, increasing the operational risks, which result in the lack of homogeneity and sequence of the process, and lack of uniformity in the approval process of instruments of similar nature (the case of the issuance of *Letras Intransferibles*).

Therefore, it is recommended to develop a specific process for the issuance of LI and to try to homogenize the insertion of the signature of the competent officer in the instruments to be issued.

v. Processes associated with the signing of the SBA at the BCRA

The BCRA had specific standardized procedures (process maps and procedural instructions) for operational issues related to disbursements and to SDR purchase and sale, which do not contemplate the prior stage of negotiation and signing of the SBA⁹⁸.

⁹⁷ The auditee was asked about the existence/necessity of a ministerial resolution approving the issuance of these instruments, to which no response was received (NO- 2021-90300371-APN-SLYA#MEC in response to AGN Note 610/21, question 5.g).

⁹⁸ The BCRA established that it has took part in operational matters. To that effect, it has the following Procedural Instructions (IP) (Response to AGN Note 674/20, question 5):

1. Annual revaluation of the IMF's local currency holdings at the close of its financial year (IP 625, P018).
2. Execution of financial arrangements negotiated with the IMF (IP 637, P019)
3. SDR Purchase and Sale Transactions (IP 626, P150)



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Although the maps were in effect at the time of the signing, the procedural instructions showed some degree of outdatedness and were adequate, but after the signing of the SBA⁹⁹. The actual processes are in line with the BCRA's process maps and procedural instructions, except for the first and third foreign currency purchases.

(1) Processes associated with the authorization, negotiation, contracting and signing of the Arrangement

The agency limited its participation to operational matters within the framework of the execution of the Arrangement, and was not involved in the design process of the agreement before it was signed. The Agency made clear that its role was that of Alternate Governor before the IMF and as Financial Agent of the State¹⁰⁰.

(2) Process associated with disbursements and revaluation of foreign currency

When comparing the sequence of steps contained in the files supporting the transactions of the 5 disbursements of the SBA Arrangement with the processes set out in the flow chart P019 and the BCRA's procedural instruction IP637_13 (framed in the execution of IMF arrangements), there are variations with respect to the procedural instruction and among themselves.

The actual process is generally in line with the standard process, except in the case of the 3rd disbursement, where significant deviations were found with respect to the participation of the areas established in IP637_13. It was not ascertained that the proceedings had been referred to the Accounting Department¹⁰¹ and that the Senior Management for International Relations and Agreements had participated in the closing of the process¹⁰²; failing this, the Comptroller's Office took action.

The following table shows the functions of each area involved in the procedure as per instructions and their compliance level, according to the records surveyed:

⁹⁹ P018 updated on 23 Sep. 2020, P019 updated on 23 Oct.2020, and P150 updated on 28 Sep. 2020.En ¹⁰⁰

¹⁰⁰ In response to Note AGN 674/20, the International Affairs and Agreements Senior Management informed that the BCRA acts mainly as a financial agent of the National Government. It participates in the signing of the Arrangement because the Governor of the entity is the Alternate Governor before the IMF, and follows up on the fulfillment of the commitments involving him with respect to the goals set and to disbursement and repayment of the Arrangement.

¹⁰¹ IP637_13, item 2.12

¹⁰² IP637_13, item 1.10



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Table No. 12

Compliance with Procedural Instruction 637_13

		1	2	3	4	5
STEP 1: Senior Management for International Agreements	Disbursement #					
	1.1. It shall annually prepare an estimate of the Inflow of Funds and of transactions arising from drawings or purchases of SDRs under Arrangements on the basis of informative documents received from the IMF and of the background information on the Financial Arrangements negotiated between Argentina and the IMF through the ME. The estimate is an approximation of the statement of financial position with the Agency until the confirmation of each particular transaction by the IMF.	NO (1)			NO (1)	
	1.2. It shall e-mail to the Securities and Foreign Exchange Transactions Management, the estimate of Cash Receipts, item 1.1.	NO (2)			NO (2)	
	1.3. It shall receive from the IMF's Finance Department the Disbursement Instruction by SWIFT message with the following details: <ul style="list-style-type: none"> • Date of submission to the Agency's Executive Board for disbursement approval. • Description of the transactions resulting from the approval of the disbursement. • Total SDRs to be purchased, composition by currency and specification of the accounts to be credited. • Identification of the IMF's Account with the BCRA where the equivalent in Argentine pesos of the purchase should be credited as consideration. • Payment of Service Charges to be debited by the IMF from the BCRA's SDR Account. • SDR Commitment Fee, debit or credit to the BCRA's SDR Account by the IMF, depending on whether it is a payment or a reimbursement thereof. 	YES	YES	YES	YES	YES
	1.4. It shall verify the information of the message received with the documentation related to the Financing Agreements in its possession, identifying the disbursement (Stand-By Arrangement, Extended Facilities Agreement, or any other agreement included in the IMF's financial offer) and its respective execution stage: tranche/draft. Should any observations arise, it shall take the pertinent steps to obtain complete information on the disbursement and proceed with its implementation.	No Info. (3)	No Info. (3)	No Info. (3)	No Info. (3)	No Info. (3)
	1.5. It shall consider the instructions related to the disposition of funds, informing by e-mail to the Senior Management of Reserve Administration about the disbursement being processed with respect to currencies and correspondents and handling the arrangements that may be made in this regard with the international organization itself.	NO	YES	YES	YES	YES
	1.6. It shall request, by means of a report, the participation of the Presidency of the Bank with respect to the forwarding to the IMF of the SDR Purchase Request in question, specifying for such purpose the transactions to be carried out and indicating the deadline for the receipt thereof. It shall include the documentation received from the international organization and the SWIFT message to be sent, prepared in accordance with the disbursement instruction detailed in item 1.3, duly certified by the Senior Manager of International Agreements.	YES	YES (4)	YES (4)	YES (4)	YES (4)
	1.7. Once the participation of the Presidency has been completed, it shall forward the respective Purchase Requisition to the IMF by SWIFT, and shall receive the relevant acknowledgement of receipt, and shall include it in the proceedings.	YES	YES	YES	YES	YES
	1.8. It shall subsequently inform the Securities and Foreign Exchange Transactions Management and the Accounting Department by forwarding them the proceedings (items 1.6. and 1.7.).	YES	YES	NO (5)	YES	YES
1.9. It shall receive from the IMF, on a monthly basis, the Statements of Accounts and Movements, and shall send, by internal mail and under receipt (Form No. 343), copies thereof to the Accounting Department, the Securities and Foreign Exchange Transactions Management, the Central Services Audit, and the Portfolio Management Department. The information received shall be filed chronologically.	No Info. (6)	No Info. (6)	No Info. (6)	No Info. (6)	No Info. (6)	



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STEP 2: Securities and Foreign Exchange Transactions Management	2.1. It shall receive by e-mail from the Senior Management of International Agreements, the estimate of Funds Received for financing in order to keep the maturity schedule with international organizations up to date.	NO (7)			NO (7)	
	2.2. It shall receive from the Senior Management of International Agreements the proceedings mentioned in item 1.8 above.	YES (8)	YES (8)	YES (8)	YES (8)	YES (8)
	2.3. It shall receive SWIFT message confirmation of the disbursement from the IMF, specifying the correspondents, currency and date of disbursement.	YES	YES (9)	YES	YES	YES
	2.4. It shall receive from each of the correspondents -via SWIFT- the statement of the movements originated by the disbursement.	YES	YES	YES	YES	YES
	2.5. It shall verify that the information received in item 2.3. is consistent with the correspondents' messages. Should any differences arise, it shall report this to the International Senior Management of International Agreements for the total adequacy of the information, after which the process shall continue.	No Info. (10)	No Info. (10)	No Info. (10)	No Info. (10)	No Info. (10)
	2.6. It shall enter the accounting records related to: Accreditation of the Disbursement: This entry may include the crediting of foreign currency to correspondents based on the disbursement currency composition. The valuation difference resulting from applying the historical exchange rate used by the IMF is charged to the corresponding income statement account. • Debit of Service Charges. • Reimbursement of Commitment Fee Expenses credited by the IMF. • Payment of Commitment Fee.	YES	YES	YES	YES	YES
	2.7. It shall prepare and send a Note to the National Office of Public Credit within the Secretariat of Finance of the Ministry of Economy, with the purpose of informing the accreditation of the IMF disbursement and of the charges applied to the operation, requesting instructions to debit the corresponding National Government account in foreign currency for the equivalent in US dollars of such charges.	NO	NO	NO	NO	NO
	2.8. It shall receive from the Ministry of Economy, the Note (*) requesting the transfer of the funds received from the IMF and, via MCT, the payment instruction for the debit of the charges allocated from the corresponding National Government account.	NO	NO	NO	NO	NO
	2.9. It shall record in the accounting system the transfer of the funds received as Loan to the National Government Account and the collection of the Service Charges from the National Government.	YES	YES	YES	YES	YES
	2.10. It shall include the following in the proceedings: a copy of the messages received from the IMF and correspondents (items 2.3. and 2.4.), of the notes sent and received (items 2.7. and 2.8.) and of the accounting entries corresponding to registrations made (items 2.6. and 2.9.).	YES	YES	YES	YES	YES
	2.11. File a copy of the proceedings received, by transaction and chronologically, together with the SWIFT messages received from the IMF and the correspondents and the notes sent to and received from the Ministry of Economy. It shall include the original accounting entries in the Journal.	No Info. (11)	No Info. (11)	No Info. (11)	No Info. (11)	No Info. (11)
	2.12. It shall forward the action detailed in item 2.10. to the Accounting Management for its information.	YES	YES	NO (12)	YES	YES
	2.13. It shall receive a copy of the IMF's Statements of Accounts and Movements from the Senior Management of International Agreements Senior Management on a monthly basis.	No Info.	No Info.	No Info	No Info	No Info



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				.	.	.
	2.14. It shall cross-check the consistency of the IMF's Statements of Accounts and Movements with the transactions actually recorded in that period, and shall proceed to file them with a record of the verification performed. Should there be any observations, it shall report it to the Senior Management of International Arrangements so that it may take the pertinent actions to ensure the consistency of the information, after which the process shall continue.	No Info. (13)	No Info. (13)	No Info. (13)	No Info. (13)	No Info. (13)
STEP 3: Accounting Management	3.1. It shall receive the proceedings inherent to the IMF from the Securities and Foreign Exchange Transactions Management, take note of the actions carried out, and forward them to the Senior Management of International Arrangements.	YES	YES	NO (12)	YES	YES
STEP 4: Senior Management for International Agreements	1.10. It shall receive from the Accounting Management the actions inherent to the disbursement made by the IMF and shall proceed to file them chronologically and by operation.	YES	YES	NO (12)	YES	YES



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	2.14. It shall cross-check the consistency of the IMF's Statements of Accounts and Movements with the transactions actually recorded in that period, and shall file them with a record of the verification carried out. Should there be any observations, it shall refer the matter to the Senior Management of International Agreements in order to promote the pertinent actions to ensure the consistency of the information, after which the process shall continue.	No Info. (13)	No Info. (13)	No Info. (13)	No Info. (13)	No Info. (13)
STEP 3: Accounting Management	3.1. It shall receive the proceedings relative to the IMF disbursement from the Securities and Foreign Exchange Operations Management, shall take note of the actions taken, and shall forward them to the Senior Management of International Agreements.	YES	YES	NO (12)	YES	YES
STEP 4: Senior Management for International Agreements	1.10. It shall receive from the Accounting Management the proceedings related to the disbursement made by the IMF, and shall file them by operation and in chronological order.	YES	YES	NO (12)	YES	YES

(1) The Senior Management of International Relations and Agreements does not make an annual estimate of proceeds from transactions derived from the agreement, but it makes the disbursement request.

(2) The Senior Management of International Relations and Agreements refers to the Securities and Foreign Exchange Transactions Management within the framework of the disbursement being processed, but does not make an estimate of annual operations for the execution of the arrangement entered into.

(3) Information may not be on file.

(4) The embedded report is not signed, but the action referred to the higher authority is.

(5) The Securities and Foreign Exchange Transactions Management participated, but the Accounting Office did not.

(6) Information may not be on file.

(7) The Securities and Foreign Exchange Transactions Management receives requests from the Senior Management of International Relations and Agreements for each of the disbursements, but does not make any projection of transactions within the framework of the execution of the agreement.

(8) It receives the proceedings from the Senior Management of Operations Control and Settlement

(9) The file contains only details via e-mail, IF-2018-00263409-GDEBCRA-GPRYAI#BCRA-Anexo II.

(10) Information may not be on file.

(11) Information may not be on file.

(12) The information is not referred to the Accounting Management but to the Comptroller's Office.

(13) Information may not be on file.

(14) Information may not be on file

Source: Compilation based on IP 637_13 and records provided by the BCRA



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Regarding the revaluation of foreign currency, the BCRA has a regulated process set forth in the procedural instruction 625_12 "International Monetary Fund - Annual revaluation of IMF local currency holdings at the end of its financial year" and its complementary flow chart P018.

vi. SBA Versions and Transparency

The final version of the Arrangement cannot be determined from the evidence (there are multiple versions of the text of the SBA, but it is not possible to determine which one is the final text).

The Arrangement and its amendments did not have all their final versions translated as required by Law 20,305 and published in official publications. (Except for the June 2018 SBA, neither the MECON nor the BCRA have the SBA and its amendments officially and publicly translated into Spanish, in breach of Section 6 of Law 20,305 on Sworn Translators¹⁰³ and of Decree 336/17 on administrative procedures¹⁰⁴).

¹⁰³ Section 6 of Law 20,305 on Sworn Translators states that "Any document submitted in a foreign language to public, judicial, or administrative agencies, entities, or bodies, of the national government, of the Municipality of the City of Buenos Aires, or of the National Territory of Tierra del Fuego, Argentine Antarctica and the South Atlantic Islands, must be accompanied by the respective translation into the national language, signed by a sworn translator registered in the jurisdiction where the document is submitted".

¹⁰⁴ Paragraph 2, item "f", of the Annex states: "In those cases where the agreements, treaties, etc. are not written in Spanish, a translation into Spanish, signed by a national official sworn translator, shall be attached, which shall also be included in the corresponding project".



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As regards transparency, the 12 June 2018 and 17 October 18 SBAs are published on the ME's website, but their amendments are not (without certainty as to whether they are the definitive versions). As for the BCRA, the SBA is not published on the Bank's website.

Regarding confidential information¹⁰⁵, although the GPEJ (Department of Personnel and Judicial Staff Management) concluded that "for the integrity of the information, the confidentiality must be specified in the publication", this was not reported in the published versions.

All the SBAs contained in the files submitted by the former Ministry of the Treasury (MH) and the BCRA were surveyed.

The files include two letters of intent of June 2018: one of the 12th (signed by Dujovne and Sturzenegger) and the other of the 18th (signed by Dujovne and Caputo, new Governor of the BCRA). The version published on the Ministry's website is that of the 12th. If the date indicated in the IMF communications as the date of approval is considered to be the 20th of June, 2018 (a date which, in turn, is the same as the proposed date of approval of the Program in the 12 June 18 LOI), it is not possible to determine that the published version of the agreement is the definitive one.

¹⁰⁵ It concerns the "**Participation Consultation Clauses**"

12. Staff consultation clause on participation in spot and deliverable forwards 10/

13. Staff consultation clause on new non-deliverable forwards 10/

The BCRA's Deputy General Management of Operations was of the opinion that it is "sensitive information that, if known by market participants, could generate disruptions in its normal operation and/or reduce the effectiveness of the tools available to this institution to operate in the forex market" (IF-2018-00157087-GDEBCRA-SGO#BCRA, electronic file EX-2018-00154908- - GDEBCRA-GG#BCRA).



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From the analysis of the files provided by the Ministry of Economy¹⁰⁶ it appears that there are versions of the Letter of Intent and the Memoranda which are subsequent to those of the originally signed Arrangement (June 2018) and its addendum (October 2018), although it is not possible to identify which are the final or definitive versions for each update. The reasons for such updates are not clearly stated either, although these updates occur in chronological proximity to the dates of the IMF reviews¹⁰⁷.

When consulted on the final and approved versions of the Arrangement (original and amendments), the Ministry of Economy stated that they are those contained in 2 of the files provided (EX-2018-29772791- APNDGD#MHA and EX-2018-52368222- APNDGD#MHA), although without specifying which ones¹⁰⁸. Also, in the same response, the Ministry provided a copy of a response to a court letter containing 10 versions of the letters of intent, presented as those corresponding to the Arrangement¹⁰⁹. Out of these 10 versions, one is not contained in said files, but is contained in another one (EX-2018-29237799-APN-DGD#MHA). Therefore, the court letter contains more versions than the ones attached in the above-mentioned files.

¹⁰⁶ SF's reply to Note AGN 676/20.

¹⁰⁷ According to the IMF website, reviews were:

- IMF 1st Review - October 2018 (<https://www.imf.org/es/News/Articles/2018/10/26/pr18395-argentina-imf-executive-board-completes-first-review-under-argentina-stand-arrangement>)
- IMF 2nd Review - December 2018 (<https://www.imf.org/es/News/Articles/2018/12/19/pr18485-argentina-imf-executive-board-completes-second-review-under-stand-by-arrangement>)
- IMF 3rd Review - April 2019 (<https://www.imf.org/es/News/Articles/2019/04/05/pr19107-argentina-imf-executive-board-completes-third-review-under-argentinias-stand-by-arrangement>)
- IMF 4th Review - July 2019 (<https://www.imf.org/es/News/Articles/2019/07/12/pr19268-argentina-imf-executive-board-completes-fourth-review-under-sba-approves-disbursement>)

¹⁰⁸ Reply to Note AGN 610/21, question 6.

¹⁰⁹ NO-2021-90300371-APN-SLYA#MEC in response to Note AGN 610/21, question 1. Versions attached to EX-2019-85309649-APNDGD#MHAR court letter received on 20 September 2019 and by which documentation related to the IMF Arrangement was requested).



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The BCRA identified 15 documents, also contained in a response to a court letter, as definitive versions¹¹⁰. Such versions are not homogeneous regarding confidential content (highlighted in yellow, which is analyzed below), inclusion of the memoranda (attached to the letters), and availability of official translation. It should be noted that some of the attached documents are PDF files and do not have GDE document identification, making it impossible to compare them with the GEDOS contained in the files to determine whether they are the same.

Meanwhile, a search on the IMF website revealed two letters of intent: one dated 10/Oct/18 and one dated 12/Nov/18. The latter version was not found in the files, even though it is referenced in different GEDOS after that date in the files provided¹¹¹.

(1) Sworn Translation and Signing

From the survey of the files, it was verified that most of them are English versions, without their official translation into Spanish (except for the SBA of June 12 and 18). Likewise, none of the versions includes a digital signature, and those that do have a signature, are holographic ones, and in some cases, there are embedded signatures in the PDF format documents¹¹². The following table presents the documents found in the files by language and type of signature:

¹¹⁰ Reply to Note AGN 607/21, question 15. Provided copy of IF-2019-00218781-GDEBCRA-SG#BCRA “containing the final and approved versions of the Stand-By Arrangement signed with holographic signature by the successive presidents of this BCRA, in June and October 2018, and amendments”.

Exhibit 7 lists the GEDOs with versions of letters of intent of the Arrangement in the files mentioned.

¹¹¹ <https://www.imf.org/-/media/Files/Publications/LOI/Imported-CPID-PDFs/External/NP/LOI/2018/ARG/101718.ashx> and <https://www.imf.org/-NP/LOI/2018/ARG/121118.ashx>



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Table No. 13

Classification of LOI, MEFP and TMU, on files, by language and type of signature.

Records of the Ministry of Economy

	12 Jun 2018	18 Jun 2018	17 Oct 2018	1 Dec 2018	7 Dec 2018	13 Dec 2018	1 Mar 2019	20 Mar 2019	25 Mar 2019	3 Jul 2019	Total
Spanish - Free translation	6		3	1			1			1	12
Draft			3	1			1			1	6
LOI			1	1			1			1	4
TMU			1								1
MEFP			1								1
Embedded holographic signature	6										6
LOI	2										2
TMU	2										2
MEFP	2										2
Español - Traducción Pública oficial	3	1									4
Holographic signature	3	1									4
LOI	1	1									2
TMU	1										1
MEFP	1										1
English	6	2	7	3	1	3		3	6	6	37
Draft			3	3				3		3	12
LOI			1	1				1		1	4
TMU			1	1				1		1	4
MEFP			1	1				1		1	4
Holographic signature	3	2	4		1	3			6	3	22
LOI	1	2	2		1	1			2	1	10
TMU	1		1			1			2	1	6
MEFP	1		1			1			2	1	6
Embedded holographic signature	3										3
LOI	1										1
TMU	1										1
MEFP	1										1
Total	15	3	10	4	1	3	1	3	6	7	53

Records of the BCRA

References:

LOI: Letter of Intent

MEFP: Memorandum of Economic and Financial Policies

TMU: Technical Memorandum of Understanding

¹¹² These holographic signatures are scanned documents or signatures embedded in files and can therefore be defined as electronic signatures,



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	12 Jun 2018	18 Jun 2018	17 Oct 2018	7 Dec 2018	13 Dec 2018	25 Mar 2019	3 Jul 2019	11 Jul 2019	Total
Spanish - Free translation	6	1	3						10
Draft	3	1	3						7
LOI	1	1	1						3
TMU	1		1						2
MEFP	1		1						2
Embedded holographic signature	3								3
LOI	1								1
TMU	1								1
MEFP	1								1
Spanish - Official Sworn Translation	3	1							4
Holographic signature	3	1							4
LOI	1	1							2
TMU	1								1
MEFP	1								1
English	15	2	7	3	5	3	3	3	41
Draft			3	3				2	8
LOI			1	1				2	4
TMU			1	1					2
MEFP			1	1					2
Holographic signature	9	2	4		5	3	3	1	27
LOI	3	2	1		1	1	1	1	10
TMU	3		2		2	1	1		9
MEFP	3		1		2	1	1		8
Embedded holographic signature	6								6
LOI	2								2
TMU	2								2
MEFP	2								2
Total	24	4	10	3	5	3	3	3	55

References:

LOI: Letter of Intent

MEFP: Memorandum of Economic and Financial Policies

TMU: Technical Memorandum of Understanding

Source: Compilation based on files provided by the ME and the BCRA.

The files surveyed show a different number of versions in both agencies (53 in the Ministry and 55 in the BCRA). The files of both agencies include the SBAs of June and October 2018, while in the BCRA, the drafts of the amendments to the SBA of 1/Dec/18, 1/Mar/19 and 20/Mar/19 are missing.

It was also found that only 4 documents have official sworn translations of the LOI, MEFP and TMU signed on 12/Jun/18, and of the LOI of 18/Jun/18. However, it was observed that these versions are not complete, since they do not include the information on the IMF staff's participation clauses, which is considered sensitive and therefore



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confidential. In contrast, most of the documents are in their English version¹¹³ and some of them include a "free" translation into Spanish¹¹⁴.

On the other hand, the MEFPs signed modify the previous versions, although it is observed that the MEFP signed on 3/Mar/19 states that it "amends and supplements the MEFP dated 11/Dec/18"; said document is not included in the files surveyed, and the previous date shown is 13/Dec/18.

In this context, on 8/Oct/19 the BCRA responded to a court letter¹¹⁵ attaching "a copy of the arrangements signed with the International Monetary Fund, and their amendments, since 2018, and the respective letters of intent sent."¹¹⁶ The number of documents by language and type of signature is shown in the following table:

¹¹³ For the MECON, 37 documents out of a total of 53, representing 70%, and for the BCRA, 41 documents out of a total of 55, representing 75%.

¹¹⁴ For the MECON, 12 documents out of a total of 53, representing 23%, and for the BCRA, 10 documents out of a total of 55, representing 18%.

¹¹⁵ IF-2019-00218781-GDEBCRA-SG#BCRA, electrónico file EX-2018-00154908- -GDEBCRA-GG#BCRA.

¹¹⁶ Attached as embedded files:

- 01 - 2018 Jun 12 - letter of intent 1 (IF-2018-29241426-APN-SECH#MHA)
- 02 - 2018 Jun 12 - letter of intent 1 (confidential)
- 03 - 2018 Jul 25 - "carta de intención 1" - sworn translation (IF-2018-35852392-APN-DGD#MHA)
- 04 - 2018 Jun 18 - letter of intent 2 (IF-2018-29241507-APN-SECH#MHA)
- 05 - 2018 Jul 25 - "carta de intención 2" - sworn translation (IF-2018-35847938-APN-DGD#MHA)
- 06 - 2018 Oct 17 - letter of intent (IF-2018-63627446-APN-DGD#MHA)
- 07 - 2018 Oct 17 - letter of intent - attachment ii (complete)
- 08 - 2018 Oct 17 - "carta de intención" (IF-2018-63628702-APN-DGD#MHA)
- 09 - 2018 Dec 13 - letter of intent (no annex) (IF-2018-65669295-APN-SECPE#MHA)
- 10 - 2018 Dec 13 - letter of intent - attachments i and ii (IF-2019-90493107-APN-SECH#MHA)
- 11 - 2018 Dec 13 - letter of intent - attachments i and ii (confidential)
- 12 - 2019 Mar 25 - letter of intent (IF-2019-18125341-APN-SECLYA#MHA)
- 13 - 2019 Jul 03 - letter of intent (CONVE-2019-62900189-APN-DGD#MHA)
- 14 - 2019 Jul 11 - letter of intent (supplement) (CONVE-2019-62643811-APN-DGD#MHA)
- 15 - 2019 Jul 11 - Supplement to the Letter of Intent (confidential).



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Table No. 14

Number of SBAs sent by court notice from the BCRA, according to language and type of signature.

	12 Jun 2018	18 Jun 2018	17 Oct 2018	13 Dec 2018	25 Mar 2019	3 Jul 2019	11 Jul 2019	Total
Spanish - Free translation			3					3
Draft			3					3
Letter of Intent			1					1
Technical Memorandum of Understanding			1					1
Memorandum of Economic and Financial Policies			1					1
Spanish - Official Sworn Translation	3	1						4
Holographic signature	3	1						4
Letter of Intent	1	1						2
Technical Memorandum of Understanding	1							1
Memorandum of Economic and Financial Policies	1							1
English	9	2	4	5	3	3	2	28
Draft							1	1
Letter of Intent							1	1
Holographic signature	6	2	4	5	3	3	1	24
Letter of Intent	2	2	1	1	1	1	1	9
Technical Memorandum of Understanding	2		2	2	1	1		8
Memorandum of Economic and Financial Policies	2		1	2	1	1		7
Embedded olographic signature	3							3
Letter of Intent	1							1
Technical Memorandum of Understanding	1							1
Memorandum of Economic and Financial Policies	1							1
Total	12	3	7	5	3	3	2	35

Source: Compilation based on IF-2019-00218781-GDEBCRA-SG#BCRA dated 8 Oct 19, electronic file EX-2018-00154908- -GDEBCRA-GG#BCRA.

The table shows that the BCRA forwarded to the National Judicial Branch only the versions bearing a signatures (except for the SBA of 17/Oct/18, of which a draft and signed version was sent). Again, it is observed that the only arrangement with an official sworn translation into Spanish is the SBA of 12 Jun 2018 and the amendment of the LOI of 18 Jun 2018.



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Therefore, from the survey of files it is concluded that, except for the SBA of June 2018, none of the agencies have the corresponding sworn translations into English of the documents, in breach of Section 6 of Argentine Law 20,305 on Sworn Translators¹¹⁷ and of Decree 336/17 on administrative procedures¹¹⁸.

(2) Publication of SBAs

Regarding the publication of SBAs, it was observed that on the ME's website, the SBA of 12/Jun/18 and 17/Oct/18 was published in English and in Spanish, although there is no sworn translation into Spanish thereof¹¹⁹. The modifications to these SBAs were not published¹²⁰.

The BCRA did not publish any version of the SBA on its official website, despite having a historical record of previous arrangements signed between Argentina and the IMF, where the last agreement dates back to 17 January 2003¹²¹.

As for the MH-BCRA Agreement (CONVE-2018-48820352-APN- MHA), it is not published on the website of the Ministry of Economy nor on the BCRA's website. As it is not approved or created by Ministerial Resolution or other regulation, it is not published in Infoleg either.

¹¹⁷ Section 6 of Argentine Law 20,365 on Sworn Translators states that "Any document submitted in a foreign language to public, judicial, or administrative agencies, entities, or bodies of the national government, of the Municipality of the City of Buenos Aires, or of the National Territory of Tierra del Fuego, Argentine Antarctica and the South Atlantic Islands, must be accompanied by the respective translation into the national language, signed by a sworn translator registered in the jurisdiction where the document is submitted".

¹¹⁸ Paragraph 2, item "f", of the Annex states: "In those cases where the agreements, treaties, etc. have not been written in Spanish, the translation into Spanish, duly certified by a public translator, shall be attached, and shall also be included in the corresponding project".

¹¹⁹ Although the published version of June 2018 reads "Spanish version as per sworn translation", no seal of the sworn translator or legalization of the Association of Sworn Translators is observed.

¹²⁰ See BCRA's official website:

<https://www.argentina.gob.ar/economia/finanzas/deudapublica/cartadeintencionmemorandumdepoliticaseconomicas>

¹²¹ See BCRA's official website: http://www.bkra.gov.ar/Institucional/Historial_Acuerdos_FMI.asp



(3) Sensitive Information

On file EX-2018-00154908- -GDEBCRA-GG#BCRA (provided by the BCRA in response to AGN Note 674/20) an embedded mail "LOI 2 mail" was identified in IF-2018-00154920-GDEBCRA- GG#BCRA, where the former Secretary of Finance (Bausili) addresses the IMF pointing out which information in the text of the Letter of Intent and the Memoranda is considered market sensitive and therefore should be kept confidential¹²².

The e-mail sent by the former Secretary to the IMF was returned with an e-mail from an IMF officer, stating that the market sensitive information would be removed from the published version and from the personal report, as agreed¹²³.

In relation to the confidential information attributed to part of the arrangement, the Senior Management of Legal Studies of the BCRA concluded in an opinion that "as long as it is held that the disruptions referred to by the Deputy General Manager of Operations jeopardize the proper functioning of the financial or banking system, the information in question would fall under subsection b) of Section 8 of Argentine Law 27,275, which must be decided by the Presidency of the Bank. Likewise, for the integrity of the information, the confidentiality must be clearly stated in the publication."¹²⁴

¹²² The e-mail reads as follows: "Dear IMF Team, Please find attached the Letter of Intent from Argentina. Some of the information that we are including in this document is market sensitive for which reason we have marked it as Confidential. We would be pleased if you can share it with the Board of the IMF for their consideration. For convenience, we are also attaching a word version of the document".

The information considered sensitive was marked in a Word (editable) version of the document sent by the former Secretary of Finance to the IMF by e-mail, highlighted in yellow ("Argentina MOU with IMF JUN 12 2018 Final Version to BOARD", on IF-2018-00154920-GDEBCRA-GG#BCRA, file EX-2018-00154908- -GDEBCRA-GG#BCRA).

¹²³ "Thanks Santiago-we will proceed with deleting market sensitive information from the published version (also of the staff report), as agreed"

¹²⁴ IF-2018-00157147-GDEBCRA-GPEJ#BCRA, electronic file EX-2018-00154908- -GDEBCRA- GG#BCRA.



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When comparing versions published on the Ministry's website, it was found that information classified as confidential and sensitive was removed, without specifying or mentioning its confidentiality, as requested by the legal service (e.g., by crossing out the confidential part).

The **effect** of all that has been analyzed in the previous paragraphs (absence of translations and of publication of the various SBA versions, and the lack of identification of the sensitive information from the texts), affects the transparency and integrity of the information, as it hinders its accessibility, the disclosure and control of its content, as well as the monitoring of the updated terms of the Arrangement.

Therefore, *it is recommended* to comply with the regulations in force regarding the translation of documents and to publish all modifications to the SBA in their duly signed final versions. As regards confidential information, it is recommended that the full version of the SBA be published with the reservation of sensitive information (e.g., by crossing out the relevant parts) to ensure the transparency and integrity of the information published.

vii. Processes associated to the MH-BCRA Agreement

Neither the MH nor the BCRA had a regulated process for the preparation and execution of the Agreement and its addendum. However, the MH implemented uniform sequences that determine the existence of a real process for the issuance of the Agreement and its addendum, which could not be ascertained on the BCRA's side since there is no associated documentation in the files submitted.

The agreement is attached in several files without being possible to determine the steps carried out for the design, drafting, and signing of the agreement.

The MH, on the other hand, implemented uniform sequences that determine the existence of a real process for the issuance of the Agreement and its addendum¹²⁵, with the participation of the following areas:

1. Secretariat of the Treasury (SH): promotes the draft agreement and its addendum.
2. Secretariat of Finance (SF): agrees to the draft agreement and addendum.



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3. Document Management Division (DGD): refers the file to the Office of Contractual, Legislative and Tax Affairs (DACLyT) for its participation in both cases (legal opinion).
4. Office of Contractual, Legislative and Tax Affairs (DACLyT) (under the Undersecretariat of Regulatory Affairs of the Legal and Administrative Secretariat of the MH): issues a legal opinion.
5. Legal and Administrative Secretariat (SLyA): takes part in the process after the signing of the agreement and its addendum by the highest authorities of the agency.
6. Minister of the Treasury (MH) and Governor of the BCRA: sign the documents.
7. Document Management Division (DGD) sends the documentation to BCRA (only in the case of the agreement) and to SH for the corresponding participations (agreement and addendum).

It should be mentioned that the original agreement is enclosed in the files provided by both auditees, while the addendum is only in MH's files.

¹²⁵ The MH-BCRA Agreement and its addendum were processed through EX-2018-29237799-APN-DGD#MHA.



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viii. Compliance with the Agreement by the MH

Non-compliance with Article 1, item 1, of the MH-BCRA Agreement was detected regarding the deadlines required in the disbursement requests.

The first and second disbursements fall under the text of the Agreement signed on 19 June 2018, while the last 3 disbursements are within the scope of the addendum to the Agreement (dated 5 November 2018).

The articles of the Agreement are set out in Exhibit 3.

The table below describes the compliance with Article 1.1.1 of the Agreement for the 5 disbursements:

Table No. 15

Detailed compliance with Article 1, item 1, of the MH-BCRA Agreement and Addendum

# Purchase	Required date of purchase	Date of request - note request to BCRA		Date of purchase request to FMI (SWIFT)		Complies	Observations
		Real	Deadline	Real	Deadline		
1	22 Jun 2018	19 Jun 2018	19 Jun 2018	18 Jun 2018	20 Jun 2018 (*)	NO	The SWIFT sent by BCRA to IMF predates the signing of the MH-BCRA Agreement and the foreign exchange purchase request made by the MH to BCRA (SWIFT dated 18 June 2018).
2	30 Oct 2018	24 Oct 2018	25 Oct 2018	24 Oct 2018	26 Oct 2018	YES	-
3	21 Dec 2018	20 Dec 2018	18 Dec 2018	17 Dec 2018	19 Dec 2018 (*)	NO	The deadline for the requirement to the BCRA is not met. The SWIFT predates the request made by MH (17 December 2018).
4	9 Apr 2019	1 Apr 2019	4 Apr 2019	1 Apr 2019	2 Apr 2019	YES	-
5	16 Jul 2019	15 Jul 2019	11 Jul 2019	10 Jul 2019	12 Jul 2019 (*)	NO	The deadline for the requirement to the BCRA is not met. The SWIFT predates the request made by MH.

(*) Since the BCRA sent the SWIFT for the foreign currency purchase to the IMF prior to the MH request, the deadline is the day immediately following the deadline for sending the foreign currency purchase request to the BCRA by the MH.

(**) There are order notes from the MH in the files referring to purchases #2 to #5. The note corresponding to purchase #1 was not attached.

Source: Compilation based on records provided by the ME.



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From what has been analyzed, it appears that not all disbursements comply with the provisions of paragraph 1 of Article 1 of the Agreement¹²⁶, since in some cases the dates of notification of the MH to the BCRA and the sending of the BCRA's SWIFT requesting the foreign currency disbursement to the IMF are not met. In the first, third and fifth disbursements, the SWIFT from the BCRA to the IMF is prior to the purchase request from the requesting agency (MH). It should be noted that, in the case of the 1st disbursement, the SWIFT to the IMF is even prior to the SBA approval date (20/Jun/18).

With respect to the rest of the articles of the Agreement, it could not be ascertained that all of the clauses have been complied with, since the files do not contain information on all of the clauses.

ix. Participating areas

The actual process does not include the participation of all the areas that are critical because of the competence allocated by law, especially the non-participation of the Ministry of Finance (area with competence in public credit matters) and all its technical areas.

The processes actually applied evidence the participation of the areas that participated. There were areas or agencies that should have participated due to regulatory responsibilities should have participated, or whose participation -given their functions- would have contributed to an effective and efficient management of public credit.

In this sense, it was verified that the areas contemplated in Res. MEyFP 108/09 as participants in the process of credit management with multilateral organizations (DNFOIC, JGM, ONP, ONCP, BCRA, DNI) were not involved, nor were those areas which, due to their assigned functions in the area of public credit, should

¹²⁶ Article 1, paragraph 1, of the Agreement states: "When the MH requires to make a foreign currency purchase under the SBA, it shall notify the BCRA no less than 3 business days prior to the date set for the purchase. The BCRA shall send a purchase request to the IMF within the immediately following business day". This paragraph remains unchanged in the addendum.



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participate in order to ensure an efficient management of the SBA (ONCP, Programming & Financial Information Department, Undersecretariat for International Financial Relations, Legal and Administrative Secretariat, and Undersecretariat for Legal and Regulatory Affairs).

The following areas were identified as those that should have participated or would have been appropriate for participation:

(1) Participation by the JGM (Chief of the Ministers Cabinet)

The Office of the Chief of Cabinet of Ministers did not participate in the negotiation, authorization and signing stage of the SBA with the IMF, despite having the function of "coordinating and supervising the priorities and interjurisdictional relations related to the management and execution of financing from international credit organizations", among others (Law 22,520, as per DNU 513/2017, Section 5).

The auditee did not comply with the steps to be followed in accordance with Res. MEyFP 108/09, which provides for the participation of the JGM.

The National Constitution provides that "the chief of cabinet of ministers and the other secretary ministers whose number and competence shall be established by a special law, shall be in charge of conducting the business of the Nation, and shall countersign and certify the acts of the president through their signature, failing which they shall be ineffective.

To exercise the duties and powers delegated to him/her by the President of the Nation and, in agreement with the Cabinet, to resolve on the matters directed by the Executive Branch, or by his/her own decision, on those matters which, due to their importance, he/she deems necessary, within the scope of his/her competence..." (Section 100)¹²⁷.

¹²⁷ On the other hand, Gelli points out that "the law establishes two types of powers for the chief of cabinet. One is exercised by presidential delegation and in the matters, measure and time determined by the hierarchical superior. The other derives from the scope of his/her own competence. Source: Gelli, M.A. (2004). "Constitución de la Nación Argentina comentada y concordada". Buenos Aires, Argentina: La Ley.



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In this line, Law 22,520 on Ministries established that the Chief of Cabinet of Ministers, with political responsibility before the Congress of the Nation, has the powers set forth in the National Constitution. Consequently, it is incumbent upon him/her to "coordinate and control the priorities and interjurisdictional relations related to the management and execution of financing from international credit organizations", among others (Law 22,520, as per DNU 513/2017128 Section 5, function No. 17)¹²⁹.

The circuit in force at the time for the approval and signing of loan arrangements or contracts with international credit organizations (Res. MEyFP 108/09), on the other hand, provides for the participation of the JGM at two moments: at the beginning to prioritize the public investment program or project submitted to it, and after the participations of the technical areas to authorize the Undersecretariat of International Financial Relations to carry out the final negotiations, with a copy to the representative in Argentina of the international organization in question^{130 131}.

¹²⁸ DNU amending the Law of Ministries.

¹²⁹ In relation to its interpretation, the PTN (National Treasury Attorney's Office) held that "coordinate" means "to arrange activities or things as a method; to put them in order. Generally, the person with primary responsibility for the matter, is the coordinator" (Opinion 240:184).

¹³⁰ Subsequent to the signing of the Arrangement, within the audited period, DA 162/2019 is issued, approving the Administrative Management Circuit for the Approval and Signing of Loan or Guarantee Arrangements or Contracts with international, Multilateral, Regional, Bilateral, and/or Foreign Financial Institutions, amending Res. 108/09. This text defines the participation of the JGM in the process of the approval decree, not contemplated in Res. 108/09.

¹³¹ Along with this, regarding the non-application of Res. 108/09 MEyFP, the JGM (area that authorizes the negotiation with the lender in multilateral loans) stated that the areas under its authority have not reported participations or competence therein (PV-2021-70992446-APN-SSCPR#JGM, in response to Note AGN 606/21, item 1).



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In the framework of the IMF, the JGM participated to approve the travel expenses of the former Minister of the Treasury for his trip to Washington (United States) during May and early June 2018 with the purpose of negotiating the loan with the IMF¹³². In addition, according to the information provided by the auditee, it participated in a meeting at the Olivos presidential residence with IMF officers on 20 July 2018¹³³.

Taking into consideration the provisions of the National Constitution, the LAF, Law 27,431 on the budget for the 2018 fiscal year, and the competence assigned by Law 22,520 on Ministries (as per DNU 513/17), the participation of the JGM in the IMF loan as coordinator and controller of the interjurisdictional priorities related to the management and execution of the financing from multilateral credit organizations, would have contributed to a more effective and efficient management of the borrowing. In this regard, it should be noted that the SBA includes objectives that cover several jurisdictions and, as it appears from the Letters of Intent, it was contemplated that the funds would be used for "budgetary support".

Therefore, the participation of the JGM would have contributed to ensure the proper inter-jurisdictional coordination, supervision and authorization, given the unusual nature of the operation (the magnitude of the loan and the low frequency with which these arrangements are implemented), the lack of participation of the National Congress and the absence of an administrative action on the part of the National Executive Branch.

Consequently, as to the effect, it is found that the non-participation of the JGM affected the coordination and communication between ministries regarding the priorities established in the framework of their competences and, specifically, those related to the SBA. Considering the magnitude and complexity of the borrowing, the management of the loan lacked the technical evaluation and supervision of an area not only competent by law to get involved, but which, because of its expertise and relevance within the Administration, could have contributed to the efficiency and effectiveness of the operation.

¹³² NO-2018-21667782-APN-JGM, NO-2018-43160783-APN-JGM filed in IF-2019-91723032-APN-SSAC-MHA.

¹³³ Response to a court order with a worksheet detailing the meetings held by officers of the MH and the BCRA with representatives of the IMF (NO- 2019-91929688-APN-SECPE#MHA), electronic file EX-2019-85309649- -APN-DGD#MHA.



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For future borrowings from the IMF, it is recommended to comply with the regulations in force regarding multilateral loans by involving the JGM in the borrowing process, either by generating a new process or by harmonizing the existing one, for the purpose of involving it as interjurisdictional coordinator (via DNU 513/17 amending the Law of Ministries) and as a technical monitoring body, given the functions already assigned to it by Resolution MEyFP 108/09, in the understanding that future authorization will be reserved to the National Congress, pursuant to the provisions of Law 27. 612¹³⁴ on Strengthening and Sustainability of the Public Debt.

¹³⁴ Official Gazette of 3 March 2021.



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(2) Participation by the PTN

The National Treasury Attorney's Office (PTN) did not participate in the negotiation, authorization and signing stage of the SBA with the IMF¹³⁵, as is the case with other types of indebtedness (for example, international government securities and multilateral debt with the IBRD). Its participation, which is requested by note and given through an opinion, in accordance with its role of intervening in "complex legal matters of institutional incidence and economic importance" given its rank and technical expertise, would have provided a fundamental instance of supervision that could have mitigated operational risks, particularly those related to non-compliance with regulations.

As a result of the lack of participation of the PTN, neither the MH nor the BCRA requested it to issue an opinion on the arrangement signed.

The PTN participates only upon request, in each case, by a note¹³⁶, by the President of the Nation, the Ministers, Secretaries, Government Secretaries, Undersecretaries, Chiefs of General Staff of the Armed Forces, Governor of the Central Bank, or Directors of the legal services that are members of the State Attorney Corps¹³⁷. The PTN's opinions are mandatory for the lawyers of the State Lawyers Corps, to which all the State's legal counsel offices belong¹³⁸. Within its divisions (DA 312/18), the DNAyCI (National Office for International Matters and Controversies), which had the function of "preparing the legal opinions required in public credit operations with multilateral credit organizations", did not participate. Neither did the National Office of Legal Opinions¹³⁹ participate, which is responsible for issuing opinions on complex legal matters of institutional incidence and economic importance, and for drafting legal opinions in the process of perfecting economic-financial agreements to which the National Government is a party or guarantor.

¹³⁵ According to Law 24.667, the PTN is a decentralized agency of the National Executive Branch, whose administrative structure and budget are contained in the structure and budget of the National Ministry of Justice (Section 2). However, the National Treasury Attorney reports directly to the President of the Nation. He/she has a hierarchy equivalent to that of Minister and exercises his/her powers with technical independence (Section 1).

¹³⁶ PTN, Opinions, 207: 514; 215: 100 y 283; 216: 32

¹³⁷ Opinions 284:67.

¹³⁸ See information on <https://www.ptn.gob.ar/blog/2019/05/14/lo-siempre-te-preguntaste-los-dictámenes-la-procuracion-del-tesoro-la-nacion/>

¹³⁹ Decree 1486/2011



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Within the framework of the IMF loan, the MH did not request the participation of the PTN, which, as mentioned above, is not mandatory under the terms of Res. 108/09, although it is desirable within the framework of its functions, due to the special characteristics of such financing, particularly its magnitude. In this regard, said agency stated that "this Office has not issued an opinion within the framework of the Stand-By Agreement with the IMF since it has not been requested to do so (...) the collection of opinions of this Agency does not contain any advice formulated within the framework of the referred agreement"¹⁴⁰. Furthermore, opinions on previous agreements between Argentina and the IMF were requested, to which it the Office replied that "the Library and Publications Department of the Technical and Administrative Coordination of this Advisory Agency has not found any opinions prepared within the framework of the Stand-By Arrangements entered into by the Republic of Argentina and the IMF in 2000 and 2003"¹⁴¹.

The BCRA stated that "(...) there are no records of the existence of any interaction between the legal service of this Central Bank and the National Treasury Attorney's Office, within the framework of the signing of the Arrangement on which the request for information is based"¹⁴².

¹⁴⁰ NO-2021-66096888-APN-PTN in response to Note AGN 605/21 A-05 and email sent on 5/Aug/21.

¹⁴¹ NO-2021-66096888-APN-PTN in response to Note AGN 605/21 A-05.

¹⁴² Note 400/02/2021 in response to Note AGN 607/21 A-05, item 11.



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In addition, the PTN was asked about the applicable dispute settlement mechanism to guarantee impartiality of decision in the event of a dispute between Argentina and the International Monetary Fund (including the possibility of a claim by our country). The agency responded by quoting the IMF's Articles of Agreement, Article XXIX on Interpretation¹⁴³; however, it should be noted that said Article responds to specific cases concerning the interpretation of the arrangement and the disagreement between the Fund and a member that has withdrawn or between the Fund and a member country during the liquidation of the Fund.

¹⁴³ IMF's Articles of Agreement, Article XXIX on Interpretation:

“(a) Any question of interpretation of the provisions of this Agreement arising between any member and the Fund or between any members of the Fund shall be submitted to the Executive Board for its decision. If the question particularly affects any member, it shall be entitled to representation in accordance with Article XII, Section 3(j).

(b) In any case where the Executive Board has given a decision under (a) above, any member may require, within three months from the date of the decision, that the question be referred to the Board of Governors, whose decision shall be final. Any question referred to the Board of Governors shall be considered by a Committee on Interpretation of the Board of Governors. Each Committee member shall have one vote. The Board of Governors shall establish the membership, procedures, and voting majorities of the Committee. A decision of the Committee shall be the decision of the Board of Governors unless the Board of Governors, by an eighty-five percent majority of the total voting power, decides otherwise. Pending the result of the reference to the Board of Governors the Fund may, so far as it deems necessary, act on the basis of the decision of the Executive Board.

(c) Whenever a disagreement arises between the Fund and a member which has withdrawn, or between the Fund and any member during liquidation of the Fund, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Fund, another by the member or withdrawing member, and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the International Court of Justice or such other authority as may have been prescribed by regulation adopted by the Fund. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.”



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From the analyzed information, it follows that neither the MH nor the BCRA requested the participation of the PTN, which must be done by Note. Furthermore, the specific process applicable to the indebtedness with Multilateral Organizations (Res. 108/09) does not indicate its participation.

Because of the economic relevance of the IMF loan, and considering the PTN's position as the State's highest legal counsel, the participation of the PTN would have been advisable.

For future arrangements with the IMF, *it is recommended* that the PTN be involved in the process, particularly in the case of economically significant transactions, in accordance with the highest advisory body's own mandate in legal matters.

(3) Participation of technical areas

It was found that there was no involvement of technical areas (financial and legal) with functions related to public credit according to the regulations that approved the organizational structure of the former MF, especially the non-involvement of the ONCP (apart from the issuance of the LI) and the Legal and Administrative Secretariat.

Also, by not applying Res. MEyFP 108/09, the participation of technical areas such as DNFOIC (which plays a central coordinating role for borrowing from multilateral organizations) and ONP (given that the destination of the funding was set for "budget support and that SBA funding was not contemplated in the 2018 Budget) was also non-existent.

Non-participation of technical areas is due to the fact that the auditee did not apply the steps provided in Resolution MEyFP 108/09. Besides, the Arrangement was signed by the MH while the specific functions of public credit fell under the responsibility of the MF.

Likewise, it should be noted that the IAU in force at the time of signing the SBA, which was under the authority of the MH (because of the split of the ministries), did not participate, and the authorities did not request its collaboration.



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(a) Relevant areas according to regulations

Regarding the negotiation stage prior to the signing of the arrangement, the travel expenses of the delegation that participated in the negotiations with the IMF in Washington, D.C. were found recorded in the files. The following table shows the areas that participated in the meetings:

Table No. 16

Delegation that participated in the negotiation with the IMF during May / June 2018.

Title / Position	Dates of the Delegation							Total	
	08 May 2018	15 May 2018	21 May 2018	22 May 2018	22 May 2018	28 May 2018	29 May 2018		
Cabinet Advisor to the SH					1			1	
Cabinet Advisor to the Minister Unit					1		1	2	
Advisor to the SH	1						1	2	
Advisor to the Secretariat of Economic Policy		1			1			2	
Advisor to the General Coordination Unit of the MH		2		1				3	
Advisor to the Temporary Special Executing Unit		1						1	
Minister of the Treasury (MH)	1						1	2	
Secretary of Finance	1	1	1				1	4	
Secretary of the Treasury	1	1	1				1	4	
Secretary of Economic Policy	1						1	2	
Undersecretary of Macroeconomic Programming (Sec. of Macroeconomic Policy)					1			1	
Head of the General Coordination Unit of the MH (ministry of the Treasury)	1	1	1				1	4	
Head of Temporary Special Executing Unit "International Affairs Unit"	1					1		2	
Press and Media Spokesperson	1							1	
Total	8	7	3	1	4	1	2	5	31

Source: Compilation based on IF-2019-91723032-APN-SSAC-MHA.



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Additionally, no opinions or opinions from technical areas prior to the signing of the Stand-By arrangement in June 2018 were evidenced in the files. The only participations contained in the files were issued after the signing of the arrangement of 12/Jun/18, namely:

- On 18/Jun/18¹⁴⁴, the BCRA issued a report "to analyze the reasonableness of the monetary policy program described in the Letter of Intent with the IMF"¹⁴⁵.
- On 22/Jun/18 the SH participated regarding fiscal policy, protection of social spending, and improvement of the fiscal institutional framework¹⁴⁶.
- On 22/Jun/18, the DACLyT ruled on its further participation as a legal service and the competence of the MH to sign the documents¹⁴⁷.

According to the functions specified by the regulations governing the administrative structure of the National Government, areas with functions related to debt management¹⁴⁸ with competence to participate in the evaluation of the Stand-By arrangement signed in 2018 with the IMF were detected. The following table presents those areas and mentions whether their participation is recorded in the files:

¹⁴⁴ Sent to the MH on 21/Jun/18, as evidenced on NO-2018-00159592-GDEBCRA- GG#BCRA, file EX-2018-29772791-APN-DGD#MHA

¹⁴⁵ IF-2018-00156984-GDEBCRA-GPEYCPM#BCRA,
electronic file EX-2018-00154908-GDEBCRA-GG#BCRA.

¹⁴⁶ IF-2018-29981790-APN-SECH#MHA, file EX-2018-29772791-APN-DGD#MHA.

¹⁴⁷ IF-2018-30023715-APN-DACLTYT#MHA, file EX-2018-29772791-APN-DGD#MHA

¹⁴⁸ The specific functions and their rules are listed in Exhibit 4.



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Table No. 17

Participation of critical areas detected according to their functions corresponding to the MF in the negotiation and evaluation of the Stand-By Arrangement signed in 2018 with the IMF

Area	Office	Participation in the actual process
Financial Areas		
Secretariat of Finance (SF)	Ministry of Finance (MF)	Yes
Undersecretariat for International Financial Relations	Secretariat of Finance (SF)	No
National Office of Financing with International Credit Institutions	Undersecretariat for International Financial Relations (1)	No
National Office of Financing Strategy	Secretariat of Finance (SF)	Vacant
National Office of Public Credit	Secretariat of Finance (SF)	No
Office of Programming and Financial Information	National Office of Public Credit (SF)	No
Coordination of Risk Analysis and Financial Programming	Office of Programming and Financial Information	Vacant between 1/Oct/2018 and 30/Apr/2019.
Financing Analysis Division	National Office of Public Credit (SF)	No
Office of Public Credit Operations	National Office of Public Credit (SF)	Vacant
Legal Areas		
Legal and Administrative Secretariat (1)	Ministry of Finance	No
Undersecretariat of Legal and Regulatory Affairs	Legal and Administrative Secretariat (1)	No
Department of International Legal Affairs	Undersecretariat of Legal and Regulatory Affairs - Legal and Administrative Secretariat (1)	Vacant
Department of Legal Affairs	Legal and Administrative Secretariat (1)	Vacant and abolished by DA 8 of 4/Jan /2019.

Source: Compilation based on regulations, files sent in response to Note AGN 676/20 and NO-2021-90300089-APN-SLYA#MEC in response to Note AGN 665/21 A-05

(1) At the time of the June 2018 SBA, it was under the authority of the SF. At the time of the addendum, it was under the SH, as of the provisions of Decree 585/2018, schedule annexed to Section 5 (Official Gazette 26/Jun/18) and by Decree 958/2018, schedule annexed to Section 11 (Official Gazette 26/Oct/18).



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Out of a total of 9 financial areas identified at different levels, 6 did not participate and 2 were vacant (DNEF and DOCP: National Office of Financing Strategy and Office of Public Credit Operations) prior to the signing of the SBA of 12/Jun/18.

The non-participation in the negotiation and signing stage on the part of the technical areas under the MF was mainly due to the fact that it was the MH the one who signed the Agreement when, at the time of the negotiation and signing, the functions related to public credit were under the responsibility of the MF. However, it was found that only the former Secretary of Finance¹⁴⁹ was involved in this stage. He then participated by providing conformity to the Letter of Intent dated 3/Jul/2019. His remaining participations were of an operational nature in the framework of the disbursements and the issuance of the LI.

¹⁴⁹ The former Secretary of Finance was part of the delegation that went to Washington during May and early June to meet with IMF officials (trips dated 8/May/18 - 11/May/18; 15/May/18 - 19/May/18; 21/May/18 - 26/May/18 and 29/May/18 - 2/Jun/18; approved by resolutions 105, 107, 120 and 131 of 2018, respectively).

He subsequently held conversations via email between the signing of the arrangement on 12/Jun/18, and its amendment on 18/Jun/18, with IMF staff in relation to the amendments to the arrangement. Through the first email, the FS forwarded the 12/Jun/18 letter of intent signed by the former Minister of the Treasury, Lic. Dujovne, and the former Governor of the BCRA, Dr. Sturzenegger (E-mail of 13/Aug/18, file "QPC mail" sent at 00:24 a.m., embedded to IF-2018-00154920-GDEBCRA-GG#BCRA of the electronic file EX-2018-00154908- -GDEBCRA-GG#BCRA), and in other e-mails, the amended letter of intent highlighting in yellow confidential information that was sensitive for the market (e-mails dated 13/Aug/18, files "Argentina LOI" sent at 12:48 pm and "LOI 2 mail" sent at 1:48 pm, embedded to IF-2018-00154920-GDEBCRA-GG#BCRA of the electronic file EX-2018-00154908- -GDEBCRA-GG#BCRA).



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In relation to the legal areas, the service that effectively participated after the signing of the SBA was the DACLyT of the MH, whose primary responsibility was "to understand in all matters related to the legal technical advice on general administrative actions, agreements and other instruments that are proposed or submitted to the consideration of the Ministry of the Treasury" (DA 325/18, art. 1, Annex II. Official Gazette 16/Mar/18).¹⁵⁰ However, at the time of the signing in June 2018, the SLYA¹⁵⁰ (Legal and Administrative Secretariat) and the SSALyR (Undersecretariat of Legal and Regulatory Affairs) under the SF, existed within the administrative structure, with specific duties related to agreements with multilateral agencies, although their dependencies (DGAJ and DALI, respectively) had their seats vacant¹⁵¹.

It must be mentioned the non-participation of special units with specific functions concerning the IMF during the term of the Arrangement. Such is the case of the Committee for the Coordination of Liability Management¹⁵² and the International Affairs Unit¹⁵³ (whose involvement could only be ascertained in the previous negotiations as part of the group that traveled to the United States). No evidence was

¹⁵⁰ It participated in the letters of intent dated 06/18/2018, 7/Dec/2018 and 13/Dec/2018 with electronic passes, and in those dated 25/Mar/2018 and 3/Jul/2019 importing documentation and providing conformity to the draft letter of intent, respectively.

¹⁵¹ As informed by the Ministry of Economy through Note NO-2021-90300089-APN- SLYA#MEC in response to Note AGN 665/21 A-05.

¹⁵² In charge of assessing the volumes and composition of the BCRA's interest-bearing liabilities and of the Treasury's debt, with the purpose of coordinating the respective issuance of liabilities by the BCRA and the Treasury (CONVE-2018-48820352-APN-MHA, art. 1). Said Committee, effective until 31 December 2019 inclusive -which may be extended by agreement of the Parties- (art. 4), was composed of 4 (four) members: the Secretary of Economic Policy, the Secretary of Finance, the Deputy Governor of the BCRA and the Second Deputy Governor of the BCRA (art. 2). The creation of such Committee was established in the Memorandum of Economic and Financial Policies of June 12, 2018 (first SBA) and conforms a structural goal of the Arrangement (structural goal #2 of Table 3. Structural conditionalities of Argentina's program, which proposed: "Set up a senior-level debt management coordinating committee among MH-MF-BCRA that would meet on a weekly basis and coordinate activities related to sterilization and issuance plans." The proposed date was September 2018.

¹⁵³ Created by MH Res. 139/18 (Official Gazette 9/Mar/18) reporting to the MH. Its purpose was to advise the Minister of Finance on matters related to international economic relations and to carry out actions related to the development of the agenda of the G20-Argentina 2018 Forum. Its objectives were: a) To develop the contents corresponding to the agenda of the G20-Argentina 2018 Forum, within the MH's area of competence; b) To coordinate an international policy area within the MH's area of competence that will carry out the tasks related to the relations with international organizations (Unasur, G24, International Monetary Fund, Mercosur and Celac), as well as the work related to bilateral meetings and bi-national meetings related to the G20-Argentina 2018 Forum; and c) To coordinate logistics, communications and operations necessary for the development of the G20-Argentina 2018 Forum, under the MH. Regarding the existence of this unit, the creating rule established that it would be dissolved on 31/Dec/19 or once its objective had been fulfilled, whichever occurred earlier. No rule extending said term was found, so it must be understood that, due to the objective or time fulfilled, it does not legally or physically exist.



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found of the tasks performed by these areas, and the Ministry did not report its action¹⁵⁴.

(b) Relevant areas according to Res. MEyFP 108/09

The technical areas with technical competence to intervene within the framework of Res. MEyFP 108/09 were also surveyed. The results are shown in the following table:

Table No. 18

Participation of areas according to Res. MEyFP 108/09

Area	Regulations	Function	Intervined in actual process
Coordination areas			
DNFOIC	Stage 1, Step 1	To coordinate, within the scope of its assigned actions, the flow of information necessary to obtain the opinion of the Minister of Economy and Public Finances regarding the compliance with the pre-investment activities of the program or project referred to in Section 48 of Law No. 11,672 (Permanent Complementary Law of the Budget) (as restated in 2005).	No
	Stage 1, Step 2	Ensure the incorporation of the JGM's prioritization to the file.	
	Stage 2, Step 1	Coordinate the flow of information required in each case so that the above-mentioned agencies may issue their opinions in due time and on schedule.	

¹⁵⁴ In relation to the *Committee*, the Ministry of Economy and the BCRA were requested to report the meetings held by such committee and any other relevant information. The Ministry replied that no supporting documentation on the operation of the Committee was found. The BCRA provides a copy of the Agreement creating the Committee and explains that this is the only information related to the request submitted, which is in the records of the BCRA Board of Directors Secretary's Office (responses to Note AGN 357/21 to the SF and Note AGN 358/21 to the BCRA).

In relation to the *International Affairs Unit*, no trace of the participation of this Unit was found in the files provided by the SF. When the SF was specifically consulted about the actions of this unit in general and in particular in relation to the 2018 SBA (AGN Note 676/20), it responded through the "Unit for Technical Relations with the IMF" (created by Resolution ME 17/20 within the Ministry of Economy to assist and advise the Minister in relation to the formulation and implementation of the strategy for relations with the IMF). This Unit informs that the UEET currently in effect "did not take part in any of the stages of the 2018 Arrangement, that it did not receive supporting documentation from the consulted Unit either, and that it has had no involvement in the tasks assigned to said UEET". It also explains that it has not received internal documentation prior to the signing of the Arrangement or follow-up reports prepared since the signing of the Arrangement up to 31/Dec/2019. Therefore, the auditee's response does not permit to know whether the "International Affairs Unit" participated in any of the stages of the IMF Arrangement signed in 2018 or whether it has coordinated an international policy area within the MH's competence, that would carry out the actions related to the relationship with international organizations (mandate in its creating Res. 139/18, Section 2, subsection b).



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	Stage 2, Step 2	In its capacity as Liaison Agency with International Financial Institutions, it shall lead the negotiation of the transactions on behalf of the MINISTRY OF ECONOMY AND PUBLIC FINANCE, as representative of the Borrower, in accordance with the provisions of the Law of Ministries, as restated by Decree No. 438/92, as amended. (text ordered by Decree No. 438/92) and its amendments.	
	Stage 2, Step 3	Sign the minutes or negotiation minutes and expressly state in the text of the "Minutes" or "Negotiation Minutes" that the terms and conditions on which the loan has been negotiated are the same as those on which the government agencies previously issued their opinions. Otherwise, it shall mention the changes in a precise manner so that the pertinent area may participate again and issue an opinion thereon. The aforementioned Office shall manage the new participations, as the case may be, according to the aforementioned.	
	Stage 3, Step 1	Coordinate the processing of the normative project through which the National Executive Branch will authorize the transaction and the signing of the documents that implement it.	
		Coordinate the actions related to the signing of the Loan Agreement between the authorized representative of the International Organization and the Minister of Economy and Public Finances.	
JGM	Stage 1, Step 2	Prioritization: Opinion regarding the presentation of the Financing Request before the International Organization(s).	No
	Etapa 2, Step 2	Authorization to negotiate.	
Technical participations			
ONP	Stage 2, Step 1	Render an opinion on the availability of the amounts stipulated in the credit transactions for the relevant fiscal years, in accordance with Section 48 of Law No. 11,672 Permanent Supplementary Budgetary Law (as restated in 2005).	No
ONCP	Stage 2, Step 1	Render an opinion on the valuation and financial EAFsibility of the loan conditions that affect the resources of the National Treasury and other internal resources, in order to comply with the provisions of Decree No. 2102 dated December 4, 1998.	No
BCRA	Etapa 2, Step 1	Render an opinion on the impact of debt servicing on the balance of payments of the National Government, within the framework of the provisions of Section 61 of the Law on Financial Administration and Control Systems of the National Public Sector No. 24,156, as amended. Pursuant to Decree No. 1344 dated October 4, 2007, which regulates the Law of Financial Administration and Control Systems of the National Public Sector No. 24,156, as amended, the opinion of the BCRA shall be issued once the Budget Law of the respective year has been enacted, and shall refer to all the transactions in which the Central Administration is authorized pursuant to Section 60 of said law, and which are contemplated in the Budget Law of the fiscal year in question. In the cases of credit operations not contemplated in the budget of the corresponding fiscal year, in accordance with the exception provided for in Section 60 of the Law on Financial Administration and Control Systems of the National Public Sector No. 24,156, as amended, the National Office for Projects with International Credit Organizations shall request from the BCRA a specific opinion for that operation or group of operations not contemplated in the corresponding budget.	No
DNI	Stage 2, Step 1	To issue an opinion on the tax exemptions corresponding to the proceeds derived from the transactions in favor of multilateral organizations that are contemplated in the general rules included in the legal documents instrumenting the transaction and that derive from international treaties to which the Argentine Republic is a signatory, and other applicable national legislation. Considering that such exemptions are provided for in the general rules of each International Organization, as a result of International Agreements with them, the National Tax Authority shall issue a single opinion for each International Organization, evaluating the tax rules of each of them. The opinion prepared for each International Organization shall be valid for all credit transactions entered into with that Organization, and a new opinion shall only be issued each time there is an update or modification of the rules or general conditions thereof. The National Office for Projects with International Credit Institutions (DNFOIC) shall inform the National Office of Taxes of such circumstances.	No

Source: Compilation based on Res. MEyFP 108/09 and files.



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As can be seen from the table, the DNFOIC plays a central coordinating role in the loan process, together with the JGM, who prioritizes and authorizes the final negotiations of the loans.

Regarding the participations of the technical areas detailed, 2 of them should have been involved in accordance with other regulations, i.e. the ONCP by virtue of its functions conferred by law, and the BCRA in accordance with the provisions of Section 61 of the LAF.

Finally, since the purpose of the financing was defined as "budget support", the National Budget Office (ONP), as the governing body of the budget system, did not intervene to indicate which budget items would be allocated to the execution of the financing. In this regard, it is noted that the ONP's primary responsibility was to "plan, direct, coordinate and monitor the functioning of the budgetary system of the National Public Sector" (DA 325/18, Section 1, Annex II. Official Gazette 16/Mar/18). Essentially, its participation in the framework of the borrowing circuit with multilateral agencies exists to verify whether the loan is in the budget distribution or whether the entity requires offsetting credits.

(c) Participation of the IAU

Since the spin-off of the former Ministry of the Treasury and Public Finance on 31/Jan/2017 (DNU 2/17) until the transfer of functions from the MF to the MH on 21/Jun/2018 (DNU 575/18), the MF did not have an Internal Audit Unit (IAU). This caused the IAU of the public credit area not to participate prior to the signing of the 2018 SBA or at any point in the negotiation process. The authorities also did not request the collaboration of the current IAU, which was under the MH.

It is worth mentioning that at the time of the spin-off of the former Ministry of Economy, the creation of an Internal Audit Unit was contemplated for the former Ministry of Finance (by virtue of the provisions of DA 309/2018 and its subsequent



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amendment through DA 787/2018)¹⁵⁵ and the transfer of the projects and activities that were approved in the Annual Plan for the fiscal year 2018 and the personnel reassignment, were contemplated, but such Unit did not effectively come into being (although its existence and functions were contemplated in the regulations and were in force). In addition, after the issuance of DNU 575/2018, such measure was rendered ineffective, as a consequence of the suppression of the aforementioned ministerial portfolio and the concentration of its competences in the MH¹⁵⁶.

From the analysis here, it follows that the lack of participation of specific technical areas related to debt management affected the evaluation of costs and risks that should be carried out by the middle office areas within the ministry in order for the debt manager to make informed decisions within the framework of a debt strategy. In turn, the nonparticipation of the IAU resulted in the lack of adequate supervision and evaluation of internal control.

For future arrangements with the IMF, *it is recommended* to formally create a specific debt management process in relation to the IMF or to standardize the existing one, including the participation of the technical areas of the middle office within the Ministry and those to be created in relation to the international organization, as well as the participation of the IAU. Identify, at the time of signing an agreement with the IMF, the areas with specific competence in matters of public credit.

155 DA 309/18 (Official Gazette 14/Mar/2018) approved the first and second level structure of the Ministry of Finance, along with its primary Responsibilities and Actions. Within the approved structure was the Internal Audit Unit, reporting directly to the Ministry of Finance and at the same time organized with two divisions: Audit Supervision and Audit Responsible (Annexes I and III, identified in PDF as Ia). This regulation established twelve actions for the IAU of the MF, among which, in relation to the object of control, the following are the most relevant:

3. Evaluate compliance with the policies, plans and procedures determined by the higher authority.

5. To take full notice of the acts and evaluate those of significant economic significance.

DA 787/2018 maintains the location and conformation of the IAU, and no annexes can be found that indicate changes in the primary responsibility and actions of the Unit.

¹⁵⁶ NO-2021-65234490-APN-UAI#MEC of the IAU of the Ministry of Economy in response to Note AGN 603/21.



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(4) Participation of the National Congress

As explained in section iii. Approval of the SBA by a higher authority, the Congress of the Nation is constitutionally competent in matters of public debt, in contracting loans and arranging the payment of the internal and external debt of the Nation. Although the LAF requires that the indebtedness be approved by a budget law or specific law, multilateral indebtedness is exempted from this requirement (Section 60). As the signing of the SBA was not approved by Law¹⁵⁷, there was no participation by the National Congress in relation to the authorization of the operation. However, it is worth noting the Parliament's supervisory action. No obstante, se destaca el ejercicio de la función de supervisión por parte del Parlamento. In particular, the Permanent Bicameral Committee for the Monitoring and Control of the Foreign Debt Management and Payment of the National Congress¹⁵⁸ requested information from the MH and the BCRA through several notes¹⁵⁹, and the Minister appeared before said Commission in order to answer the questions and queries related to the IMF loan¹⁶⁰.

¹⁵⁷ Subsequent to the signing of the 2018 SBA, the Law for Strengthening the Sustainability of the Public Debt (Law 27,612) was enacted, providing that any financing program or public credit operation carried out with the International Monetary Fund (IMF), as well as any increase in the amounts of such programs or operations, shall require a law of the Honorable Congress of the Nation expressly approving it (Section 2).

¹⁵⁸ Created by Law 27,249, Section 18.

¹⁵⁹ According to the information provided by the Chair of the Commission (response to AGN Note 593/21), the following notes were sent to the MH:

1. 18/Jul/18: note to the MH requesting a copy of the memorandum signed with the IMF, as well as any other documentation or information attached thereto. On July 30, 2018, the response from the MH was received in which only the memorandum signed with the IMF was forwarded, without any other additional documentation referred to the arrangement.
2. 8/Aug/18: the MH was requested more information, particularly regarding the uses/destinations of the funds from the IMF loan. In the response, the MH elaborates on the financing needs contemplated in the 2018 Financial Program and the sources with which it projects to cover them.
3. 21/May/2019: further information was requested to MH, particularly regarding the uses/destinations of the funds from the IMF loan. Information is required for a meeting scheduled for 26/Jun/19 related to the fulfillment of the Arrangement's goals, the use of the external debt from the IMF loan in auctions, the modifications to the SBA, the possibilities of a debt renegotiation with the IMF prior to the presidential change, among other issues.

¹⁶⁰ The following key points were discussed in the sessions of this Bicameral Committee: 1. Debt increase, 2. Financing needs, 3. Competence of the Bicameral Committee to deal with the Arrangement and its follow-up (prior and subsequent participation), 4. Modification of the 2018 budget and incorporation in the 2019 Budget, 5. Magnitude of the Arrangement, 6. Sustainability of the debt, 7. Path followed for the decision making process, 8. Elaboration and design of the commitments assumed related to social protection programs, 9. Request for reports to the IMF and those sent by the MH to the IMF within the framework of the Arrangement and the MH-BCRA Agreement, which contemplate, according to the text of the Agreement, the use of the funds, 10. Authority of the Executive Branch to approve the Arrangement, 11. Changes in the Target of the Arrangement.

Sessions of said Commission in relation to the Stand-By Arrangement, dated 21/Mar/18, 4/Apr/18, 10/May/18; 3/Jul/18, 11/Oct/18 and 28/Mar/19 (<https://www.hcdn.gob.ar/comisiones/especiales/cbdeudaexterior>) were analyzed.



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(3) Effective and timely advice

i. Legal advice and participation of the permanent legal services of the MH and BCRA

The legal advice provided by the Office of Contractual, Legislative and Tax Affairs (DACLyT, advisor to the former MH) and the Department of Personnel and Judicial Staff Management (GPEJ, advisor to the BCRA) was not effective and timely in connection with the Stand-By Arrangement.

Law 19,549 on Administrative Procedure establishes as an essential requirement of an administrative act "the opinion of the permanent legal advisory services when the act may affect subjective rights and legitimate interests"¹⁶¹ (section 7, subsection "d").

The National Treasury Attorney's Office (PTN) defines an opinion as "the exhaustive and profound analysis of a given legal situation, carried out in the light of the rules in force and general principles, in order to recommend conducts consistent with justice and the legitimate interest of the parties involved in the consultation. An opinion does not constitute a mere list of antecedents or a collection of dogmatic statements (Opinions 283:304)"¹⁶². "These are precisely the qualities required since ...the prior legal opinion has a double purpose: on the one hand, it constitutes a guarantee for the parties subject to administration since it prevents the Administration from issuing administrative acts that refer to their subjective rights and legitimate interests without due correspondence with the legal order in force, and on the other hand, it prevents probable liabilities of the State, both in administrative and judicial venues, by warning the competent authorities about the defects that the act may contain (Opinions 187: 61)" (PTN, Opinion 236:91)."

¹⁶¹ In this regard, The National Treasury Attorney's Office (PTN) established that "...it does not follow from the reading of the regulation that the word affect should be understood as damage, in such a way that in cases where an act benefits the individual, the requirement can be dispensed with. On the contrary, in the light of the most elementary principles of Administrative Law, this requirement is always demandable. Secondly, because the institute of adjective due process must be understood from the double perspective of the guarantee of the administrative party and of the legality of the administrative action". (PTN, Opinion 236:91).

¹⁶² See <https://www.ptn.gob.ar/blog/2019/05/14/lo-siempre-te-preguntaste-los-dictamenes-la-procuracion-del-tesoro-la-nacion/> revised on 13/Aug/21.



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Although there are no minimum requirements on the content that the opinions should have, the PTN has established a doctrine that is mandatory for the permanent legal services of the State¹⁶³.

In turn, international best practices refer to the need for adequate legal advice¹⁶⁴.

The SBA was signed in the midst of several changes in the administrative structure of both the MH and the BCRA¹⁶⁵, thus affecting the internal control of both organizations, especially the control environment component¹⁶⁶. In addition, there are regulatory risks that Resolution MEyFP 108/09, which approves the administrative management circuit for the approval and subscription of loan agreements or contracts with international lending institutions, does not eliminate.

¹⁶³ "The administrative jurisprudence of the rulings of the Treasury Attorney's Office is binding and mandatory for the legal services that make up the Corps of State Attorneys (Rulings 207:419)" (<https://www.ptn.gob.ar/blog/2019/05/14/lo-siempre-te-preguntaste-los-dictamenes-la-procuracion-del-tesoro-la-nacion/> revised on 13/Aug/21).

The PTN determines the criteria for the interpretation and application of all regulations "...governing the National Executive Branch and other agencies and entities of the National Public Sector, and supervises that the legal services of the Corps of State Attorneys adjust their criteria to the doctrine issued by the Governing Body", National Office for Opinions (DND), responsibilities and primary actions. See: <https://www.argentina.gob.ar/procuraciondeltesoro/dnd>

¹⁶⁴ The IMF states that "It is important that debt administrators receive appropriate legal advice and ensure that the transactions they enter into are supported by appropriate legal documentation. In doing so, debt administrators can help governments clarify their rights and obligations in the relevant jurisdictions. Several issues deserve special attention, including: the design of debt instrument provisions, such as defining (...) the scope of the waiver of sovereign immunity. Disclosure obligations in relevant markets should be analyzed in detail because they may vary from market to market" (IMF (2014), Revised Guidelines for Debt Management, No. 45).

The World Bank states that "it is important for those responsible for debt management to receive legal advice and to ensure that the transactions they carry out are supported by sound legal documentation. This can help governments to make clear their rights and obligations, and protect their positions as much as possible in the relevant jurisdictions. Several aspects deserve particular attention, namely: (...) e) the scope of the waiver of sovereign immunity. Disclosure obligations in the relevant markets should be analyzed in detail because they may vary from market to market" (DeMPA, DPI 9, dimension 3).

¹⁶⁵ In line with the risks identified in the planning stage, during 2018 and 2019 there were 9 modifications in the administrative structure of the Ministry: 3 modifications at ministerial level, 4 at sub-secretariat level, and 2 modifications of first and second operational level. It is noteworthy that the 3 ministerial modifications and 3 of the modifications at the level of sub-secretariats occurred during the term of the Arrangement. For the period from 5/Mar/2018 to 26/Jun/2018, the Undersecretariat of Financing was abolished, so the ONCP changed in its functional reporting line, and became directly under the SF. The most significant change consisted in the division of the Ministries: Ministry of the Treasury (*Ministerio de Hacienda*) on the one hand and Ministry of Finance (*Ministerio de Finanzas*) on the other, to later be united again as of 21/Jun/18. Meanwhile, at the BCRA, 13 modifications were detected in its administrative structure, resulting in the elimination of 15 areas or offices, the incorporation of 9, and the change in the functional reporting lines of 6 areas.

¹⁶⁶ INTOSAI GOV 9100 states that "The control environment sets the tone of an organisation, influencing the control consciousness of its staff. It is the foundation for all other components of internal control, providing discipline and structure. Elements of the control environment are: (1) the personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control at all times throughout the organisation; (2) commitment to competence; (3) the "tone at



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The topics covered by the permanent legal services were as follows:

Table No. 19

Issues addressed by the legal services

DACLyT, MH	GPEJ, BCRA
Argentina - IMF relation	Nature of the SB Arrangement
Competence of the MH	Monitoring of arrangements
Counseling framework	BCRA Competence
Nullity of the act	Confidentiality of sensitive information

Source: Compilation based on files sent by the auditees.

(1) Exhaustive and in-depth analysis of the legal situation regarding the SBA

The legal services did not carry out an exhaustive and in-depth analysis of the legal situation in relation to the SBA, in light of the legal regulations in force as provided by the PTN. The advisories at the Ministry and BCRA levels showed a lack of the following analyses:

the top” (i.e. management’s philosophy and operating style); (4) organizational structure; (5) human resource policies and practices. (...) The organisational structure defines the entity’s key areas of authority and responsibility. Empowerment and accountability relate to the manner in which this authority and responsibility are delegated throughout the organisation. There can be no empowerment or accountability without a form of reporting. Therefore, appropriate lines of reporting need to be defined. In exceptional circumstances, other lines of reporting have to be possible in addition to the normal ones, such as in cases where management is involved in irregularities.

In connection with public debt, “The control environment is the foundation of internal controls by virtue of its influence on the conduct of public debt personnel. Senior debt management is responsible for establishing and nurturing a control environment that promotes ethical values, human resource policies that support public debt objectives, an organizational structure with clear lines of responsibility and communication, and computer-based information systems that incorporate adequate security controls. Senior debt management is also responsible for achieving public debt objectives within the limits of its authority, ensuring that its personnel are conscious of the benefits of an adequate control environment, and monitoring external factors that affect the government’s capability and willingness to service its debt.” (ISSAI 5410, page 8).



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- 1) **Validity period of Section 60 of the LAF¹⁶⁷ in relation to multilateral debt and its application to the IMF. It should be noted that the DAAEPyFP does mention such exception in the first four opinions corresponding to the issuance of LI¹⁶⁸.**
- 2) **The need for the BCRA's opinion regarding the impact of the operation on the balance of payments pursuant to Section 61 of the LAF.**
- 3) **Competence of the OCSAF to authorize the indebtedness in both cases. This is aggravated in the first SBA of 12/Jun/18 where a MH and a MF coexisted, where the latter did not participate. Also, the GPEJ failed to analyze the competence of the Governor of the BCRA in the first SBA.**
- 4) **Applicability of Resolution MEyFP 108/09 insofar as it regulates the circuit of borrowing with multilateral organizations.**
- 5) **The need to have official translations of the arrangements pursuant to Law 20,305, Section 6¹⁶⁹.**
- 6) **Address the issue of the extension of jurisdiction and the dispute resolution mechanism. Although the Articles of Agreement provide for mechanisms in certain cases, it is not clear before which international jurisdiction Argentina could file a claim.**

¹⁶⁷ LAF, Section 60: The entities of the national administration may not formalize any public credit operation that is not contemplated in the general budget law of the respective year or in a specific law. The general budget law must indicate at least the following characteristics of the authorized public credit operations:

- Type of debt, specifying whether it is internal or external;
- Maximum amount authorized for the operation;
- Minimum amortization term;
- Purpose of the financing.

If the public credit operations of the national administration are not authorized in the general budget law of the respective year, they shall require a law expressly authorizing them.

Public credit operations entered into by the National Executive Branch with international financial organizations of which the Nation is a member are exempted from compliance with the provisions set forth above in this section.

¹⁶⁸ See section on *Letras Intransferibles*. The Management states: "it is emphasized that Section 60 of Law No. 24,156 provides in its last paragraph that public credit operations formalized by the National Executive Power with international financial organizations to which the Nation is a member are exempted from compliance with the provisions set forth in said section" (IF-2018-29785229-APN-DAAEPYFP#MHA, electronic file EX-2018-29237799-APN-DGD#MHA; IF-2018-54680001-APN-DAAEPYFP#MHA, IF-2018-67132969-APN-DAAEPYFP#MHA, IF-2019-20445587-APN-DAAEPYFP#MHA, on electronic file EX-2018-54074016-APN-DGD#MHA).

¹⁶⁹ Law 20,305, Section 6: "Any document submitted in a foreign language to public, judicial, or administrative agencies, entities, or bodies of the national government, of the Municipality of the City of Buenos Aires, or of the National Territory of Tierra del Fuego, Argentine Antarctica and the South Atlantic Islands, must be accompanied by the respective translation into the national language, signed by a sworn translator registered in the jurisdiction where the document is submitted".



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In short, considering the PTN's doctrine regarding the desired quality of the opinions, i.e., the preparation of an "exhaustive and profound analysis of a given legal situation, carried out in the light of the legal rules in force and the general principles that inform them" (Opinions, Volume 298, Page 313), the legal advice was not effective due to the aforementioned elements which were not analyzed and the inaccuracies at the time of issuing the opinion, especially the approach to the competence of the agencies to sign the arrangement. In general, the PTN opinions mentioned above are not related to the public debt, especially when the nullity of the administrative act was analyzed solely on the basis of the lack of a prior opinion. Furthermore, these opinions state that the signing authority must evaluate its decision "on the basis of the technical reports" without verifying the existence of these antecedents.

With respect to the nullity based on the lack of prior opinion, it held that "... it is not apparent that the absence of a prior legal opinion could entail the consequences for legal acts provided for in the National Law on Administrative Procedures, regardless of the fact that, in relation to such letters, the National Treasury Attorney's Office has repeatedly stated that the act is not null and void if such omission is subsequently remedied and, in that sense, subsequent opinions cure the defect (see Opinions 241:4 and 45, 242:253 and 243:288, among others)¹⁷⁰".

¹⁷⁰ It should be noted that the opinions referred to above are related to the granting of legal standing to lawyers hired by the Ministry of Justice and Human Rights, the Federal Broadcasting Committee and the Ministry of Economy to represent the National Government in lawsuits, all of them in 2002. In this context, the PTN held that "3.1. In this regard, I must point out that the lack of a prior opinion of this Treasury Attorney's Office, as required by the aforementioned rules, does not invalidate, in this case, the appointments under analysis, in view of the conformity provided in this participation", explaining the need to confirm the act: "3.2 However, in order to avoid any kind of questioning of the legal capacity of those hired to represent this Administration in court, I consider that it would be convenient to issue an administrative act confirming the previous one, in accordance with the provisions of Section 19 of the National Law on Administrative Procedures No. 19,549..." In the present case, and in case it is considered an annulable act that can be remedied, the legal service omitted this recommendation, as provided by the PTN and as required by Law 19.549, Section 19. However, the PTN has also stated that "the requirement of the prior opinion is unavoidable when the act affects the public treasury (see Comadira, Julio Rodolfo; "Algunos aspectos de la teoría del acto administrativo", JA 1996-IV:758)" (Opinion 236/91). In the present case, the SBA directly affects the public treasury since it is an external financing not contemplated in the budget.



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The DACLyT addressed the issue of the nullity of the administrative act considering only the need for a prior legal opinion, but not the lack of competence of the MH to sign the arrangement, since it was not authorized by the then Ministry of Finance (MF) which, in turn, was the OCSAF of the public credit system. Hence, the opinion mentioned the functions of the MH according to DNU 575/18171 in force as of 21/Jun/18, without considering the functions in force at the time of the signing of the arrangement for the MH and the MF according to Decree 2/17¹⁷².

Had the regulations in force at the time of the signing of the agreement been analyzed, the opinion would have shown the lack of competence in the matter, a defect that cannot be remedied, as stated by the PTN: "...From the harmonic interaction of Sections 14 and 19, subsection a), of the National Law on Administrative Procedures, it is clear that when the defect affecting the act is that of lack of competence in the matter, it cannot be cured by its ratification by the superior body..." (PTN Opinion 236/91). Likewise, the agency quotes a decision of the Supreme Court of Justice of the Nation¹⁷³ (CSJN) and adds " Along the same lines, the jurisprudence understood that the act is null and void when it is vitiated by the ...incompetence of the acting officers... At the most, it could have been considered as a preparatory act, subject to the approval of the competent authority, which did not occur in this case (Cám. Nac. de Apel. Fed. Chamber III, ruling of 3-Jul-97 in "Maruba S.C.A. v. Ministerio de Economía y Obras y Servicios Públicos)". (PTN Opinion 236/91).

In turn, the GPEJ referred to the possible breach of the quantitative performance criteria, and that this does not amount to a breach of contract in legal terms, although it did not address the possibility that Argentina could claim against the Fund, and therefore, given the legal status of the Agency and its agents (related to immunity from jurisdiction), this issue remains to be resolved.

¹⁷¹ Official Gazette of 22/Jun/18.

¹⁷² Official Gazette of 2/Jan/17.

¹⁷³ The PTN argues "Naturally, acts vitiated by lack of subject matter jurisdiction must be annulled. And as for the impossibility of remedying them, the Supreme Court of Justice of the Nation has said that ...the complaint related to the circumstance of having remedied the defect that originally affected the act (...) lacks grounds (...) since there was a lack of competence in the matter, the administrative resolution is absolutely null and void (Section 14, subsection b, Law 19,549) and therefore it cannot be remedied (Sections 14 and 19 of the aforementioned law) (Judgment of 3-Mar-83 in the case "Peña de Tuero, Magdalena vs Ministry of Culture and Education of the Nation on ministerial resolution No 3107", Law 22,140) (Rulings 305:171)" (Opinion 236:91).



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Regarding the SBA of 12/Jun/18, the GPEJ did not issue an opinion on the competence of the Governor of the BCRA to enter into the arrangement; the General Management requested its participation only "to express its opinion on the possibility of maintaining the confidentiality of the market-sensitive information identified in the file"¹⁷⁴. In this respect, it pointed out that "(...) there is no information or supporting documentation in the records of the General Management of this Institution in its current composition, on the reasons that motivated the course of action detailed in that point of the request for information"¹⁷⁵.

It also explained that "...there is no manual or instructions other than the Organic Structure Circular (Circular E.O.) in force at any given date, which gives rise to the missions and functions of the different legal departments at any given time. The minimum contents to be covered by the legal opinion are those required by the consultation. According to this framework, the legal service may address the legal aspects it deems relevant for a better orientation of the requesting body regarding the issue raised, but without incurring in the analysis of technical, economic, opportunity, merit or convenience issues... " Consequently, the legal service may address the legal aspects that it considers relevant for a better orientation of the requesting instance regarding the issue raised, but without incurring in the analysis of technical, economic, opportunity, merit or convenience issues..."¹⁷⁶

The lack of the aforementioned items affects the double purpose attributed by the PTN to legal opinions (guarantee for the parties involved and the intention to avoid liabilities on the part of the State), and implies that the State contracted indebtedness without due legal advice so as to mitigate regulatory risks that could have an impact on the validity of the act and to oppose timely defenses with respect to the loan taken.

It is therefore recommended to include, as part of the loan management process with the IMF, the minimum contents (non-exclusive) on the analysis that the legal opinion should contain, so as to allow for an opinion based on the specific case, exhaustively analyzing the maximum number of legal consequences that public credit operations may

¹⁷⁴ IF-2018-00154920-GDEBCRA-GG#BCRA, on electronic file EX-2018-00154908- GDEBCRA-GG#BCRA.

¹⁷⁵ Note 400/02/2021 in response to Note AGN 607/21 A-05, item 3.

¹⁷⁶ Note 400/02/2021 in response to Note AGN 607/21 A-05, item 10.



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entail; when PTN doctrine is quoted, it should preferably be on issues related to the public debt. Likewise, it is recommended to analyze all the relevant regulations for the specific case.

(2) Participation of competent technical areas

The legal services did not verify the participation of competent technical areas in debt matters as a basis for the authorities' decision to contract debt with the IMF. This is relevant given the economic significance of the debt contracted as well as the repayment capacity of the Argentine Republic on the agreed repayment schedule. The only technical participations (none in the area of public debt) were made after the first SBA.

In the absence of minimum requirements on the analysis that an opinion should contain, the legal services do not verify the pertinent participations on a practical level.

In all its opinions, the DACLyT remarked the scope and limits of its advice based on a series of opinions of the PTN, among which the following reference should be emphasized: "the letter to be signed involves the adoption of an economic policy decision that involves the analysis of aspects of political prudence and reasons of opportunity, merit and convenience, whose evaluation must be made by the signing authority on the basis of the technical reports, since it is not for the legal advisory services to issue an opinion on the matter, as it is not within their competence (conf. Opinions 206:156 and 206:364)."

In this regard, it was observed that the DACLyT constantly pointed out that the signing authority must evaluate its decision "on the basis of technical reports", although the DACLyT does not notice the absence of them in the file; in fact, the first electronic file produced appears with the SBA of 12/Jun/18, without any background information on reports from technical areas that would serve as a basis for the decision to take that loan. In fact, the only participations in the files were issued after the signing of the arrangement:



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- On 18/Jun/18¹⁷⁷ the BCRA issued a report "to analyze the reasonableness of the monetary policy program described in the Letter of Intent with the IMF."¹⁷⁸
- On 22/Jun/18, the SH participated regarding fiscal policy, protection of social spending and improvement of the fiscal institutional framework¹⁷⁹.

In the second SBA of 17 October 2018, when requesting the participation of the DACLyT, the SH attached a technical report that explained the need to modify the agreement with the IMF: "In the framework described before, it was decided to propose to the IMF the need to modify the original arrangement, analyzing that this was the best way to moderate the impact of a less favorable international context on our economy. This on the understanding that guaranteeing external financing at the lowest possible cost is a substantive axis to achieve fiscal convergence and macroeconomic order in general"¹⁸⁰. Despite exhibiting as "substantive axis" the need for financing at the lowest possible cost, the legal service did not verify -as it is understood from its own opinion-, the participation of technical areas that support such grounds, as could have been the ONCP's technical opinion conformed by the SF. It should be noted that at that time the ministries were already unified.

Furthermore, the legal service did not issue an opinion regarding the application of Resolution MHyFP 108/09 approving the Administrative Management Circuit of the Ministry of Economy and Public Finances for the approval and signing of loan arrangements or contracts with international lending agencies (Annex I), which should have been taken as a reference in its relevant parts (e.g., to verify the existence of reports from the JGM, ONCP, ONP, DNI), for the purpose of an efficient debt management that considers the costs and risks of contracting such borrowing and its impact on the total debt, as well as the interjurisdictional coordination that the JGM should have carried out pursuant to its specific functions, given the variety of commitments assumed, among other issues.

¹⁷⁷ Sent to MH on 21/Jun/18, as found in Note NO-2018-00159592-GDEBCRA- GG#BCRA, file EX-2018-29772791-APN-DGD#MHA

¹⁷⁸ IF-2018-00156984-GDEBCRA-GPEYCPM#BCRA, file EX-2018-00154908-GDEBCRA- GG#BCRA.

¹⁷⁹ IF-2018-29981790-APN-SECH#MHA, file EX-2018-29772791-APN-DGD#MHA.

¹⁸⁰ IF-2018-52369163-APN-SECH#MHA, embedded in PV-2018-52372642-APN-SECH#MHA, electronic file EX-2018-52368222-APN-DGD#MHA.



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Likewise, no warning was given regarding the lack of participation of the MF - competent to subscribe the SBA- (not noticed by the legal service) and the lack of participation of competent technical areas in matters of public credit, thus depriving the operation of a cost and risk analysis that would have allowed managing the debt efficiently.

The validity of the transaction may have been affected by the fact that it was in violation of the LAF and did not comply with the essential competence requirement set forth in Law 19,549¹⁸¹.

Finally, nothing is said about the mandatory nature of having the BCRA's opinion on the operation in the balance of payments pursuant to Section 61 of the LAF.

In view of the foregoing, *it is recommended* to analyze in an effective manner the participations of competent technical areas in matters of public credit, in order to promote an efficient debt management. Until the regulations in force are brought into line with Law 27,612 in a specific regulated process that determines the technical areas that should participate, it would be convenient to notice such situation and to frequently survey the regulatory changes of the administrative structure in order to know which areas should participate according to their specific functions, and to verify whether in practice such areas participated prior to the issuance of the act.

(3) Opinion on the competence of the MH to sign the SBA

The DACLyT ruled on the competence of the MH to sign the first SBA based on regulations that were not in force at the time of signing. For the first SBA of 12/Jun/18, the regulation used by the legal service in its opinion of 22/Jun/18 was DNU 575/18 in force as of the previous day and published on the day of the opinion, and not the regulation in force at the time of signing (i.e. DNU 2/17). However, at the time of signing the SBA, the MF was the OCSAF and was the

¹⁸¹ It should be borne in mind that according to the Doctrine, "(...) Both the lack of competence and the excess in the exercise of full restricted powers generate a breach of domestic law. Article 27 of the Vienna Convention upholds the prevalence of international law over the domestic law of the State (or the rules of the international organization) in case of regulatory conflict, since it establishes that a party may not invoke the provisions of its domestic law (or rules) as grounds for non-compliance with an international treaty (...)" (González Napolitano (2015, June). "Lecciones de Derecho Internacional Público". Errepar: CABA, Argentina). This situation has been called by international jurisprudence as the Estoppel theory or the theory of required acts ("*teoría de los actos propios*").



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competent authority to deal with public credit and relations with international credit organizations, instead of the MH.

In order to analyze the competence of the MH to sign the agreement, the DACLyT relied on the Articles of Agreement of the IMF, the Law of Ministries and Decree 227/75. Article V of the IMF's Articles of Agreement on the bodies that may deal with the Fund, section 1, provides that "Each member shall deal with the Fund only through its Treasury, central bank, stabilization fund, or other similar fiscal agency, and the Fund shall deal only with or through the same agencies"¹⁸². Within such framework, it refers to the functions of the MH according to the Law of Ministries, which is usually modified by DNU in accordance with the legislative practice¹⁸³.

In this regard, it is noticed that, for the first SBA of 12/Jun/18, the regulation used by the legal service in its opinion of 22/Jun/18 was DNU 575/18 with the same date of publication, and not the regulation in force at the time of signing (i.e. DNU 2/17). In fact, if one observes the opinion corresponding to the draft of the MH-BCRA Agreement where it made reference to the Law of Ministries pursuant to DNU 2/17, the DACLyT¹⁸⁴ stated that "the MH is responsible for assisting the President of the Nation and the Chief of the Cabinet of Ministers in all matters related to economic policy, including as primary competence that of "dealing with monetary and exchange policy in accordance with the powers vested in the BCRA"; as it may be seen, there is no reference to public credit issues.

¹⁸² Quoted directly from the IMF's Articles of Agreement.

¹⁸³ In the stenographic version of the plenary session of the Permanent Bicameral Committee of Legislative Procedure (Law 26,122) of August 15, 2018, which deals with the DNU 575/18 that modified the organizational structure of the MH, thereby confirming it as the continuation of the MF, it was explained that "As in the case of the budget modification, it has been a practice in recent years, since 2001, 2002 onwards, that the changes to the Law of Ministries were made by decrees of necessity and urgency (DNU). Actually, between 2002 and 2018 there have been 27 amendments to the Law of Ministries, all of them provided by decrees of necessity and urgency and all of them favorably ruled by this Commission. Therefore, as in the previous case, we propose the declaration of validity of Decree 575" (Deputy Tonelli) and that "It is a tradition that the Congress of the Nation approves the Law of Ministries and the structure that the National Executive Branch wants to give to the administration in this respect" (Senator Fiore Viñuales).

¹⁸⁴ IF-2018-29244177-APN-DACLTYT#MHA dated 18/Jun/18, on electronic file EX-2018- 29237799-APN-DGD#MHA.



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In this regard, the regulations in force at the time of signing the SBA were not considered, which increased the regulatory risk resulting from the various names of who should be the representative before the IMF¹⁸⁵ (an issue that affects competence) and the splitting of the ministries¹⁸⁶, which could have an impact on the validity of the act and affect the internal control of the auditee.

In order to mitigate this type of inconsistencies, *it is recommended* that an adequate supervision system of cross-checks be contemplated within the process to review the adequate use of the regulations as a regulatory risk mitigation measure, considering, as in the case under study, the profusion of applicable regulations, and the changes in the functions of the critical areas.

(4) Timely legal advice on the SBA

The participation of the legal services was not timely, since they intervened after the signing of the June SBA and simultaneously in the case of the October addendum.

The legal advisors' participations occurred once the electronic files had been initiated, which files were started after the signing of the SBA. In the case of the SBA of 12/Jun/18, the opinion is dated 22/Jun/18. As for the second arrangement, the opinion has the same date as the SBA (17/Oct/18, signed at 9:37 pm). On the BCRA side, the GPEJ (BCRA's legal service) only participated in the first SBA of 12/Jun/18 afterwards (the opinion is dated 18/Jun/18)¹⁸⁷, and on 17/Oct/18, it intervened on the same day¹⁸⁸, with no evidence of its participation regarding the amendments to the agreement¹⁸⁹.

¹⁸⁵ As explained in section 5.a) viii. *Authorization and Signing of the SBA by competent authority*, the Spanish translation of the Articles of Agreement refers to the "Ministro de Hacienda" (Ministry of the Treasury, in English), and Decree 227/75, to "Ministro de Economía" (Minister of Economy, in English). The denomination "Ministro de Economía" (Minister of Economy) did not exist in 2018, and in the reference made to the Law of Ministries it is not clear whether, for the SBA of 12/Jun/18, the "Ministro de Finanzas" (Minister of Finance) should have been the representative before the IMF, since among his functions he had to "participate in international negotiations of an economic nature" and to "intervene in the relations with international economic organizations" pursuant to the DNU 2/17. See footnote # 61 in paragraph 5.b.i. *Authorization and Signing of the SBA by competent authority*.

¹⁸⁶ It should be borne in mind that this applies to the first SBA. For the second SBA of 17/Oct/18 and its amendments, the MH and MF were unified, the former being the continuation of the latter, and, therefore, there was no conflict of competence.



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Thus, the manager signed a loan contract with an international organization without the participation of the legal technical area, resulting in uninformed decisions that were contrary to the legal framework of public credit. In addition, the act lacked one of the essential requirements (prior legal opinion).

It is recommended to anticipate a procedure that provides for the initiation of the file on the administrative proceedings prior to the signing of the debt in such a way as to allow timely request of the pertinent technical and legal participations, in accordance with the provisions of Law 19,549 which establishes that "an administrative file is understood as an ordered set of documents and actions that serve as background and basis for the administrative act, as well as proceedings aimed at executing it; the files shall be in electronic format and shall consist of an orderly compilation of the documents, evidence, opinions, reports, agreements, notifications and other proceedings that must be included in them" (Decree 1759/72 -as restated in 2017-, Section 7, subsections "a" and "b").

(5) Participation of the BCRA's legal service in the MH-BCRA Agreement

The BCRA's legal service, the GPEJ, did participate prior to the signing of the MH-BCRA Agreement; it only participated in its amendment. The reason for this is that the legal department was not consulted.

It appears from the files that the GPEJ did not have any involvement prior to the signing of the MH-BCRA Agreement; it only took part in its amendment at the request of the General Management by virtue of the competence of the Governor of the BCRA to sign the document. In this regard, it made it clear that no legal opinions have been issued prior to the signing of the letters of June 12 and 18.¹⁹⁰

¹⁸⁷ The opinion issued by the Main Office of Legal Studies is recorded on IF-2018-00157147-GDEBCRA- GPEJ#BCRA, dated 18/Jun/18 (date of the signing of the second Letter of Intent), order 12 of EX2018-00154908- -GDEBCRA-GG#BCRA initiated on 14/Jun/18.

¹⁸⁸ IF-2018-00259617-GDEBCRA-GPEJ#BCRA of 17/Oct/18 on EX2018-00258928- -GDEBCRA-GG#BCRA.

¹⁸⁹ The modifications to the LOI, MEFP and TMU do not imply extensions in the amount of financing by the IMF. See timeline in item 4.e)

¹⁹⁰ BCRA Note 400/02/2021, in response to Note AGN 607/21, question 3.



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Entering into agreements without legal advice may expose the agent to the invalidity of the acts and may heighten regulatory risks, affecting management efficiency.

Agreements between agencies that regulate responsibilities for the parties must be preceded by a legal opinion providing appropriate advice on the obligations involved. For future agreements, *it is recommended* that the legal service be involved in a timely manner.

ii. Advice in terms of cost/risk

At the time of the decision to request the loan from the IMF, the MH did not carry out an analysis to establish the characteristics of the loan requested, evaluate its terms and conditions, or justify the decision to sign the Arrangement, nor did it analyze the financial costs/risks of the financing, or the solvency/sustainability of the loan. This, despite the fact that some of these analyses had precedents or that they could have been considered as inputs for this purpose or as a basis of analysis for decision making, that the areas have assigned functions indicating their elaboration and that they have the resources to do so.

This is due to the lack of involvement of the competent public credit areas as a result of the MF's absence of involvement in the negotiation and signing stage. Also, Resolution MEyFP 108/2009 required for financing with Multilateral Credit Organizations, was not applied.

On the other hand, the Ministry did not have a copy of the fiscal risk analysis and long-term fiscal sustainability analysis referenced in the Memorandum of Economic and Financial Policies of the Arrangement.

(1) Substantiation of the decision to sign the Arrangement with the IMF

The Ministry of Economy did not make any analysis to establish the characteristics of the loan requested or to substantiate the decision to enter into the Arrangement. In this respect, there is no evidence that other financing alternatives and possible creditors were considered or that the terms and conditions of the Arrangement were assessed.



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To ensure that borrowing activities from external sources are well documented and that all creditors and market financing sources are considered, the procedures must have a detailed description of the steps taken in all processes, including the entities involved in loan negotiations, the financial analysis performed and the transaction records. The financial analysis must include interest rates, taking into account fees, currency, cost of penalties and other charges, disbursement and maturity profile, and the impact on the existing debt service profile (DPI-9, dimension 2).

Documenting and substantiating the decision to obtain the IMF loan makes it possible to evaluate the steps and the involvement of specific technical areas that were the basis for the decision to take the loan. In this respect, although the Ministry of Economy stated that the files have so reported¹⁹¹, no evaluation of the reasons for the selection of this instrument over others appears in the files.

Financing alternatives

A fundamental requirement of the external borrowing process is to ensure that all potential external creditors and markets are identified, with the respective financial conditions offered by creditors and investors to the specific debtor (DPI-9, dimension 1).

In this regard, it does not appear from the files any evaluation of alternative sources of financing to the SBA. When consulted on this matter, the auditee did not indicate having considered them (either with different creditors or another type of financing provided by the IMF) in order to choose the best option in terms of costs/risks, with the IMF Stand-By Arrangement being the best alternative¹⁹². Therefore, from the evidence gathered it appears that no analysis was made to support or substantiate the decision making process.

Documented evaluation of the terms and conditions

¹⁹¹ In response to Note AGN 609/21 (question 1) where reference is made to the files provided in the response to Note AGN 676/20.

¹⁹² NO-2021-86634973-APN-SLYA#MEC in response to Note AGN 609/21, question 5, where reference is made to the files provided in AGN Note 676/20.



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According to the WB, external borrowing operations should be carefully planned and subject to a thorough analysis of the terms and conditions that may be required by potential creditors and markets. Borrowing terms and conditions should be subject to a financial analysis in order to achieve the lowest borrowing costs, within the guidelines of the debt management strategy in terms of currency, maturity and fixed or floating rate composition (DPI-9, dimension 1).

From the analysis of the files provided by the auditee, there appears no evidence of the evaluation of the financing taken in terms of its amount, term and currency. In addition, the auditee does not report having conducted an analysis to establish the characteristics of the loan requested to the IMF in 2018 nor the selection criteria used to determine them¹⁹³.

Accountability and Congressional Supervision

Although there was no analysis prior to the signing of the Arrangement, following its signing, in instances of accountability by the National Executive Branch and supervision by the Congress, the authorities alleged the need for the requested financing and the terms and conditions of the Arrangement. However, these are statements made in published documents, without any analysis to back them up.

The following table summarizes the debt structure and sustainability issues presented by the authorities¹⁹⁴:

¹⁹³ NO-2021-86634973-APN-SLYA#MEC in response to Note AGN 609/21, question 4, where reference is made to the files provided in Note AGN 676/20.

¹⁹⁴ The following documents were analyzed:

- JGM annual reports sent to the National Congress in 2018 and 2019.
- Exhibit J "Relevant Financial Events of the period" in the Investment Account ("Cuenta de Inversión") for 2018 and 2019. Stenographic Sessions of the Permanent Bicameral Committee for the Monitoring and Control of the Contracting and Payment of the Nation's Foreign Debt - Law 27,249



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Table No. 20

Issues raised in accountability instances: Annex J of the Investment Account of the National Accounting Office (CGN), Annual Reports of the Office of the Chief of Cabinet of Ministers (JGM) and explanations of the Minister of the Treasury in the Bicameral Committee (BC).

Subject	Statements	Source	Remarks
Financing cost	The IMF was used to obtain a Stand-By loan at a lower cost of financing than that available in the market.	- Annex J of the 2018 LOI	The SBA is proposed as the best financing option in relation to the rate.
	Financing at rates below 4% per annum under the IMF program replaced debt with private parties at higher rates.	- 2018 Annual Report of the JGM p. 191	It is argued that the SBA replaced private financing (at higher rates).
Financing term	Reasonable term.	- Annex J of the 2018 LOI	It is argued that the term of the SBA was reasonable.
Forecasts	<p>Anticipating an increase in the U.S. interest rate, during the first days of January, bonds were placed in the international market in dollars for US\$9 billion, which allowed covering an important part of the financial program for the year.</p> <p>The financial cost of the operation was the lowest in Argentine history for dollar issues in the international market, representing a drop of 100 basis points in relation to the rates paid in the January 2017 international bond issue. Demand for Argentine bonds totaled US\$21.4 billion, more than 2.4 times the amount finally issued.</p> <p>The total amount placed was divided into three bonds:</p> <ul style="list-style-type: none"> - 5-year at a yield of 4.625% (4.625% coupon) - 10-year with a yield of 6% (5.875% coupon) - 30-year with a 6.95% yield (6.875% coupon) 	- Annex J of the 2018 LOI	The January 2018 international bond placement was supposed to cover a significant portion of the year's financing needs. All bonds had a term longer than the SBA. The forecast of sources was not efficient, given that months later the SBA was required to cover borrowing needs.
	<p>It is true that with the debt issue we had made in the international markets for 9 billion dollars we no longer needed to cover the financial program with more external issues, but we still had a financial program in the local market to accomplish and the one that might come in 2019. And as the markets anticipate, and in view of the possibility of continued volatility in the world, we made the decision to ask for support for our program and thus obtain the funds we need to finance ourselves for the next period, at very low rates and provided that this did not imply modifying our economic program.</p>	Minister's explanations - stenographic sessions of the BC of 3/Jul/20	



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Context	<p>In the case of Argentina, where we had not yet finished correcting the imbalances inherited from the previous administration and where we still had a high fiscal deficit, with a rickety capital market, also as a result of the capital flight and the financial repression we had for so many years, where savers received interest rates lower than the inflation rate, we were left exposed, and in that context we decided to complement our economic program with financial assistance from the International Monetary Fund.</p> <p>The aid we have obtained are funds that come to finance the path we have been following, a path of convergence to fiscal balance, which we have decided to accelerate as a result of the change in international conditions and not as a result of any imposition by the Fund.</p>	<p>Minister's explanations - stenographic sessions of the BC of 3/Jul/20</p>	<p>Minister Dujovne states that, in a context of imbalances, fiscal deficit, weak capital markets, capital outflows, the SBA supplements the economic program, and the funds finance "the path of convergence to fiscal balance".</p>
	<p>We have taken the measures that we have taken -basically- because we believe that it is essential for the Argentine economy to avoid crises. And we should not misunderstand an episode of exchange rate depreciation or ask for the collaboration of an international organization of which Argentina is a member. It is an associate member and we did not quit our associate membership with any other government that preceded us.</p>	<p>Minister's explanations - stenographic sessions of the BC of 3/Jul/20</p>	
	<p>Since March, a series of events have negatively affected access to and the cost of financing for emerging countries in general and for Argentina in particular, given its greater vulnerability to external shocks. The increase in interest rates in the United States, which reduced global liquidity and generated capital outflows, coupled with a significant appreciation of the dollar and the strongest drought in the last 50 years. Also, the U.S.-China trade dispute, the crisis of confidence in Turkey and a higher level of uncertainty in Brazil contributed to an unfavorable scenario for debt issuance.</p>	<p>- Annex J of the 2018 LOI - 2018 Annual Report of the JGM p. 139</p>	<p>Liquidity risk, Rollover risk.</p>
Borrowing requirements	<p>The International Monetary Fund was used to help cover the financing needs of the National Treasury and strengthen the Central Bank's International Reserves.</p>	<p>- Annex J of the 2018 LOI</p>	<p>It is argued that the SBA made it possible to cover financing needs</p>
	<p>The SBA with the IMF made it possible to partially cover the financing needs.</p>	<p>- 2018 Annual Report of the JGM p. 136</p>	



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	<p>Financing needs have decreased as a result of the convergence towards primary fiscal balance.</p> <p>This resulted in a reduction of the primary fiscal result targets, which translates into a reduction of financing needs and, therefore, a more predictable and healthy economy.</p> <p>The convergence to fiscal balance was achieved by reducing the tax burden, increasing automatic transfers to the provinces and reducing spending.</p>	<p>- 2018 Annual Report of the JGM pages 136, 138, 187</p>	<p>Funding requirement is contingent on fiscal balance.</p>
Use of the funds	<p>Confidence was not reestablished and the funds that should have been used to strengthen the reserves position were used to pay the debt and sell dollars to the private sector.</p>	<p>- 2019 Annual Report of the JGM pages 46/688; 47/689</p>	<p>In 2018 the use of funds is not disclosed. In 2019 it is stated that the funds were used for debt repayment and to finance External Asset Formation (EAF).</p>
Solvency and Sustainability	<p>A distinction must be made on different occasions when the Fund has lent to different countries. For example, it has lent to South Korea in 1997, in a very successful program that was later followed by the twenty years of South Korea's highest growth, which turned it into a developed country. (...)</p> <p>Argentina took a loan with the Fund in 2003. We held it between 2003 and 2005. It was a loan taken by former President Kirchner, with former Minister Lavagna, and it was not an obstacle for Argentina to grow in the years 2003, 2004, 2005.</p>	<p>Minister's explanations - stenographic sessions of the BC of 3/Jul/20</p>	<p>Relates the SBAs with the IMF to growth</p>
	<p>Argentina advanced towards the macroeconomic order necessary for its sustainable development and it did so despite a contraction of the economy caused by the most important drought in the last decades and by external volatility. This was achieved, in part, thanks to having reached an agreement with the IMF.</p>	<p>- 2018 Annual Report of the JGM , p. 136</p>	<p>The SBA is presented as a way to move towards sustainable development.</p>
	<p>With respect to the debt, I think there is a common misconception that the arrangement with the Fund increases Argentina's debt. On the contrary. The Fund's disbursements are replacing market debt which, at this moment, if we take the yield of our 10-year bonds, it costs 8 and a half percent per year, with debt provided by this organization, whose cost starts at 1.98 percent per year for the first funds and, assuming that all the funds of the program are disbursed, it reaches 4.98 percent. Thus, on average, one could put it at around 4 percentage points of average cost. But it does not increase debt; it replaces expensive and volatile market debt with stable and cheaper agency debt.</p>	<p>Minister's explanations - stenographic sessions of the BC of 3/Jul/20</p>	<p>It is stated that the SBA does not increase debt, but rather replaces expensive and volatile market debt with stable and cheaper debt with this organization.</p>



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<p>This arrangement secured financing for the coming years and reduced its cost. It was decided to resort to an arrangement with the IMF to ensure financing for 2018 and 2019, clearing any doubts about the country's capability to pay. This also means less indebtedness because it replaces much more expensive debt, should it have to be raised in the market, with debt at low rates.</p>	<p>- 2018 Annual Report of the JGM p. 139</p>	<p>- It is considered that the SBA strengthens the country's payment capacity. It entails less indebtedness by replacing alternative sources of financing at higher rates.</p>
<p>As a consequence of our decision to accelerate the convergence to the fiscal balance and to reach the primary fiscal balance, we also count the interest, we simply set the target based on the primary result, we will have 3 points less of debt in the next three years... 3 points less of deficit than we would have had if we had not modified our fiscal targets. This implies that Argentina will issue 20 billion dollars less debt in the next few years.</p>	<p>Minister's explanations - stenographic sessions of the BC of 3/Jul/20</p>	<p>It is argued that the SBA would reduce the debt and deficit in 3 years and debt issuance.</p>
<p>The financing at rates lower than 4% per annum of the Program with the International Monetary Fund replaced debt with private parties at higher rates, which means savings for the Argentine State and, therefore, contributes to improve the sustainability of the debt.</p>	<p>- 2018 Annual Report of the JGM p. 191</p>	<p>The loan rate is considered as a contribution to debt sustainability.</p>
<p>The size of the US\$50 billion disbursement to be made by the International Monetary Fund to Argentina is unprecedented. There is no other program in the history of the Fund that has had such a large disbursement of funds and that has been of this magnitude. It is a recognition of the effort that Argentina has made and will continue to make with a sound and consistent economic program designed to enable Argentina to grow on a permanent basis, moving away from the seesawing and stop-start cycles that we have systematically experienced over the last 70 years.</p>	<p>Minister's explanations - stenographic sessions of the BC of 3/Jul/20</p>	<p>The size of the loan is understood as a contribution to credibility and a sign of recognition, reducing reputational risk. However, the 2019 Annual Report suggests otherwise.</p>



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	<p>The magnitude and speed with which it was approved is a sign that the international community supports the course the country has chosen.</p>	<p>- 2018 Annual Report of the JGM p. 139</p>	
	<p>The loan granted by the International Monetary Fund, far from generating confidence, gave rise to greater doubts about the economy's performance and worsened the outgoing government's lack of credibility.</p> <p>Towards the end of the administration's term, it was expected that the contractionary fiscal and monetary policies stipulated in the arrangement with the IMF and the resources it would provide (most of which would be used to strengthen international reserves) would be sufficient to restore confidence and allow the public sector to honor its financial commitments normally. This expectation did not materialize.</p>	<p>- 2019 Annual Report of the JGM p. 46/688; 47/689</p>	
	<p>We believe that the genuine way for Argentina to reduce its external vulnerability is, in the first place, to reduce the fiscal deficit.</p> <p>This is very important, since if we look at the savings-investment of the private sector today, we can see that it is in balance and that there is an excess of public sector spending in relation to its savings, and that this coincides to a large extent with Argentina's external deficit.</p> <p>This excess expenditure in dollars generated by the public sector is the one we must gradually correct in order to give external sustainability to the Argentine economy. (Page 35)</p>	<p>Minister's explanations - stenographic sessions of the BC of 3/Jul/20</p>	<p>Public spending is seen as a determinant of external vulnerability.</p>

Source: Compilation based on JGM, CGN and National Congress



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(2) Preparation of analysis in terms of financial costs/risks of financing and of solvency/sustainability at the time of deciding the loan request from the IMF.

The Ministry of Economy did not perform a cost/financial risk analysis of the financing, nor a solvency/sustainability analysis at the time of the decision to borrow from the IMF.

According to good practice, debt managers should carefully assess and manage the risks associated with foreign currency, short-term, and floating rate debt (IMF Guidelines, #51). Similarly, the debt management unit should be aware of key macroeconomic variables and conduct debt sustainability analysis¹⁹⁵ for effective analysis of debt portfolio costs and risks (DeMPA, DPI-6, Dimension 2).

From the files provided by the auditee¹⁹⁶ it does not appear that cost/risk or solvency/sustainability analyses were performed at the time of decision making regarding the Arrangement entered into and Argentina's repayment capacity within the established terms, whether they were prepared by the auditee or by the IMF.

The Ministry of Economy was also consulted regarding the preparation of cost and risk assessments of the financing required¹⁹⁷, of debt solvency or sustainability analysis, and of the risk of default or probability of default, at the time of evaluating the IMF loan request¹⁹⁸.

¹⁹⁵ The objective of the DSA (Debt Sustainability Analysis) is to determine the long-term sustainability (10-25 years) of the future debt course.

¹⁹⁶ In response to Note AGN 676/20, question 1.

¹⁹⁷ It was specifically asked whether:

- it had carried out evaluations and analyses of the cost and risk of the financing to be required and of the possible financing alternatives available at the time of evaluating the IMF Loan request (question 7.b in AGN Note 676/20 and question 2 in AGN Note 609/21).
- it had carried out evaluations and analyses regarding the structure of the financing -rate, currency, term, etc.- (question 7.c in AGN Note 676/20) and if at the time of evaluating the Loan request to the IMF, an Early Warning analysis of the Debt Crisis and solvency, sustainability and/or repayment risks regarding the adoption of the Stand-By Loan had been performed (question 3 in AGN Note 609/21).

¹⁹⁸ It was specifically asked if a sustainability analysis had been performed with respect to the Arrangement to be signed and of Argentina's repayment capacity within the terms established in the Arrangement (question 7.d in AGN Note 676/20).



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On the first occasion, the SH responded by stating that "*the MH has no reports other than those contained in the files*"¹⁹⁹. In a second response, the Ministry replied through the ONCP clarifying that "*this agency did not participate in relation to what was requested (...)*" and emphasized that the only actions it had taken were those contained in the files, which were limited to the preparation of a model of a Letra Intransferible within the framework of what was requested by the SH²⁰⁰. This response was subsequently ratified in other consultations with the Ministry of Economy²⁰¹.

Also, it was requested to indicate whether there is a process (formal or otherwise) requiring these analyses (on a regular basis or at the request of the authorities) to evaluate the decision to take public credit in general and with the IMF in particular (mandatory or otherwise)²⁰². From the Ministry's response, it follows that there is no process requiring the availability of these analyses to evaluate the decision to take public credit in general and with the IMF in particular.

However, the functions of specific areas determined by the regulations do allow for the preparation of this type of analysis. In this respect, the National Public Credit Office (ONCP) and the Coordination of Risk Analysis and Financial Programming (CARyPF) had functions related to risk analysis at the time the Arrangement was signed:

¹⁹⁹ NO-2020-88290085-APN-SH#MEC, in initial response to Note AGN 676/20.

²⁰⁰ In a second response to Note AGN 676/20, the SLyT of the Ministry of Economy states via IF-2021-06151446-APN-SLYA#MEC (22/Jan/21) that the consultation was forwarded to the ONCP, which replies with NO-2020-91140043-APN-ONCP#MHA.

²⁰¹ Reply to Note AGN 609/21 (questions 2 and 3).

²⁰² Note AGN 609/21, questions 2 and 3.



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Table No. 21

Functions of specific areas

Area	Reporting area	Regulation	Function
CARyPF	DPIF	DA 309/18, Section 2, Annex IV (Official Gazette 14/Mar/18)	Participate in the identification of risks involved in liability management proposals.
ONCP	MF SF	DA 309/18, Section 1, Annex II (Official Gazette 14/Mar/18)	6. Perform the analysis of the financial risks of the Public Debt liabilities of the National Treasury and participate in the proposals for their management.
ONCP	MECON SSF, SF	DA 1313/20, Section 1, Annex II (Official Gazette 23/Jul/20)	6. Perform the analysis of the financial risks of the public debt liabilities of the National Treasury and participate in the proposals for their management.

Source: Compilation based on normative.

Note: CARyPF is the former Financial Risk Analysis Unit, Decree 741/15, Section 4 (7/May/2015), under the ONCP. With DA 309/18, Schedule to Section 3 - Homologations and Reassignments, it fell under the Programming and Financial Information Department (former Financial Information Department). Effective 2018: from 1/Jan/18 to 5/Mar/18.

It should be mentioned that the ONCP had functions related to risk analysis before and after the SBA²⁰³.

Analysis prepared by the IMF

On the side of the lender (IMF), country reports of July and October 2018, prepared by the IMF in the context of the SBA request by Argentina and the first review of the signed SBA, include risk and sustainability analyses of Argentina's economy. The dates of the July report coincides with the SBA approval date by the IMF (20/Jun/18), while the October report (dated 26/Oct/21), is subsequent to the addendum to the SBA, although by no more than 10 days. Thus, its preparation would occur during the negotiation stage prior to the signing of the SBA and its addendum.

²⁰³ ONCP's functions related to pre- and post-SBA risk analysis

References: SSF: Undersecretariat of Finance. SF: Secretariat of Finance. MF: Ministry of Finance.

Area	Regulation	Function	
ONCP	MHyFP SSF, SF	Decree 741/2015, schedule to Section 3 (Official Gazette 7/May/15)	16. Develop a system for measuring the financial risks of the National Government's liabilities.
	MF SSF, SF	DA 962/17, Sec. 2, Annex II (Official Gazette 1/Nov/17)	14. Develop a system for measuring the financial risks of the National Government's liabilities.
	MF SF	DA 309/18, Sec. 1, Annex II (Official Gazette 14/Mar/18)	6. Perform the analysis of the financial risks of the Public Debt liabilities of the National Treasury and participate in the proposals for their management.
	MECON SSF, SF	DA 1313/20, Sec. 1, Annex II (Official Gazette 23/Jul/20)	6. Perform the analysis of the financial risks of the Public Debt liabilities of the National Treasury and participate in the proposals for their management.



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These reports present ex ante risks related to Argentina's debt structure, large gross financing needs, lower economic growth rate, low debt rollover rate, among others, all of them indicators of vulnerability of the National Public Sector's fiscal space.

Regarding debt sustainability, the reports prepared by the Fund show, as a result of the debt sustainability analysis (DSA), that the federal debt is sustainable, but not with a high degree of probability²⁰⁴. In addition, successive reports from the Fund have shown that the risks have increased as a result of the deterioration in the proposed indicators²⁰⁵.

Exhibit 8 sets out the main aspects of the June and October 2018 reports, as well as that of 2017 (immediately prior to the negotiation/signing of the SBA).

The Ministry did not report any technical analyses of repayment capacity/debt sustainability prepared by the IMF during the negotiation stage, that would have supported the granting of the loan outside the usual limits (and exceptions) foreseen for the “Stand-By” product²⁰⁶.

(3) Related analyses prepared by ONCP

Analysis by ONCP on other ICO loans

Although in the case of the 2018 SBA the MF did not participate in the analysis prior to the signing of the Arrangement, the MF did participate in the analysis of other loans from International Credit Organizations through opinions prepared by the ONCP within

²⁰⁴ “Taking all these considerations into account, staff assesses that, under this baseline, the federal debt is sustainable but not with a high probability.”

²⁰⁵ The June 2017 report states that there are significant risks given the high level of financing needs, high proportion of foreign currency debt, high external financing needs, and potential contingent liabilities. The June 2018 debt sustainability heat map exposed only 3 "red flags" (external financing requirements, changes in share of short-term debt, foreign currency debt). In the October 2018 report, the assessment shows higher risks. The red flags increased to 8 (GDP growth shock, primary balance shock, interest rate shock, exchange rate shock, market perception, external financial requirements, changes in the share of short-term debt, foreign currency debt).

²⁰⁶ NO-2021-81570101-APN-SH#MEC in response to Note AGN 610/21 (question 2). The auditee submits a series of documents that do not show the existence of analyses prepared by the Fund during the negotiation stages.



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the framework of the provisions of Resolution MEyFP 108/2009²⁰⁷. This is the case of the Contingent Credit Line (CCL) granted by CAF to Argentina in August 2018 (CONVE-2018-41157692-APN-DGD%MHA), which -according to the MH- is supplementary to the IMF loan in the "fulfillment of the Plan's objectives"²⁰⁸. In this case, the ONCP prepared a report prior to the loan request where the terms and conditions of the loan are analyzed and the choice of the loan over other market alternatives is substantiated²⁰⁹.

ONCP's sensitivity analysis

In relation to the analyses in terms of solvency/sustainability at the time of the decision to request the IMF loan, although the ONCP stated not having prepared them, from the information provided by the ONCP itself in the framework of other actions²¹⁰, there is evidence of analyses that contribute in this sense, which the ONCP refers to as "sustainability exercises"²¹¹. In these documents, the Ministry of Finance prepares debt projections and draws up sensitivity and scenario analyses for total debt and the financing gap to be covered in the international market with respect to economic growth, primary income and interest rates. A summary of the analyses reported and the variables analyzed are presented in Exhibit 9.

²⁰⁷ Res. 108/09, ANNEX I, 2nd stage - Negotiations, item c). The ONCP must issue an opinion on the valuation and financial viability of the loan conditions that affect the resources of the National Treasury and other internal resources.

²⁰⁸ It was stated that the funds obtained by this CCL were intended for State budget support with the objective of strengthening the public debt strategy -including multilateral debt- in order to guarantee a competitive access to international financing (Note MHA 5 of 13/Aug/18 signed by the Minister of the Treasury (MH) addressed to the Director of CAF, document imported in IF-2018-39099988- APN-DGD%MHA, which appears as order 4 of EX-2018-39223570-APN-DGD%MHA, provided in response to Note AGN 681/21); in order to support the fiscal management financing program for 2018 and 2019 (Loan Agreement between the Argentina Republic and the Corporación Andina de Fomento, Clause 1. Background, item 1.1, in order 61 of EX-2018-39223570-APN-DGD%MHA, provided in response to Note AGN 681/21).

²⁰⁹ ONCP assesses the loan under three methodologies (IRR, NPV, and PV of repayments) concluding that "(...) the financial cost of the reference loan, based on the information available and the assumptions made, is clearly lower than what the Republic could obtain in the market" (IF-2018-35839504- APN-ONCP#MF of 26/Jul/18, order 6 of EX-2018-39223570-APN-DGD%MHA, provided in response to Note AGN 681/21).

²¹⁰ Replies to:

- NO-2020-71395355-APN-ONCP#MHA (22/Oct/20) in response to Note AGN 551/20 under Action 140/19 "Impact and Management of the Century Bond".
- Note NO-2020-78835505-APN-ONCP#MHA in response to Note AGN 566/20 and IF-2020-77513689-APN-ONCP#MHA in response to Note 567/20 (Question 7c) under the Action 449/19 "Investment Account 2018 - Public Debt".
- NO-2021-34633310-APN-ONCP#MEC in response to Note 297/21 (item 16) and NO-2021-50316431-APN-ONCP#MEC in response to Note AGN 460/21 under Action 536/19 "Legal structure of debt issuance with private holders".



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These analyses are not in line with the debt sustainability analysis presented by the IMF (no 10-year data series, no analysis of liquidity and solvency, no thresholds or parameters, no analysis of the reality of the assumptions, no risk analysis, and no consideration of contingencies). These documents appear to be more of a projection of financing needs and sources and the impact of the alternatives considered on certain indicators²¹².

In addition, the documents presented do not define the macroeconomic variables used or the sources of the information, for which reason this information should have been requested separately²¹³. Nor do they reference a literature or methodology to support the simulation exercises. Therefore, they can be considered as an input for the elaboration of a debt sustainability analysis, which shows that ONCP has the resources to carry out such evaluations, despite the fact that the auditee did not report having taken them into account to evaluate the decision for the signing of the SBA.

Use of the analyses to evaluate the loan request to the IMF

According to ONCP, these analyses were carried out from 2017 to 2019 along with the preparation of the draft budget (without disclosing a stated regularity), and further explains that on certain occasions exercises were carried out at the request of the authorities without indicating which ones²¹⁴.

²¹¹ In NO-2021-66366883-APN-ONCP#MEC (in response to Note AGN 591/21, question 1.d). However, in response to previous information requests by AGN, ONCP submits them as evidence in reference to risk analysis of the debt portfolio, sensitivity analysis contemplating the foreign exchange risk of debt issuances and debt sustainability assessment analysis.

²¹² Total debt/ GDP; Private sector debt/ Total debt; Agency debt/ Total debt; Public sector debt/ Total debt; Private sector debt/ GDP; Agency debt/ GDP; Public sector debt/ GDP; Private sector debt + Agency debt/ GDP; External debt/ GDP.

²¹³ NO-2021-66366883-APN-ONCP#MEC, in response to Note AGN 591/21, question 1.e. They report that the Gross Debt of the Central Government expressed in dollars, annual frequency, was used. The exchange rate is included in the exercises sent. The series, in terms of GDP, can be found at: https://www.argentina.gob.ar/sites/default/files/deuda_publica_31-03-2021.xlsx.

²¹⁴ NO-2021-66366883-APN-ONCP#MEC in response to Note AGN 591/21, question 1.d.



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It was found that the dates of referral of 2 of these analyses from the ONCP to the FS are close to the signing of the Arrangement and its addendum²¹⁵. However, when asked if these analyses were taken into account in the framework of an ex ante evaluation prior to the signing of the IMF loan, ONCP responded that they do not have confirmation of whether or not the exercise prepared by the technician in charge at the time of signing the loan was used, and that they do not know if the authorities used these exercises, or whether they served as a complement to others performed by other areas of the Ministry to evaluate the signing of the Stand-By Arrangement. Nor does it know what analysis/tools were used to evaluate the borrowing decision²¹⁶.

Fiscal risk analysis, referenced in the MEFP, of the published versions of the Arrangement

The MEFP of the published versions of the Arrangement²¹⁷ contains a reference to an analysis of fiscal risks and a long-term analysis of fiscal sustainability²¹⁸. The auditee

²¹⁵ - File "Dinamica deuda + financiamiento base" 31.Dec.17 with residence 03-04.xlsx attached in mail of 3/Apr/18. This file does not take into account the IMF loan.

- File "Deuda_NoLinks SW 05-09.xlsx" attached to email of 5/Sep/18. This analysis includes the IMF loan (funding sources, disbursements, amortizations).

²¹⁶ NO-2021-66366883-APN-ONCP#MEC in response to Note AGN 591/21, question 1.a, 1.b y 1.c.

²¹⁷ https://www.argentina.gob.ar/sites/default/files/argentina_loi_-_mefm_-_tmou_-_espanol3.pdf and https://www.argentina.gob.ar/sites/default/files/sba_-_loi_mtu_espanol.pdf

²¹⁸ - **Section A. Fiscal Policy, p. 7/8 and Table 3 on p. 19 in the June Arrangement.**

Sub-section "Improving the Fiscal Framework" states as follows: "Include a description of the main fiscal risks and tax expenditures, and details of the main policy measures that will be undertaken to achieve the 2019 primary balance target (...) This is a structural goal for our program". In *Table 3. Structural conditionalities of Argentina's program* states the following goal "Submit a 2019 budget to the Congress with transparent medium-term targets for the primary fiscal outcome consistent with program parameters. The budget would include details on the realistic and prudent macroeconomic assumptions underlying the medium-term budget, a statement of fiscal risks and tax expenditures, and details on the key policy measures to be taken to achieve the primary fiscal outcome target for 2019. The budget will include the repeal of Section 27 of Law 11,672."

They also state that the plan calls for: "Developing a fiscal risk analysis framework for inclusion in budget documents in 2020. This framework should contemplate the publication of a fiscal risk scenario, a long-term analysis of fiscal sustainability (both for the national government and the government in general) and an analysis of contingent debts (explicit and implicit) including those related to the financing of PPP projects and the government's unfunded obligations to the pension system." This is missing in the October published version.

- **Section A. Fiscal Policy, p. 5 and Table 3 on p. 15 in the October Arrangement.** This section states that "the budget includes a statement of fiscal risks, an estimate of tax expenditures and the repeal of Section 27 of Law 11.672". *Structural conditionalities of Argentina's program* states as a goal: "Submit a 2019 budget to Congress with a primary outcome equal to zero and including details on the key policy measures to be taken to achieve the 2019 primary outcome target, an assessment of fiscal risks, an estimate of tax expenditures, and the repeal of Section 27 of Law 11,672" and refers to it as "achieved".



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did not provide a copy of these analyses. The Ministry informs through the ONCP that the published versions of the SBA were uploaded to the web following the instructions of the Secretariat of Finance (attached are e-mails requesting such upload), without additional documentation²¹⁹.

The analysis in items 1, 2 and 3 of section 5.c).ii shows the lack of analysis prior to the decision in terms of costs and associated risks, suitability with respect to alternative sources and the impact of the operation on debt solvency and sustainability.

In view of the above, *it is recommended* that a process be defined indicating the analyses that must be carried out prior to the implementation of public debt with the IMF, specifying the areas that must be involved and the characteristics of the analyses to be carried out. This involves documenting and substantiating the decision to obtain the loan, identifying all possible creditors and external markets, along with the respective financial conditions offered by the creditors.

(4) Traceability and accountability in the use and application of funds.

The process was not effective in complying with the provisions of the Arrangement. Nor was it efficient in terms of accountability and traceability of the use of funds.

There is no record of the MH sending reports to the IMF in accordance with Article 1 item 6 of the MH-BCRA Agreement, nor was there a process designed to comply with this requirement. The auditee did not state in its response how these reports were sent nor which area was in charge of providing said information.

The intended purpose was budgetary use, a broad concept that encompasses all financial applications of public administration. As reported by the auditee itself, 2 periods are clearly differentiated. During the 2018 fiscal year, \$911.788 billion are received (Table 22); of which only \$412.029 billion are identified as formal budget expansion. As a result, \$499.758 billion were detected with no regulatory framework authorizing their budgetary application.

²¹⁹ NO-2021-92420308-APN-SLYA#MEC, in response to Note AGN 609/21 (question 6).



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In 2019, the total amount received amounts to \$700,237 billion, of which \$225.875 billion were used through budget expansion validated by DNU (see Table 22). The remaining funds received and applied correspond to the budget estimates and authorizations that were made by the Budget Law.

Thus, it is determined that two (2) of the SBA loan disbursements made in 2018 were not entered to the budget via Decree or Administrative Decision, so 30% of the use of the loan funds had no regulatory endorsement.

In relation to the type of expenditure financed with these funds, the auditee reported that a portion of the resources from the Arrangement were applied to the payment-of debt services, expenses and fees. Another portion was applied to the payment of foreign trade obligations related to the energy market, all of them budgetary items.

In terms of timing, it is found that 50% of the first disbursement (US\$7.5 billion) remained deposited in a special account at the BCRA (Reserve Strengthening Account) throughout 2018. These funds were applied to budgetary use not until October 2019 (see Table 23). The rest of the funds were kept in the General Treasury of the Nation (TGN) operating accounts open at the BCRA. It was not possible to identify the destination and use of this increase in reserves by the BCRA during that period, which may be the subject of another audit.

In relation to the use of funds for the cancellation of public debt services, it was found that 71% of the funds were used to cancel debt services issued during the period between 2016 and 2019 (short-term).

Debt management activities must be supported by an accurate and integral information management system with adequate controls, (...) not only to produce debt data and ensure timely debt service payments, but also to improve the quality of budget reporting and the transparency of the government's financial accounts²²⁰. On the lender side, UNCTAD argues that lenders are responsible - among other issues - for post-disbursement monitoring of the use of borrowed money, which should be transparent and should not affect any authority of the sovereign to decide on its development priorities²²¹. The following is an analysis of the incorporation of SBA funds into the



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budget, their application to specific expenditures, the rationale for the need for the funds, and the subsequent rendering of accounts.

i. The entering of the SBA funds into the budget.

Two of the SBA loan disbursements made in 2018 were not entered into the budget via Decree or Administrative Decision; consequently, 30% of the loan funds did not have regulatory support.

The text of the June and October Letters of Intent and the MH-BCRA Agreement provide for the budgetary use of the funds (which persists in the addendum), the prohibition for cash uses (which is eliminated in the addendum) and the need to provide traceability of the funds (which is eliminated in the addendum), although without making explicit what part of the budget can be covered by the loan²²². It should be clarified that in the June 2018 SBA half of the requested funds would be treated as precautionary, while in the addendum, it was requested that all of the funds could be used as budget support²²³.

²²⁰ IMF POLICY PAPER, April 2014, REVISED GUIDELINES FOR PUBLIC DEBT MANAGEMENT, #43: “Debt management activities should be supported by an accurate and comprehensive management information system with proper safeguards. Countries that are beginning the process of building capacity in public debt management need to give high priority to developing accurate debt recording and reporting systems. This is required not only for producing debt data and ensuring timely payment of debt service, but also for improving the quality of budgetary reporting and the transparency of government financial accounts. The management information system should capture all relevant cash flows and should be fully integrated with the government’s accounting system. While such systems are essential for debt management and risk analysis, their introduction often poses major challenges for debt managers in terms of expense and management time. Moreover, the costs and complexities of the system should be appropriate to the country’s needs”.

²²¹ UNCTAD, Principles on the Promotion of Responsible Sovereign Lending and Borrowing, Principle 12.

²²² In the letters of intent and memoranda, this aspect is explicitly stated in the MEFP of the addendum, in the section "Meeting the Government's financing needs", which does not exist in the original June version.

²²³ The text in English reads as follows: “It is now no longer tenable for Argentina to treat this arrangement as precautionary. As such, we plan to draw the full amount of access under the program and we are requesting that all tranches can be used as budget support”.



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The budgetary use of the funds is not defined, resulting in an open concept that may affect the effective destination of the funds, by applying to any use within the budget without restricting it to a particular part or category²²⁴. Therefore, the simple incorporation of the resources disbursed into the budget and their execution in any item would comply with this requirement, thus allowing for subsequent control.

In this sense, IMF financing was not budgeted in 2018²²⁵, so it had to be incorporated through budget modifications, which must have a regulatory support (administrative decision of the JGM or decree)²²⁶. However, from the information published²²⁷ and the answers given by the JGM²²⁸ and the Undersecretariat for the Budget (SSP)²²⁹, it appears that, of the 3 disbursements in 2018, only the first one has regulatory support to

²²⁴ The only limit is set by the LAF, which prohibits public credit operations to finance operating expenses (Section 56). Operating expenses are considered to be those expenditures of the National Administration included as "Consumption Expenses" in the Economic Classification of Expenses. Expenditures for the execution of technical assistance programs financed by Multilateral Credit Organizations shall not be considered as operating expenses (Decree 1344/07, Section 56).

²²⁵ Law 27,431. It should be noted that the progress report of the Budget Bill to Congress (sent by JGM message 18/17) and the elevation message do not specifically refer to IMF financing either. Although they contemplate sources of proceeds from international credit organizations, among which the IMF could be included, the amount finally disbursed represented 1115% of the budgeted indebtedness with ICO and 42% of the expected indebtedness, which allows inferring that this was not contemplated

²²⁶ The JGM has the power to reallocate resources within the amount approved in the annual Budget Law, in accordance with the provisions of Law 24,156 on Financial Administration, Section 37. Any amendment made to the Budget by the Executive Branch or reallocation decided by the JGM must be published in the Official Gazette.

In the case of the IMF specifically, the JGM also participates in making extensions or modifications to budgetary appropriations and their financing, as is the case of Section 5 of Law 26,849, which approves the increase of Argentina's quota in the IMF in 2013.

²²⁷ The amendments to the 2018 Budget Law (Law 27,431) were surveyed in Infoleg in order to identify the regulations that support the proceeds of the resources from the Stand-By loan.

²²⁸ The JGM, when consulted about the DAs that supported the budgetary modifications associated with the inflow of resources from the disbursements of the Arrangement, did not point out any documentary support other than those surveyed (published in the Infoleg site as budgetary modifications: Decree 1053/18, Law 27,467 of the 2019 Budget and DNU 740/19). In NO-2021-69555067-APN-DNCPN#JGM, in response to Note AGN 606/21, question 3. JGM was consulted again by e-mail (19/Aug/21), and replied on 20/Aug/21 by e-mail, confirming the rules reported in the note.

²²⁹ The Budget Sub Secretariat through the National Budget Office (IF-2021-64633049-APN-ONP#MEC in response to Note AGN 590/21-SSP, question 1, and IF-2021-83536949-APN-ONP#MEC in response



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the budget modification (Decree No. 1053/18²³⁰). In this respect, neither the Executive Branch nor the JGM provided the regulatory endorsements (Administrative Decisions, “DA”) to the increases in budget appropriations resulting from the second and third disbursements in 2018 (amounting to almost \$500 billion, equivalent to approximately US\$ 13 billion).

to Note AGN specified the same decrees as support for the disbursements, in addition to a series of the Undersecretariat for the Budget’s provisions that modify the commitment and accrual installments for Jurisdiction 90 - Public Debt Service (at the request of the Office of Public Debt Management), but circumscribed to expenses and commissions and interest payments (Disp. 1010/19 modifying budget item 9.2.8 - "Comisiones y Otros Gastos de la Deuda en Moneda Extranjera a Largo" (Fees and Other Expenses of Long-term Foreign Currency Debt) for expenses related to the DMFAS 29510000). They also refer to DA 1468/18 and 398/19 (published in Infoleg), stating that these administrative acts increased the appropriations of budget item 7.2.8 (fees and expenses) where, among others, the expenses for fees under the SBA were charged. However, the National Budget Office does not have any information on whether the modification was requested to specifically address this item or others. Finally, it reports that neither of the two measures mentioned above contemplates the incorporation of disbursements received from the IMF Loan (Resource Item 37.9.2.2 - International Monetary Fund). It should be noted that, although Decree 1053/18 (Official Gazette 15/Nov/18) is subsequent to the registration of the second disbursement of funds (30/Oct/18), the rule only incorporates into the budget the amount corresponding to the first disbursement. In addition, the 2019 Budget Law (Official Gazette 4/Dec/2018) predates the third disbursement (21/Dec/2018), but this Law contemplates only the two 2019 disbursements. On the same day of the third disbursement, a budget amendment was made without any provision for the third disbursement (DA 1935/18).

²³⁰ The Decree of Necessity and Urgency 1053/2018 was issued on 15/Nov/18; it was published in the Official Gazette on 16/Nov/18; it entered the Permanent Bicameral Committee of Legislative Procedure on 4/Dec/18 for the control set forth in the National Constitution, in Section 99, subsection 3 through the requirements of Law 26,122.

The Bicameral Committee discussed it on two occasions: On 19/Dec/18 (Deputies' Order of the Day No. 988/2018 and Senate Order of the Day No. 1125/2018), where two opinions were issued, one of majority for validity and another of minority for invalidity. On 14/Jul/20 (Deputies' Order of the Day No. 63/2020 and Senate Order of the Day No. 86/2020), a single majority opinion is drafted declaring it invalid. On 23/Jul/20, according to the provisions of Law 26,122, it goes to the plenary of the Upper House for its approval or rejection, and it was declared invalid by DR 59/2020, that is, approving its rejection by 41 affirmative votes and 25 negative votes. On 14/Dec/20, it was formally repealed by Law No. 27,591, Section 91. One of the most convincing reasons for proposing the invalidity is the attempt to regulate matters of different nature, both urgent and non-urgent, impossible to split in the DNU.

The minority opinion questions Section 7 of the DNU, related to the necessity and urgency regarding the payment to the natural gas distribution companies, as from October 2019, and in 30 installments. They criticize the actions of the Executive Branch to benefit natural gas companies with the payment of tariff differences due to the increase in the exchange rate.

It is observed the intention to increase the budget items, when such increase is less than the percentage not executed, on the one hand; on the other hand, it points out that the JGM has tools to do so, with the powers vested in it in Section 37 of Law 24,156 widely amended in 2016 by Law 27,342.

In the stenographic version of the first meeting there appear issues that have not been picked up by the opinions neither in majority nor in minority, such as the one referring to the taking of debt, to the zero deficit intended by the government, and to the program imposed by the IMF, expressly pointing out that it is not an issue to be dealt with by a Decree of Necessity and Urgency. It is also observed in the same meeting that they discuss about the budget expansions as issuance of new debt by the National Government. This DNU was treated twice by the BC: the first one on 19/Dec/18 and the second one on 14/Jul/20, during which time the DNU was in effect (approximately 19 months).



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The resources incorporated without regulatory support represented almost 27% of the total resources of Source 22 (external credit) in 2018.

In 2019, the loan was already contemplated within the Budget Law No. 27,467 and, together with the budget amendment (DNU 740/19231), the fourth and fifth disbursements of the Arrangement were supported.

The failure to be reflected in the budget has its correlation in the recording of the financing, which did not have an initial item. By not incorporating the sources of external financing into the budget by means of a regulation (administrative decision or decree), an unsubstantiated difference is generated between the resources received and those actually in effect. This entails the risk that the portion of the funding source not contemplated might be applied to unexpected expenditures (discretionality) while affecting also its traceability.

The following table shows the disbursements of resources and balances in SIDIF (Internet Integrated Financial Information System) and their respective documentary and regulatory support:

²³¹ Upon consultation made, the Bicameral Committee for Legislative Treatment stated: "The Decree of Necessity and Urgency No. 740/2019, by which the national budget of the national administration for the fiscal year 2019 was amended, was issued by the National Executive Power on 28/Oct/19 and published in the Official Gazette on 29/Oct/19.

Its official inclusion in the committee took place on 12/Nov/19. This committee included it in its agenda for the committee meeting of 26/Nov/19, but the session was adjourned without discussing it. Therefore, the aforementioned decree is pending treatment, safeguarded in the committee and formally at the disposal of both chambers to be treated when they decide to do so. Likewise, and in accordance with what was also requested, it is informed that DNU No. 740/2019 is in force under the terms established by Law 26,122 and the National Constitution" (NOTE No. 661/21 A-05 - EXTERNAL 94).



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Table No. 22

Disbursements and regulatory support for budget modifications

Bn pesos

Disbursement		Ministry Note		Disbursements	Initial resource in SIDIF (1)	Existing resources in SIDIF (1)	Resources received in SIDIF (1)		Support of budget modification	
Date of registration in DMFAS	#	# / Date	SDR	Bn \$	Bn \$	Bn \$	Bn \$	Difference Received - Existing	Regulation	Amount in Bn \$
Year 2018										
22/Jun/2018	1	NO-2018-29491876-APN-MHA (19/Jun/18)	10,614	412.029	0	412.029	911.788	499.758	DNU 1053/18 (Official Gazette 15/Nov/18)	412.029
30/Oct/2018	2	NO-2018-54086833-APN-MHA (24/Oct/18)	4,100	208.897					No DNU or DA found	
21/Dec/2018	3	NO-2018-66983039-APN-MHA (20/Dec/18)	5,500	290.861					No DNU or DA found	
Year 2019										
9/Apr/2019	4	NO-2019-19898977-APN-MHA (01/Apr/19)	7,800	474.362	470.830	700.237	700.237	0	Contejplated in 2019 Budget Law (Official Gazette 4/Dec/18), DA 12/19	
16/Jul/2019	5	NO-2019-63733023-APN-MHA (15/Jul/19)	3,900	225.875					DNU 740/19 (Official Gazette 28/Oct/19)	229.407

Source: Compilation based on SIDIF, DMFAS and regulations.

Note: (1) the data for initial, current and received resources in SIDIF correspond to item 2.2. External Credit – 37. Borrowing – 09. From de external sector – 02. Long-term external sector – 02. International Monetary Fund



Likewise, the auditee did not indicate whether the goals and objectives set forth in the Arrangement were translated into budgetary programs²³².

ii. Substantiation of the need for IMF financing for budgetary use

The auditee did not substantiate the need for IMF financing for budgetary purposes beforehand, but rather in the text of the Letters of Intent and in a document of the MH subsequent to the signing.

When asked about the need for financing with the IMF, the auditee did not substantiate the need for financing with the IMF for budgetary purposes that were not stipulated in the original approval of the budget in force in the fiscal year²³³, and stated that it had not been involved in the preparation of an analysis to support them²³⁴. It provided a copy of a report from the SH dated 22/Jun/2018 (2 days after the approval of the Arrangement) where the need for the borrowing from the IMF is raised and exposes a series of macroeconomic events supporting it²³⁵. It should be noted that the report is subsequent to the signing of the Arrangement.

Regarding the rationale for the increase of the requested amount affected for budgetary purposes in the addendum of October 2018 (whereas in the initial request part of the

²³² When consulted by Note AGN 610/21 (question 4), the Ministry responded by referring to the answer given to Note AGN 676/20 (P.9). However, the question in that note referred to whether there was a channel of communication and discussion with the areas/agencies/jurisdictions and provinces affected by the goals and objectives of the Program, and therefore the question was not answered.

²³³ Note AGN 609/21 (question 7)

²³⁴ In response to Note AGN 676/20, the SLyT of the Ministry of Economy states through IF-2021-06151446-APN-SLYA#MEC (22/Jan/21) that the query was referred to the ONCP. The ONCP responded through NO- 2020-91140043-APN-ONCP#MHA.

²³⁵ IF-2018-29981790-APN-SECH#MHA in response to Note AGN 610/21, question 2. The report bases the need for the Arrangement mainly on the confluence of different negative factors: drought with strong impact on agricultural production, increase of energy goods at international level, appreciation of the dollar at global level, increase of interest rates of US Treasury bonds and deterioration of the economy of Brazil, the country's main trading partner.

It should be noted that such report reflects the participation of the SH in the legal opinion of joint signature of 22/Jun/18 (IF-2018-30023715-APN-DACLTYT#MHA in EX-2018-29772791- -APN-DGD#MHA) The Office of Contractual, Legislative and Tax Affairs states that the report, after noting that the program "has a comprehensive approach to the entire economy, its policies and the impact on a series of relevant variables" and after describing its objectives, provides an analysis of its central points in terms of fiscal policy, protection of social spending and improvement of the fiscal institutional framework.



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funds were of a precautionary nature)²³⁶, the auditee refers to the text of the Letter of Intent and Memoranda of the addendum of 17/Oct/18 published on the Ministry's website²³⁷, which refers to unforeseen difficulties that did not allow the economic policy plan to restore market confidence as expected²³⁸.

iii. Application of SBA funds

According to the information provided by the auditee, the funds received by the SBA were almost exclusively used to service public debt, particularly debt issues made during the period 2016-2019 (71% of payments). As a result, these payments resulted in a mass of resources flowing into the market that coexisted with capital outflows, in a context of lack of controls on capital account outflows. This situation should have been avoided as mandated by the IMF's Articles of Agreement.

When asked about the use of the funds, the Ministry reported²³⁹ payments originally denominated in foreign currency and payments in pesos, which were obtained through auctions and direct sales by the BCRA.

From the information provided by the Ministry of Economy, the following applications of the funds of the Arrangement were made:

²³⁶ The increase in the amount requested between the June SBA and the October addendum (SDR 5.335 bn) represented 19.78% of the deviation of Public Borrowing and Increase in Other Liabilities (Financial Sources) between what was budgeted and executed (investment account) and 57.07% of the deviation of the Amortization of Debts and Decrease in Other Liabilities (Financial Applications) for 2018.

²³⁷ Response to Note AGN 664/21, question 2, requesting the Ministry of Economy to substantiate such expansion and on whether this was documented.

²³⁸ The text reads: "Because of these unforeseen difficulties, our economic policy plan has not been able to restore market confidence in the way we expected. We have decided to address these challenges in a straightforward and transparent manner and adapt our strategy to the less favorable circumstances. Specifically, we intend to redouble our efforts in strengthening our fiscal position, already successfully underway since we first announced our targets in May, so that we can live within our means and balance our budget (excluding interest payments) in 2019. We will also review our monetary and exchange rate policy framework to decisively reduce inflation, a tax that we know is most detrimental to Argentina's most vulnerable citizens".

²³⁹ Report of the TGN (IF-2021-76909364-APN-TGN#MEC in NO-2021-81571118-APNSH#MEC), in response to AGN Note 609/21, question 8.



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Table No. 23

Reported payment per year with resources from the SBA

US\$ Bn and %

US\$ Bn	2018	%	2019	%	Total
Net disbursements (1)	27.728		16.194		43.922
Description of payments					
Total payments reported (2)	15.240	100%	28.693	100%	43.934
<i>Reported payments with IMF funds (3)</i> (6)	13.314	87%	25.743	90%	39.058
<i>Reported payments with \$ from auctions</i>	1.926	13%	851	3%	2.777
<i>Reported payments with \$ from BCRA direct sales</i>		0%	1.487	5%	1.487
<i>Transfer to the BNA for budgetary payments (4)</i>		0%	612	2%	612
Total available for use in the year (5)	27.728		28.682		
Balance available for the year after reported payments	12.487		-12.499		-11
% of funds used in the year (payments)	55%		100%		

Source: Compilation based on information submitted by the General Treasury of the Nation (TGN).

Notes: (1) Net of fees and expenses

(2) Payments reported by TGN. The difference between disbursements and payments (0.03%) results from converting to US\$ the reported payments in \$ resulting from the auctions.

(3) Includes payments made with the funds from the Reserve Strengthening account.

(4) According to the auditee, the direct sale by the BCRA of US\$ 2,098,635,886.67 (27/Jul/19) resulted in an amount of \$ 120,000,000,000,000, of which \$ 35 billion (US\$ 612 million) were transferred to the BNA (account 3855) to finance budgetary expenses in pesos.

(5) The amount available for 2019 contemplates the disbursements for 2019 plus the carryforward from the previous year.

(6) The payments imputed to the IMF funds include a payment in local currency for Ps.43.506 billion, equivalent to US\$ 1.13297 billion on 28/Dec/18, for which the origin of the pesos is not specified and is not included in the information on auctions or direct sales of foreign currency detailed by the auditee²⁴⁰.

It is observed that the use of the total payments reported by the auditee represented 55% of the total disbursed in 2018, resulting in an available balance of US\$ 12.487 billion, of which US\$ 7.5 billion correspond to the balance deposited in the Reserve Strengthening Account²⁴¹ and US\$ 4.987 billion deposited in operating accounts of the TGN at the BCRA.

²⁴⁰ In the Excel file "Detalle de pagos FMI.xls" (Detail of IMF payments) (embedded in IF-2021-76909364-APN-TGN#MEC, in response to Note AGN 609/21, P.8) and Excel "Resumen de desembolsos del FMI y su aplicación.xls" (Summarized IMF disbursements and their application) (attached in ME-2019-107873312-APN-TGN#MHA, attached in IF-2021-76909364-APN-TGN#MEC), this payment is included in the "FMI" allocation, but does not appear in the tabs of expenses financed with pesos from auctions or direct sales.

²⁴¹ Balance of the Deposits for the Strengthening of International Reserves Account in the BCRA's financial statements (<http://www.bcr.gov.ar/Pdfs/PublicacionesEstadisticas/e2018estadoscontables.pdf>) at the Reference exchange rate as of 31/Dec/18 calculated by the BCRA according to the methodology established in Communication "A" 3500.



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Regarding the specific destination, the Ministry of Economy, through the ONP, reported that the funds were used to partially cover public debt interest and amortization, specifying for 2018 that such debt services corresponded to government securities²⁴², although the answer refers to the funds received in the first disbursement of 2018 (incorporated to the Budget through Decree 1,053/18) and to the disbursements budgeted in 2019 (credit allocated under Law 27,467 of the 2019 Budget plus Decree 740/19 budget amendment). Nevertheless, the detail of expenditures financed with funds from the Arrangement provided by the TGN (Excel spreadsheet)²⁴³ includes the resources received from all disbursements, the payment of debt service on debt instruments other than government securities (bilateral and multilateral debt), and other applications other than the payment of debt service (expenses and fees, and payment of foreign trade obligations related to the energy market), all of which are budgetary items (see Tables 24 and 25).

The TGN further explains that the IMF disbursements were managed according to the instructions issued by the authorities under the criteria established in the SBA Framework Arrangement²⁴⁴.

The table below shows the disbursements reported by the TGN by category:

²⁴² IF-2021-72665110-APN-ONP#MEC in response to Note AGN 609/21 (question 8).

²⁴³ File with payment details (Excel) and memorandum ME-2019-107873312-APN-TGN#MHA embedded in IF-2021-76909364-APN-TGN#MEC, in response to Note AGN 609/21, question 8.

²⁴⁴ IF-2021-76909364-APN-TGN#MEC, in response to Note AGN 609/21, question 8.



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Table No. 24
Payments reported by category and currency
Bn US\$ and %

Payments informed (Bn US\$)	2018					2019				
	\$ Payments (in Bn US\$)	Foreign currency payments (Bn US\$)	Total 2018	In foreign currency as a % of the total amount paid for the item in the year	% of item over total paym ents durin g the year	\$ Payments (in Bn US\$)	Foreign currency payments (Bn US\$)	Total 2019	In foreign currency as a % of the total amount paid for the item in the year	% of item over total paym ents durin g the year
PRIVATE BANKS	0	0.011	0.011	100%	0%	0	0.001	0.001	100%	0%
BILATERALS	0	0.098	0.098	100%	1%	0	0.273	0.273	100%	1%
ENERGY	0	0	0		0%	0	0.629	0.629	100%	2%
EXPENSES AND FEES	0.2	0.003	3.2	94%	0%	0.0005	0.058	0.058	100%	0%
LAW No. 27,249 - STANDARDIZATION	0	0.003	0.003	100%	0%	0	0.181	0.181	100%	1%
MULTILATERAL	0	0.416	0.416	100%	3%	0	2.456	2.456	100%	9%
SUPPLIERS	0	0.003	0.003	100%	0%	0	0.015	0.015	100%	0%
REST OF PRIVATE BANKS	0	0	0		0%	0	1	0.001	100%	0%
REST OF BILATERALS	0	0	0		0%	0	2	0.002	100%	0%
GOVERNMENT SECURITIES	3.059	11.649	14.708	79%	97%	2.310	22,125	24.435	91%	87%
OTHER	0.0001	0	0.0001	0%	0%	0.003	0.004	0.006	60%	0%
Total	3.059	12.181	15.240		100%	2.312	25,743	28.056		100%
<i>Payment of IMF interest</i>		0.107	0.70%				1.228	4.38%		

Source: Compilation based on information provided by TGN

(1) Within the Public Securities caption, 1.6% in 2018 and 5.2% in 2019 of the reported payments were referenced as payments of "Repo" transactions with BONAR²⁴⁵.

Note: Debt items are presented with the categories established in Table IA of the Investment Account and by the items reported generically. Applications to budgetary expenditures resulting from the transfer of \$35 billion to the BNA are not taken into account. This explains the difference in the total amount paid in 2019 in this table in relation to the previous one.

²⁴⁵ REPO transactions consist of the issuance of securities (BONAR in this case) which are sold to a buyer, with a subsequent repurchase agreement at an adjusted sale price (LIBOR rate + a margin in this case) with a stipulated term. The payments reported correspond to the interest payments on such transactions recorded in the DMFAS.



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Regarding payments related to energy market²⁴⁶: the National Treasury cancels these obligations in favor of Compañía Administradora del Mercado Mayorista Eléctrico S.A. (CAMMESA), Integración Energética Argentina S.A. (IEASA) and Ente Binacional Yaciretá (EBY) with a charge to its foreign currency account at the BCRA to reduce number of players involved in the open foreign exchange market²⁴⁷.

If itemized by direct application of funds or by auctions and sale of foreign currency, the following is observed:

²⁴⁶ According to the ME-2019-02200601-APN-SECH#MHA (11/Jan/19), Payment destination is as follows:

- Payment orders in favor of CAMMESA): Foreign trade operations for liquid fuel imports (Fuel oil and Gas oil) to supply Power Plants
- Payment orders in favor of IEASA: Foreign trade transactions for gas imports from Bolivia and Chile, and LNG imports through ships arriving to regasification terminals in Argentina.
- Payment orders in favor of EBY: Foreign trade operations for the payment of Energy Assignment.

²⁴⁷ The issuance of these POs by these SAFs are exceptions to the provisions of Res. SH No. 262 (Section 4) and Joint Provisions No. 11/2015 CGN and 44/2015 TGN, authorized by Memorandum ME-2018-36816908-APN-SECH#MHA for 2018 and Memorandum ME-2019-02200601-APN-SECH#MHA para 2019.



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Table No. 25

Payments reported by application of funds and foreign currency sale/auction.
Bn US\$ and %

Payments reported by application currency	2018	%	2019	%
Payments with IMF funds	13.314	87%	25.743	92%
PRIVATE BANKING	0.011	0.1%	0.001	0.0%
BILATERALS	0.098	0.6%	0.273	1.0%
ENERGY	0	0.0%	0.629	2.2%
EXPENSES AND FEES	0.003	0.0%	0.058	0.2%
LAW No. 27,249 – STANDARDIZATION	0.003	0.0%	0.181	0.6%
MULTILATERAL	0.416	2.7%	2.456	8.8%
SUPPLIERS	0.003	0.0%	0.015	0.1%
REST OF PRIVATE BANKING	0	0.0%	0.001	0.0%
REST OF BILATERALS	0	0.0%	0.002	0.0%
GOVERNMENT SECURITIES	12.782	83.9%	22.125	78.9%
OTHER	0	0.0%	0.004	0.0%
Auctions of IMF funds	1.926	13%	0.851	3%
EXPENSES AND FEES	0	0.0%	0	0.0%
GOVERNMENT SECURITIES	1.926	12.6%	0.851	3.0%
OTHER	0	0.0%	0	0.0%
BCRA direct sale of IMF funds	0	0%	1.461	5%
GOVERNMENT SECURITIES	0	0.0%	1.459	5.2%
OTHER	0	0.0%	0.003	0.0%
Grand Total	15.240	100.00%	28.056	100.00%

Source: Compilation based on information provided by the TGN

Note: Applications to budgetary expenses resulting from the transfer of \$35 billion to the BNA are not taken into account.

In relation to the amounts of foreign currency from the IMF loan auctioned on behalf of the MH, there are significant differences in the totals reported among various sources of information. These differences are found in 2018 and 2019, as shown in the table below:



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Table No. 26

Amounts of IMF loan fund auctions

Bn US\$

Bn US\$	Amounts authorized for auction by ME (Notes to BCRA) (1)	Reported by BCRA (2)	Statement of Account 20501 (3)	Payments reported and made by the Ministry of Economy (4)	Differences (4-3)
2018	3.275	3.275	3.025	2.000	-1.025
2019	5.400	5.336	5.336	840	-4.496
Total	8.675	8.611	8.361	2.840	-5.521

Source:

(1) Notes from the Ministry of Economy to the BCRA requesting and authorizing the auctions²⁴⁸.

(2) Amounts reported by the BCRA for dollar auctions on behalf of the MH²⁴⁹. Although the BCRA does not specifically report that all auctioned funds came from the IMF loan, the 2018 total matches that reported by JGM to Deputies²⁵⁰.

(3) Statement of the Account 20501²⁵¹.

(4) Information sent by the ME detailing the payments made with SBA funds, stating auctions and payments made with the resulting funds^{252 253}.

In this order, the Ministry of Finance reported to the Bicameral Committee of Monitoring and Control of the Contracting and Payment Management of the Foreign Debt of the Nation - Law 27,249²⁵⁴, auctions for US\$ 4.04 billion from 06/20/18 to 06/Apr/19, considering that the statement account 20501 showed auctions for US\$ 5.065 billion for that period.

²⁴⁸ PDF files enclosed in IF-2021-00191914-GDEBCRA-GPOM#BCRA, embedded in NO-2021-00195233-GDEBCRA-GG#BCRA, supplementary response to Note No. 400/02/2021 in response to Note AGN 607/21, P6.

²⁴⁹ Link: <https://www.bcra.gob.ar/PublicacionesEstadisticas/subasta-dolares-hacienda.asp>. Consistent with BCRA's 2019 Annual Report to Congress. (<http://www.bcra.gob.ar/Pdfs/PublicacionesEstadisticas/inf2019.pdf>).

²⁵⁰ IF-2021-00191914-GDEBCRA-GPOM#BCRA, in response to Note AGN 607/21

²⁵¹ PDF file "Extracto 630 AGN" embedded in IF-2021-82574696-APN-TGN#MEC, on EX-2021-73228474- -APN-DGDA#MEC, provided in response to Note AGN 630/21-SSP.

²⁵² Excel spreadsheet "Detalle de pagos FMI" ("Detail of IMF Payments") embeded in IF-2021-76909364-APN-TGN#MEC (in response to Note AGN 609/21, P.8) and Excel spreadsheet "Resumen de desembolsos del FMI y su aplicación" ("Summarized IMF Disbursements and Application thereof") enclosed in ME-2019- 107873312-APN-TGN#MHA, enclosed in IF-2021-76909364-APN-TGN#MEC. "Auctions" tab.

²⁵³ The MH reported auctions for US\$ 2,000,000,000 (\$53,374,017,124) obtained in 2018, and US\$ 840,000,000 (\$36,764,491,000) in 2019. These amounts are gross, without deducting commissions paid. Regarding the direct sale, on 27/Jul/19 a direct sale for US\$ 2,098,635,886.67 was made, resulting in \$ 120,000,000,000 which was transferred to the BCRA Peso Account No. 2020/00. Of these pesos, \$ 35 billion were transferred to the BNA (account 3855) to finance budgetary expenses in pesos, whose application details are not available. The remaining \$85 billion were applied to debt service payments, the details of which are included in the tables presented.

²⁵⁴ NO-2019-56117033-APN-DIC#MHA of 19/Jun/2019 from the MH to the JGM in response to the requirement of the Bicameral Committee of Monitoring and Control of the Contracting and Payment Management of the Foreign Debt of the Nation made to the MH Dujovne on 21/May/19 (sent as annex dated 21/May/19 of MECON in response to Note AGN 593/21 to the Bicameral Committee of Monitoring and Control of the Contracting and Payment Management of the Foreign Debt of the Nation - Law 27,249)



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The JGM also reported auctions of SBA funds for an amount different from the one shown in the auditee's information. Report 114 sent by said Agency to the House of Representatives in 2018²⁵⁵ makes it clear that "The total amount auctioned under the budget support of the financing provided by the International Monetary Fund was US\$ 3.275 billion"²⁵⁶.

This information mismatch detected by different official sources compromises the validation of the integrity of the auditee's declarations, affecting the security in the validation of the use of funds and traceability, with a negative impact on the accountability of the audited period.

It should be noted that in the section "Floor to the change in own net international reserves" of the October 2018 SBA (addendum to the Stand-By Agreement), the elaboration of a "System for the orderly and transparent conversion of disbursements from the Fund to cover budgetary financing needs" is proposed. Upon request, the Auditee did not provide information on whether or not the system was developed²⁵⁷.

Tables 23, 24 and 25 show the use of the SBA funds (debt expressed in foreign currency) to make payments in local currency. Payments in pesos were made for the equivalent of US\$ 5.371 billion, representing approximately 12% of the total reported payments for 2018-2019 (US\$ 43.296 billion) and of the net disbursed amount (US\$ 43.922 billion). Regarding government securities, 14% of such payments were in pesos. The use of external debt to pay domestic debt translates into greater currency risk, affecting the debt structure and increasing its vulnerability.

²⁵⁵ <https://www.argentina.gob.ar/sites/default/files/2021/12/Informe%2014%20-%20Diputados.pdf>

²⁵⁶ It should be mentioned that the report (dated 3/Oct/18) does not specify the corresponding period for such amount. Next, the report presents a table totaling US\$ 3.359 billion auctioned between 18/Jun/18 and 5/Sep/18, but without specifying whether they correspond to auctions of funds from the Arrangement, an amount that differs from that of the preceding paragraph. Also, page 16 contains information on auctions for another amount: "Of the US\$ 15 billion disbursed by the IMF, the MH reports that 7.5 billion were used to strengthen the BCRA's reserves and the other 7.5 billion were auctioned to meet the National Treasury's financial needs".

²⁵⁷ Response to Note AGN 664/21 (question 3). The Ministry of Economy responds through the ONCP, which declares that it was not involved in the development of the system. The SF submits the information provided by the ONCP, without further information.



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Payments for government securities are shown according to year of issue of the instrument paid:

Table No. 27

Issuance year of the debt instrumented in government securities paid with SBA loan funds
Bn US\$ and %

Year of issuance of the instrument	Amount in US\$	Amount in Bn US\$	% over the total
It is not a debt restructuring or swap	36,031,503,436	36.032	
2002	27.231	0	0.0001%
2004	41,470,361	0.041	0.11%
2010	13,896,699	0.014	0.04%
2011	2,888,985,768	2.889	7.38%
2012	100,801,755	0.101	0.26%
2013	464,928,548	0.465	1.19%
2014	4,789,727,937	4.790	12.24%
2016	4,771,675,379	4.772	12.19%
2017	7,780,463,194	7.780	19.88%
2018	10,499,902,406	10.500	26.82%
2019	4,679,624,160	4.680	11.96%
There is no information as to whether it is a restructuring or a swap	54,264	0.00005	
2001	53,755	0	0.0001%
1999/2001	509	0	0.000001%
It is a debt restructuring or a swap	3,111,138,061	3.111	
2003	2,037,986,403	2.038	5.21%
2015	717,952,730	0.718	1.83%
2016	355,198,928	0.355	0.91%
Year of issue not determined	46,210	0.00005	0.0001%
Total general	39,142,741,971	39.143	100.00%

Source: Compilation based on information provided by MF, DMFAS and Infoleg.

The table shows that 70.85% of the total payments made using SBA funds to service government securities corresponded to debt issuances in the 2016-2019 period, where the amounts corresponding to maturities of debt issued in 2017 and 2018 are noteworthy. This accounts how SBA resources were used to meet short-term debt commitments of the total cancellations. Also, 39% corresponds to cancellation of debt services issued in 2018 and 2019.

Further detail of the specific instruments and/or creditor to whom the reported payment was directed is presented in Exhibit 10.

BCRA Registrations: TGN Operational Accounting Accounts at the BCRA



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For each disbursement agreed under the SBA, the Minister of Economy requests the Governor of the BCRA by note to make a foreign currency purchase for the appropriate amount of SDRs, stating that the foreign currency corresponding to such disbursement is to be deposited in the operating accounts opened or required to be opened for each currency in the name of the TGN. These currencies are then requested to be converted into U.S. dollars and the specified accounts for the deposit of the funds resulting from the sale of foreign currencies are indicated.

These accounts are:

- Account 20501 “Depósitos del Gobierno Nacional en Moneda Extranjera– Cuenta Operativa” (National Government Deposits in Foreign Currency - Operating Account) of the Treasury of the Nation, at the BCRA.
- Special account in the name of the TGN “Depósitos del Gobierno Nacional en Moneda Extranjera - Fortalecimiento de las Reservas Internacionales del BCRA” (National Government Deposits in Foreign Currency - Strengthening of BCRA's International Reserves) (202.02.24.00)²⁵⁸.

In the case of the 5 disbursements made under the SBA between 2018 and 2019, the deposit of the funds from the sale of foreign currency in Account 20501 was indicated, in which the IMF funds were integrated to the rest of the resources from the foreign currency indebtedness²⁵⁹.

Only in the case of the first disbursement (registered in DMFAS on 25/Jun/18) the use of the Account NATIONAL GOVERNMENT DEPOSITS IN FOREIGN CURRENCY – STRENGTHENING OF BCRA'S INTERNATIONAL RESERVES, was required, where 50% of the disbursement was requested to be deposited²⁶⁰. Regarding the des-

²⁵⁸ This account consists of 6 sub-accounts, namely (TGN's information does not describe or define the sub-accounts):

1. DGN-ME Strengthening of BCRA's International Reserves 20563/00 “US\$”
2. DGN-ME Strengthening of BCRA's International Reserves 20564/00 “EUR”
3. DGN-ME Strengthening of BCRA's International Reserves 20565/00 “CNY”
4. DGN-ME Strengthening of BCRA's International Reserves 20566/00 “GBP”
5. DGN-ME Strengthening of BCRA's International Reserves 20567/00 “JPY”
6. DGN-ME Strengthening of BCRA's International Reserves 20568/00 “DEG”

²⁵⁹ The operating accounts opened in the BCRA are mainly used for the cancellation of payments of the Public Debt, as well as for Accreditation Account of the proceeds from Public Securities Placements and/or Disbursements in Foreign Currency (Definition provided by the TGN in IF-2021- 68922128-APN-TGN#MEC -embedded in PV-2021-69557886-APN-SSP#MEC-, in response to Note AGN 590/21 to the Sub Secretariat of Budget, question 2.a).

²⁶⁰ According to the TGN, the accounts for strengthening international reserves in different currencies were opened by instruction of the MH within the framework of the Argentina-IMF SBA so that the funds credited therein have the character of precautionary tranches until their use is decided (IF-2021-68922128-APN-TGN#MEC (embedded in PV-2021-69557886-APN-SSP#MEC), in response to Note AGN 590/21 to the Undersecretariat for the Budget (question 2. a).



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termination of the funds deposited in such account, TGN stated that the funds were used to meet the concepts set forth in the Framework of the Agreement, without providing further detail²⁶¹. As of 31/Dec/2019, the balance of the subaccounts related to the account Strengthening of Reserves is zero since, as it appears TGN's report²⁶², between 26/Sep/19 and 22/Oct/19 the funds of such account were transferred to account 20501, from which they are applied to the uses detailed above.

It should be noted that at the time of recording the first disbursement, this liability accounting account was not included in the Accounts Manual published on the Institution's Intranet²⁶³.

iv. Rendering of accounts on the use of funds

The files provided by the MF do not include the submission of reports to the IMF by the MH as required by the MH-BCRA Agreement.

Article 1, item 6, of the MH-BCRA Agreement requires the MH to provide the IMF with details on the use of the loan proceeds (the first version stipulated a daily frequency and the addendum changed it to be weekly), providing traceability of the associated expenditures (a commitment that is missing in the addendum).

In the files provided by the ME, there is no record of reports sent to the IMF by the MH as required in the Agreement. The auditee does not specify how these reports were sent nor which area was in charge of providing such information²⁶⁴. This is contrary to the

²⁶¹ IF-2021-68922128-APN-TGN#MEC in response to Note AGN 590/21, item 2.b. ii.

The TGN also stated that the funds allocated to this account, like that of any other TGN account, can be authorized with the joint signature of two officers from the list of authorized officers to release funds by the SH before the BCRA, which includes the highest Ministry authority (IF- 2021-68922128-APN-TGN#MEC in response to Note AGN 590/21, item 2.b.i.).

²⁶² IF-2021-68922128-APN-TGN#MEC in response to Note AGN 590/21

²⁶³ Report No. 233/1132/18 prepared by the General Audit Office of the BCRA, provided in response to Note AGN 675/20. At present, the Manual does contain an accounting description of the allocation method, but it does not contain a conceptual definition of same (copy provided in Note 400 02 2021 - BCRA in response to Note AGN 607/21, question 12).

²⁶⁴ The Ministry, through the ONCP's response, explains that "The only weekly information sent by the Financial Information Office (DIF) of this National Office (ONCP) was a description of debt placements, which was then reflected in the monthly publications on the web page. The ONCP is not aware of who was in charge of providing such information". Response to AGN Note 664/21, question 1. Also, the BCRA was consulted regarding the submission of reports on the use of the funds (Note AGN 607/21, question 8), but it responds only by referring to the exchange operations associated with the bids and foreign currency auctions. It should be noted that the Agreement states that it is the Ministry that must report to the IMF on the use of the funds.



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UNCTAD's principles whereby lenders are responsible for post-disbursement monitoring of the use of borrowed money (Principle 5) while debtors are responsible for establishing effective monitoring systems (Principle 13). Also, the Ministry failed to specify a process for complying with the regulation (preparation and submission of such reports)²⁶⁵.

Traceability of the use of the funds was reported through Excel spreadsheets, where data and movements of the account 20501 and the account for strengthening the BCRA's international reserves, are reported, which are manually operated (they are not an output of a system).

The IMF funds were not received and applied through a single account (most of the resources were channeled through account 20501 "National Government Deposits in Foreign Currency - Operating Account" in which the IMF funds were integrated with the rest of the resources from foreign currency indebtedness), which makes it difficult to evaluate the traceability.

ONP's opinion on the use of the funds

On the other hand, since the SBA was registered as multilateral debt (both in 2018 and 2019), a technical opinion from the ONP was required pursuant to Resolution 108/09266.²⁶⁶

²⁶⁵ The MECON reported through the TGN that the IMF disbursements were managed following the instructions issued by the authorities within the framework of the criteria established in the Framework Agreement of the Argentina-IMF SBA. It also points out that it provided operational support to the SH authorities and was not aware of the existence of any specific documents or procedures other than those related to the payments instructed by the SAFs to their respective payees, through payment orders issued by the latter, as provided for in Section 35, paragraph e), of the Annex to Decree No. 1344/07, which regulates Law No. 24,156 (IF-2021-76909364-APN- TGN#MEC in response to Note AGN 609/21, question 9).

²⁶⁶ Since multilateral loans do not have a specific budget line, but rather the investment project is included in the budget and can be financed from any source, ONP's participation is focused on verifying that the investment project is included in the budget for that fiscal year, otherwise it will report whether there are credit offsets within the Ministry that can be used through credit allocations.



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By way of comparable background, the case of the issuance and placement of the public bond called BIRAD 7.125% 2117 is presented, where the ONP's involvement was found in the stage prior to the issuance of an instrument, with considerations on the use of the funds obtained. This participation was then referred to the Undersecretariat of Financing (SSF) of the Ministry of Finance. No records were found of the ONP's opinion on other external debt issuances (previous or subsequent).

It should be noted that non-compliance with the mandate set forth in the BCRA-MH Agreement generates **control risks in the application of funds** and their traceability, as well as in the rendering of accounts.

In view of the above, in those cases where accountability on the use of funds is required, *it is recommended* that the process applicable to this type of transactions ensure compliance with the commitments undertaken.

(5) Measures adopted in relation to the mandate of Article VI of the IMF's Articles of Agreement

During the SBA period, a considerable and sustained capital outflow was observed, which reached the maximum of the decade and the maximum of the period of exchange regulations easing (2016-2019). However, the implementation of measures to prevent capital outflows did not occur until September 2019, once the disbursements of the IMF loan funds had been made, which was late in terms of the IMF's Articles of Agreement.

In relation to the use of funds, Article VI of the IMF establishes that the Fund's general resources may not be used to meet a substantial or sustained outflow of capital (Section 1, sub-section a)²⁶⁷. Regarding this situation, Article VI provides that member countries may exercise the controls they deem necessary to regulate international capital flows (Section 3) and that the Fund itself may require the country to adopt control measures to prevent this from happening (Section 1)²⁶⁸. This prohibition is not addressed in the text of the Arrangement or of the MH-BCRA Agreement.

²⁶⁷ With respect to the definition of capital outflows, the Agreement does not define this concept.



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On its part, the BCRA in its Annual Report to Congress for the year 2019 states that part of the build-up of foreign assets of the non-financial private sector²⁶⁹ "implied substantial external financing needs" that were partly covered by the net disbursements of loans granted by the IMF²⁷⁰. In the report "Foreign Exchange Market, Debt and SAF 2015-2019", the BCRA states that the funds disbursed from the IMF loan, "together with the international reserves, supplied a capital flight from the private sector, which reached US\$ 45.1 billion, a US\$ 11.5 billion outflow of speculative capital, and debt services (public and private) of US\$ 36.9 billion"²⁷¹.

In this sense, a net inflow of speculative capital²⁷² was observed until April 2018 (resulting from a context where regulations for financial capital movements started to be eliminated at the end of 2015²⁷³), when a reversal of the flow began, which was sustained throughout the remaining audited period, as shown in the chart below:

²⁶⁸ **Section 1(b)** states: "(b) Nothing in this Section shall be deemed: (i) to prevent the use of the general resources of the Fund for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking, or other business; or (ii) to affect capital movements which are met out of a member's own resources, but members undertake that such capital movements will be in accordance with the purposes of the Fund."

²⁶⁹ The BCRA calculates it as follows: banknotes + Direct investments by residents abroad + Other investments by residents abroad (series published in the Report on the Evolution of the Foreign Exchange Market and Exchange Balance, [opecames.xls \(live.com\)](#))

²⁷⁰ Year 2019 Annual Report to the National Congress, page 9. Available at: <http://www.bcr.gov.ar/Pdfs/PublicacionesEstadisticas/inf2019.pdf>. Informe elaborado en 2020.

²⁷¹ "Foreign Exchange Market, Debt and SAF 2015-2019", available at: <http://www.bcr.gov.ar/Pdfs/PublicacionesEstadisticas/Informe-Mercado-cambios-deuda-%20formacion-de-activos%20externo-%202015-2019.pdf>. Informe elaborado en 2020.

²⁷² Defined as the net income of outflows of the following items of the Statistical Annex of the Foreign Exchange Market published by the BCRA: i. Purchase and sale of securities; and ii. Direct and portfolio investment by non-residents (which includes direct investment, investments applied to the purchase of real estate, and portfolio investment).

²⁷³ Between December 2015 and December 2017, a series of measures were implemented that liberalized the foreign exchange market and relaxed restrictions on capital movements. The measures applied during this period eliminated controls on access to foreign currency purchases and the movement of speculative capital, eliminated limits on foreign currency purchases, eliminated the informative nature of the sworn statement, eliminated deadlines and even the obligation to settle foreign currency from exports, etc. Exhibit 11 presents a summary of the pre-arrangement flexibility measures.

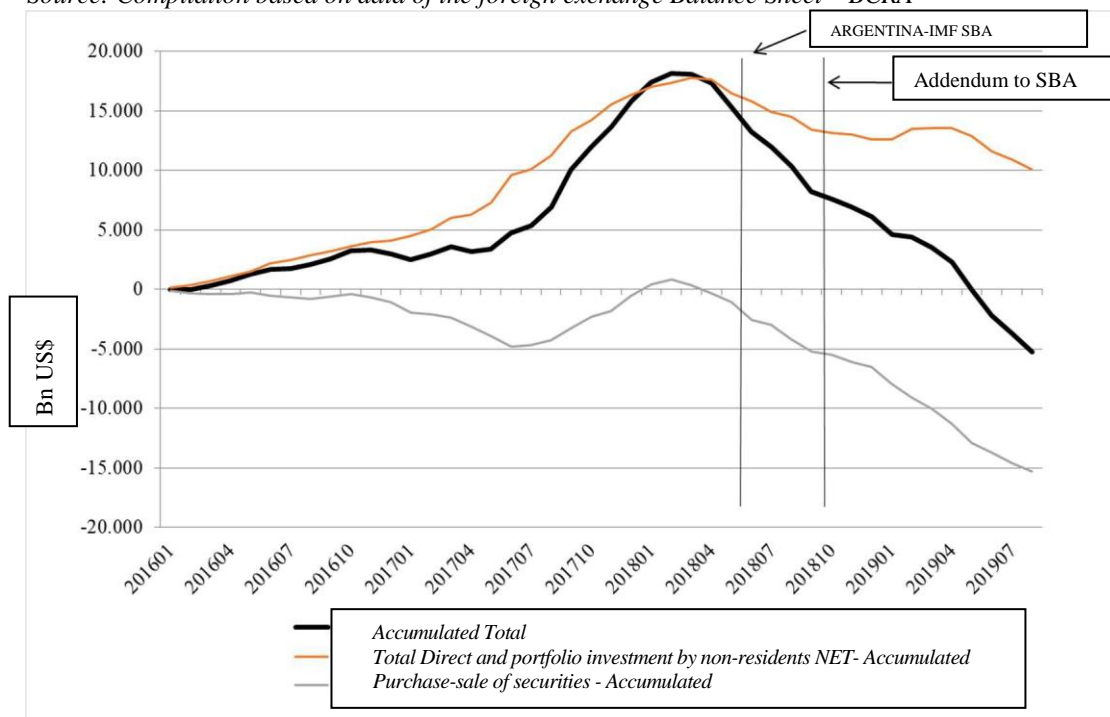


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Chart 1

Direct and portfolio investment by non-residents and purchase and sale of securities. Accumulated since January 2016 (period of easing of regulations)

Source: Compilation based on data of the foreign exchange Balance Sheet – BCRA



It can be observed that the accumulated net purchase-sale of government securities is negative almost throughout the entire period (sales of securities above purchases), with some recovery between July 2017 and May 2018 (start of negotiations with the IMF). On the other hand, accumulated net non-resident direct and portfolio investment is positive (inflows exceeding outflows) throughout the period, decreasing particularly between April 2018 and September 2019, a period when IMF disbursements were made.

i. Capital outflows

As mandated by the Articles of Agreement (AA), it was determined whether there was a "significant" or "sustained" capital outflow using the "residual method of balance of payments" (MRBP)²⁷⁴.

²⁷⁴ The purpose of the MRBP ("residual method of the balance of payments") is to determine which are the foreign currencies that entered the country (external indebtedness, foreign direct investment -FDI-, current account balances) that are not explained by the accumulation of BCRA reserves, that is, those revenues whose application does not correspond either to the payment of the current account balance or to the variation of monetary authority reserves. This is an indirect estimate (by residual). Source: Leandro M. Bona, "La fuga de capitales en la Argentina: sus transformaciones, alcances y protagonistas desde 1976." Working Paper No. 24 of the Economics and Technology Area of FLACSO. This method is presented by the World Bank in the World Development Report (World Bank, "World Development Report. 1985", Oxford University Press, New York, 1985). It excludes the purchase of foreign currency for hoarding, which does not represent an "outflow" from a strict residency point of view.



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Capital outflows following the MRBP method show a positive trend in the 2010-2012 period²⁷⁵. Although the year 2016 shows a capital inflow of about 12 billion dollars, the trend is reversed thereafter, with a capital outflow above the trend.

The following table shows the value of capital outflows and its components for the 2016-2019 period (a period of exchange market and capital account easing):

Table No. 28

Capital outflows by MRBP method. Evolution of its components. Time period 2016-2019.

Bn US\$

Year	External debt variation (1)	Direct foreign investment (2)	Current Account balance (3)	IR Var. (4)	MRBP (5=1+2+3-4)
2016	14.021	3.260	-15.105	14.311	-12.135
2017	53.117	11.517	-31.151	14.556	18.927
2018	43.278	11.717	-27.084	11.277	16.635
2019	0.662	6.663	-3.710	-21.375	24.990
Previous 10-year average (2009-2019)					9.779
Average period for the easing of exchange regulations (2016-2019)					12.104

Source: Compilation based on INDEC's information.

References: (1) External debt variation (public and private). Source: INDEC.

(2) Direct foreign investment. Source: INDEC

(3) Current account balance of the balance of payments. Source: INDEC.
Negative values imply current account deficits.

(4) International Reserves Variation. Source: INDEC.

During the audited period, capital outflows exacerbated, in line with the relaxation of existing controls in the years prior to the signing of the SBA. The capital outflow observed in the audited period can be considered significant as it reaches the maximum of the decade and the maximum of the period of relaxation of exchange regulations (2016-2019), in addition to registering values above trend.

²⁷⁵ The period of analysis is extended beyond the period audited in order to be able to assess the attributes "sustained" and "significant".



ii. Changes in foreign exchange regulations and controls before and after the signing of the SBA

Given the capital outflows observed within the period, the implementation of controls to regulate international capital movements is in line with the compliance with the mandate established in Article VI Section 1 of the AA and the authority given by Section 3 of said Articles²⁷⁶.

In relation to the exchange market control measures adopted by the authorities, the SF stated through the ONCP that it had not participated in this matter²⁷⁷. the BCRA stated²⁷⁸ that as from the measures adopted by the PEN through DNU 609 of 1/Jan/19, the exchange regulations were amended as of Communication "A" 6770 of 1/Sep/19, which reestablished exchange controls that had been eliminated as of December 2015²⁷⁹. In December 2019, Communication "A" 6844 updated the "Foreign Trade and Exchange" regulations with the provisions issued as from September 2019.

²⁷⁶ On controls of capital transfers, Section 3 of the AA states that "Members may exercise such controls as are necessary to regulate international capital movements, but no member may exercise these controls in a manner which will restrict payments for current transactions or which will unduly delay transfers of funds in settlement of commitments..."

²⁷⁷ NO-2020-91140043-APN-ONCP#MHA in NOTA IF-2021-06151446-APN-SLYA#MEC, in response to Note 676/20 (P.14).

²⁷⁸ The BCRA was requested to inform whether in 2018/2019 the Bank adopted measures to ensure compliance with Article VI, Section 1.a) of the Articles of Agreement and to prevent the Fund's resources from being used to face a large and sustained capital outflow and whether such measures were agreed with the MH and/or the MF (Note AGN 607/21 (questions 6.a and 6.c). The BCRA responded through BCRA Note 400/02/2021 in response to Note AGN 607/21, question 7.

²⁷⁹ El BCRA states that the exchange regulations were amended in 2019:

- i. The terms for complying with the collection and settlement of payments for exports of goods and services were set forth;
- ii. the BCRA's prior approval was required for resident legal entities to access the foreign exchange market for EAF transactions and derivative transactions;
- iii. a limit was placed on the monthly amount for which resident individuals could access the foreign exchange market without the prior approval of the BCRA for FAE, remittance of family allowances and derivative transactions;
- iv. access by non-resident customers was limited without the prior approval of the BCRA (with certain exceptions: international organizations, diplomatic and consular representatives);
- v. access to the foreign exchange market for the payment of debts and other obligations in foreign currency between residents was forbidden;
- vi. prior approval from the BCRA was required for the payment of profits and dividends, and for the pre-cancellation of debts for imports of goods and services and financial indebtedness with more than 3 business days' notice;
- vii. for each exchange transaction, the execution of an exchange purchase or sale ticket, stating the nature of a sworn statement by the ordering party on the data contained therein, including the concept of the transaction and compliance with the established limits and requirements. The entity involved must verify the reasonableness of the operation and compliance with regulatory limits.



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The table below summarizes the measures taken in relation to exchange controls and capital movement during the term of the Arrangement:

Table No. 29

Changes in foreign exchange regulations during the term of the Arrangement

Date	Norma	Regulatory change
1 Sep 2019	Com. A 6770 and Decree 609/19	<ul style="list-style-type: none"> i. That the collection of exports of goods and services for shipment permits formalized as of 02/Sep/19 and those formalized prior to that date and pending collection, be entered and settled. ii. BCRA's prior conformity for legal entities and individuals (when they exceed US\$ 10,000 per month) to the access to the foreign exchange market for the build-up of foreign assets and guarantees for derivative transactions. iii. It is established that when the amount of the foreign currency purchase transaction exceeds US\$ 1,000 per month in the participating entity, the transaction must be made with a debit to local accounts. iv. Prior approval by the BCRA to access the foreign exchange market for the purchase of US\$ 1,000 by non-residents. v. The obligation to enter and settle in the local exchange market new debts of a financial nature with foreign countries, adopting the same mandatory nature for the payment of interest and principal thereof. vi. The prohibition to access the foreign exchange market for the payment of debts and obligations in foreign currency among residents, with the exception of obligations instrumented through registration or public deed. vii. BCRA's prior approval to access the foreign exchange market for profit and dividend remittances. viii. The BCRA's prior approval to access the foreign exchange market for the pre-cancellation of debt for imports of goods and services. ix. The BCRA's prior approval to access the foreign exchange market for the payment of debt due or on demand for imports when such imports exceed US\$ 2 million. x. BCRA's prior approval to access the foreign exchange market for the payment of services with foreign related companies. xi. The authorities are not allowed to operate in the foreign exchange market, to buy foreign currency securities in the secondary market, or to use their General Foreign Exchange Position for payments to local suppliers. xii. Limits are placed on foreign currency holdings of exchange offices. xiii. The purchase and sale ticket for exchange transactions and its sworn statement nature are restored. xiv. Prior authorization is required to make transfers abroad.
11 Sep 2019	Communication A 6780	It limits to one thousand dollars the total monthly foreign currency cash purchase transactions. It establishes as a requirement for residents to access the foreign exchange market within the limits established in item 6 of communication A 6770, the presentation of a sworn statement of not selling such foreign currency in the secondary securities market within 5 business days of its acquisition.
30 Sep 2019	Communication A 6799	It establishes restrictions on the purchase and sale of securities (parking) when acquisition of such securities is made in foreign currency. The transfer amount abroad between same ownership bank accounts is limited.



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28 Oct 2019	Communication A 6815	Foreign currency purchase is reduced from US\$ 10,000 to US\$ 200 per month, and from US\$ 1,000 to US\$ 100 per month for cash purchases without prior approval by the BCRA to access the foreign exchange market for the build-up of foreign assets and guarantees for derivative transactions. The BCRA's prior approval is required for foreign currency purchases in excess of US\$ 100 per month for non-residents. Transfers abroad are limited to individuals who are beneficiaries of retirement and/or pensions paid by ANSES (Social Security Administration), up to the amount paid by such agency per calendar month for such concepts, provided that the transfer is made to the beneficiary's account in his/her country of residence. Cash withdrawals abroad with local debit cards are restricted to debits in local accounts of the customer in foreign currency. Entities authorized to operate in foreign exchange must inform the BCRA in advance about foreign currency purchase transactions of customers equal to or in excess of US\$ 2 million.
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Source: Compilation based on information provided by the BCRA and Infoleg.

Regarding the controls implemented in 2019, the Chief of Cabinet of Ministers informed Congress that the BCRA adopted a set of exceptional measures aimed at regulating inflows and outflows in the foreign exchange market in order to ensure exchange and financial stability and to protect savers within a context of uncertainty²⁸⁰.

The implementation of measures aimed at preventing capital outflows did not take place until September 2019, once the five disbursements under the SBA²⁸¹ had been made.

Taking into account that prior to the signing of the Arrangement (between December 2015 and December 2017), a series of measures had been applied that liberalized the foreign exchange market and relaxed restrictions on capital movements, at the time of signing the Arrangement there was a wide margin for the implementation of controls to comply with the provisions of Article VI of the IMF's AA. However, the authorities implemented restrictive measures late in 2019, after 88% of the funds had already been applied²⁸², making their implementation late in terms of the IMF's CC mandate.

²⁸⁰ JGM's Annual Report sent to Congress of the Nation in 2018. Provided by the JGM in response to Note AGN 606/21 A-05 (IF-2021-70391846-APN-SSAP#JGM).

²⁸¹ 481 days as of the announcement on the decision of starting conversations with the (08-May-2018) and 469 days as of the signing of the arrangement (20-May-2018).

²⁸² The table shows the application of funds in 2018-2019 as reported by the auditee:

Term	Reported payments	Total of the year	% of the year	% of the total
2nd quarter of 2018	2,509,053,123	15,240,326,358	16.463%	5.795%
3rd quarter of 2018	4,850,762,242		31.828%	11.204%
4th quarter of 2018	7,880,510,994		51.708%	18.201%
1st quarter of 2019	5,334,340,083	28,055,678,319	19.013%	12.321%
2nd quarter of 2019	10,835,934,441		38.623%	25.028%
3rd quarter of 2019	6,695,226,556		23.864%	15.464%
4th quarter of 2019	5,190,177,239		18.500%	11.988%
	43,296,004,678	43,296,004,678		100.000%

Source: Compilation based on information provided by TGN.



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There is no evidence that the IMF has requested Argentina to adopt control measures to comply with the provisions of Article VI, Section 1, of its AA²⁸³, in relation to capital outflows.

The information provided by the Ministry of Economy process does not reveal the existence of a process aimed at complying with the mandate of Article VI, Section 1, of the IMF's AA.

The late implementation of exchange controls has an impact on compliance with Article VI of the AA, and also weakens the restrictions aimed at preventing capital outflows that would negatively affect the economy. It should be noted that most of the loan was applied to the payment of debt instrumented in government securities and this meant that the funds were released to the market without foreign exchange regulations to prevent the outflow of such funds. For all of the above considerations, *it is recommended* that mechanisms be incorporated in future transactions to ensure compliance with regulatory mandates and to adequately manage the funds received.

(6) SBA impact on solvency and sustainability²⁸⁴

The signing of the SBA had an adverse impact on the debt structure by significantly increasing the composition of foreign currency and variable rate debt,

²⁸³ The BCRA was asked to state whether the IMF had requested the BCRA to provide reports on the use of the funds and whether it had requested the implementation of control measures pursuant to Article VI, Section 1, of the AA. The BCRA responds by referring to the communication to the IMF on foreign exchange auctions (transactions carried out both through BCRA's own bids and through bids carried out on behalf of the MH), explaining that as of 2019 the auctions would start to be published on the web and the mails would no longer be sent (NO-2021-00195233-GDEBCRA-GG#BCRA, in response to Note AGN 607/21, question 8).

²⁸⁴ According to the IMF, a debt is sustainable when a borrower is expected to be able to continue servicing its debt without having to resort to a disproportionate correction of its revenues and expenditures (IMF, Public Sector Debt Statistics: Guide for Compilers and Users, Chapter 9, item B). Sustainability thus reflects a country's solvency, liquidity and adjustment capacity. According to the Agency:

- A government is solvent if the present value (PV) of its current and future primary expenditure (net of interest) is not higher than the present value of its current and future revenue stream.
- A government is liquid if it can orderly refinance its maturing debt obligations.
- Debt sustainability also includes the concept that spending and revenue adjustments are subject to social and political limits that determine a country's willingness to pay (as opposed to its economic capacity to pay).



shortening the term of the debt, and increasing the degree of debt concentration in a single creditor for which there are no repurchase/restructuring mechanisms, thus affecting diversification and the possibility of debt restructuring or renegotiation.

The SBA loan conditions analyzed (currency, amount and term) increase the risk of debt unsustainability by increasing the share of resources allocated to repayment of SBA maturities in such a way that such maturities exceed the payment capacity (measured on the basis of National Gross Savings).

The lack of a borrowing strategy -defined in terms of best practices²⁸⁵ - setting out objectives in terms of debt level and structure, as well as the lack of prior analysis of technical areas observed in the SBA process, contributed to the adverse impact of the SBA on the debt structure and its sustainability.

²⁸⁵ The debt management strategy is the plan that the government seeks to implement over the medium term (3-5 years) to achieve a particular composition in its debt portfolio, reflecting its preferences regarding cost/risk tradeoffs. The strategy allows the debt management objectives to be translated into reality and places special emphasis on managing the risk exposure implicit in the debt portfolio, specifically, potential changes in debt service costs and their impact on the budget. The debt management strategy should cover all current central government debt and planned borrowing, including borrowing from the Central Bank, for a minimum of three years (and should therefore be updated annually). More specifically, the debt management strategy identifies how costs and risks vary with changes in the debt portfolio composition. The debt management strategy document should preferably include the following:

- description of the market risks being managed (exchange rate, interest rate, and refinancing/rollover risks) and of the historical context of the debt portfolio;
- description of the future debt management environment, including fiscal and borrowing projections, exchange rate and interest rate assumptions, and constraints on portfolio choices, including those related to market developments and monetary policy implementation;
- description of the analysis performed to support the recommended debt management strategy, which should clarify the assumptions used and the limitations of the analysis;
- recommended strategy and rationale.

Source: World Bank-IMF, “Developing a Medium-Term Debt Management Strategy (MTDS) - Guidance Note for Country Authorities”; 24 February 2009.



i. Impact of the amount of the del SBA on indebtedness

The IMF loan represented 8.8% of the central government's direct debt stock in 2018 and 14% in 2019, reflecting its importance over total indebtedness. In the year in which the SBA was signed (2018), the D/GDP indicator increased thus bringing the debt to represent 84.8% of the GDP, a value surpassed in 2019 when the ratio reached 89.4%. The growth of the debt-to-GDP ratio previously observed indicates a greater need for resources for debt repayment, which made it foreseeable that the country would face a situation of illiquidity in the short-medium term, particularly in 2022 and 2023.

The SBA signed in 2018 for a total amount of SDR 40.714 billion (approx. US\$ 57 billion) according to the Letters of Intent (or 1,277% of Argentina's quota in the IMF) presents characteristics that strongly impact on the dynamics of indebtedness: on the one hand, a demanding schedule of repayments in the short-medium term in foreign currency and, on the other hand, the amount thereof. Also, it should be noted that foreign currency debt represented in 2017 almost 77% of total debt, going on to represent 84% and 86% in 2018 and 2019 respectively - years in which the SBA disbursements were made effective. Hence, this financing contributed to the growth of government debt that has been observed since 2016.

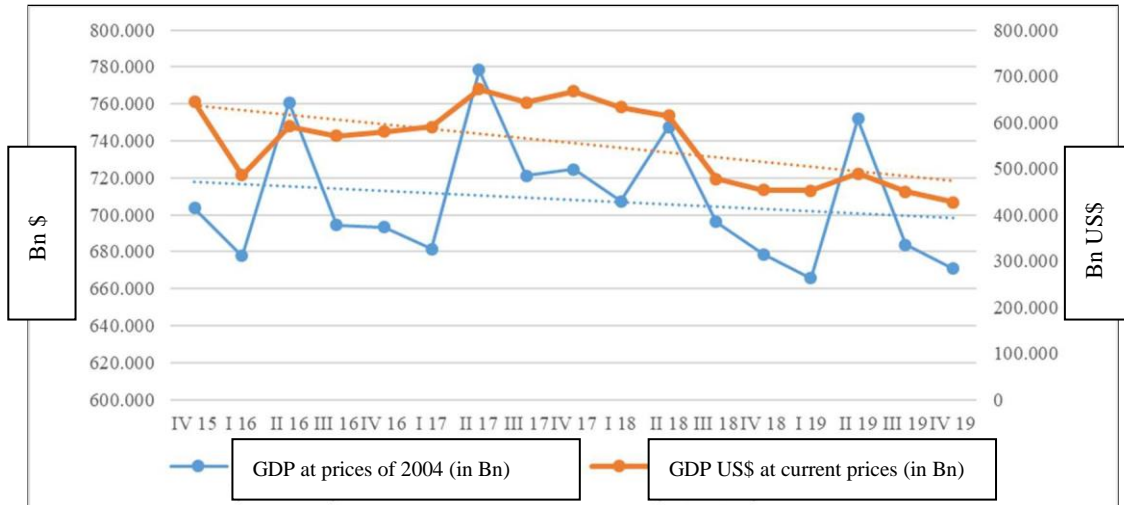
In the year of signing the SBA (2018), the D/GDP indicator increased, with debt reaching 84.8% of GDP, primarily due to the deterioration of GDP (about 4.7% at 2004 prices and 34% at current prices measured in US\$ between the fourth quarter of 2015 and 2019), but also as a result of higher foreign currency indebtedness as a consequence of the SBA (without the SBA, the D/GDP ratio would have been 77.6% in 2018).

The chart below shows the fall of both GDP measures in the period when the SBA was signed.



Chart

GDP in billion pesos at 2004 prices and GDP in US\$ at current prices



Source: Compilation based on the Ministry of Economy

The indebtedness recorded under the SBA as of 31/Dec/19 was US\$ 44.128 billion, resulting from 5 disbursements (three in 2018 and two in 2019)²⁸⁶. The total SBA amount recorded represented 6% of GDP in 2018 and 10% of GDP in 2019²⁸⁷, reflecting the importance of the SBA in the total economy.

The table below presents the debt data and the Debt/GDP indicator:

Table No. 30 - Debt Evolution
% and Bn US\$

Total Debt (direct and indirect)	2014	2015	2016	2017	2018	2019
Total Debt (in Bn dollars)	227.844	228.797	270.584	319.308	330.597	321.679
Interannual variation % Total Debt		0.4%	18.3%	18.0%	3.5%	-2.7%
GDP (at current prices in Bn dollars)	535.440	457.863	519.120	567.813	389.989	359.937
Interannual variation % Total Debt		-14.5%	13.4%	9.4%	-31.3%	-7.7%
D/GDP	42.6%	50.0%	52.1%	56.2%	84.8%	89.4%
Annual difference (in percentage points)	0.0	7.9	0.5	3.5	29.4	3.37

Source: Compilation based on data from INDEC and CGN (Table 1A of the Investment Account).

Note: GDP data consulted on INDEC's web page INDEC as of September 2022.

The course of GDP, debt, and ratio between the two variables is presented below:

²⁸⁶ Data from Table 1A of Investment Account published by CGN. The amount of US\$ \$44,128 is the sum of the 5 disbursements as of 31/Dec/19, at the 2019 LOI exchange rate. According to the BCRA's Exchange Balance records, such amount would be around US\$ 44.49 billion.

It should be pointed out that Argentina did not request the total amount of financing contemplated in the Letters of Intent.

²⁸⁷ Taking into account the amounts registered in DMFAS for each year and the GDP in millions of pesos published by the Ministry of Economy in the economic data portal (activity level series).

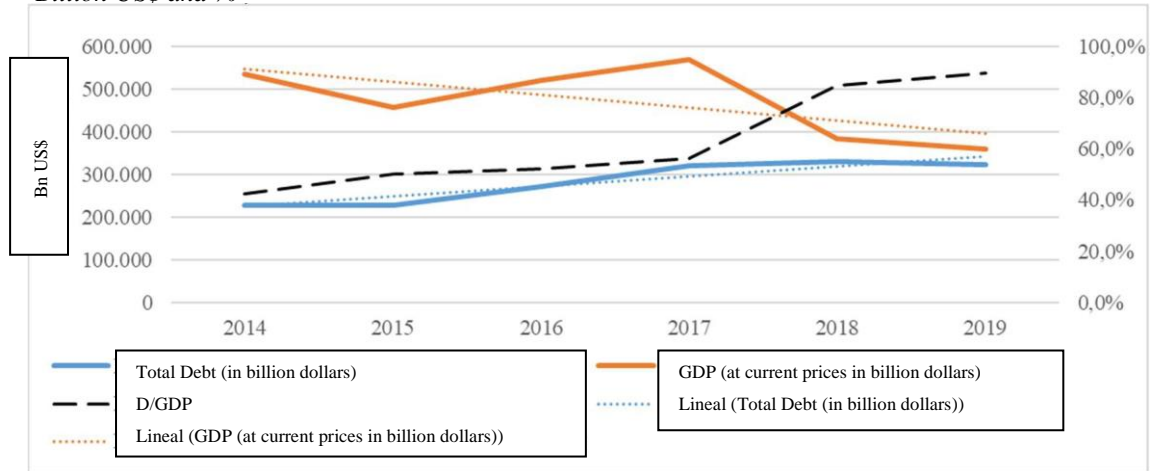


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Chart

GDP at current prices and total debt

Billion US\$ and %



Source: Compilation based on Ministry of Economy and INDEC

It should be noted that in 2019 the debt published by the National Accounting Office (CGN) grows nominally in the currency of collection of the State (pesos) with respect to 2018 (54%) but decreases when expressed in dollars due to the variation of the exchange rate (58%).

The table below presents the amounts disbursed each year, the resulting stock and the interest and expenses disclosed by CGN in 2019:

Table No. 31

Balances, disbursements and amortizations of the SBA as of December 2019 (DMFAS 29510000)

Billion dollars

TRENCH	DISBURSEMENTS		AMORTIZATIONS		INTEREST		EXPENSES AND FEES		CLOSING BALANCES OF CAPITAL	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
1	14.719	-			0.133	0.389	0.082	-	14.719	14.676
2	5.686	-			0.0008	0.171	0.096	-	5.686	5.669
3	7.627	-			-	0.163	0.038	-	7.627	7.605
4	-	10.785			-	0.213	-	0.06383		10.785
5	-	5.393			-	0.055	-	0.01887		5.393
TOTAL IMF	28.032	16.178	-	-	0.134	0.991	0.216	0.083	28.032	44.128
DIRECT DEBT (*) TOTAL	123.245	74.795	70.008	64.383	13.311	14.273	0.348	0.138	320.132	309.692

Source: Compilation based on data of Table 1A - Investment Account.

Note: The data in Table 1A expressed in pesos were converted to dollars at the Exchange Rate of the Investment Account as of 31/Dec/19.



The IMF loan accounted for 8.8% of direct debt²⁸⁸ in 2018 and 14% in 2019²⁸⁹, reflecting its significance over total indebtedness.

Considering that the Central Administration (direct) debt accounted for 97% of total Public Sector debt in 2018, the above analysis captures the significance of the SBA in the financing of Central Administration obligations.

To measure the impact of the Arrangement amount on debt sustainability, the Debt/GDP indicator is analyzed for the years 2018 and 2019, excluding and including the total amount of SBA disbursements. The following table shows the ratios for the Total Debt stock (includes debt pending restructuring) and that of foreign currency debt:

Table No. 32
Impact of SBA Amount on Central Administrative Debt-to-GDP Ratios²⁹⁰
In % and percentage points (pp)

Debt-to-GDP Ratio		Total Debt			Debt in foreign currency		
Year	Condition	D/GDP	Absolute variation (pp)	Relative variation	D/GDP	Absolute variation (pp)	Relative variation
2018	Without IMF	77.6%			64.1%		
	With IMF	84.8%	7.2	9.3%	71.2%	7.2	11.2%
2019	Without IMF	76.2%			64.1%		
	With IMF	89.4%	12.3	15.9%	77.1%	12.3	18.9%

Source: Compilation based on data of the former Ministry of Finance, CGN, INDEC and BCRA

In relation to the Total Debt/GDP indicator, the table shows how SBA disbursements increased the indicator by 7.2 and 12.3 percentage points in 2018 and 2019 respectively, which meant a relative variation of the indicator of 9.3% and 15.9% respectively. On the other hand, since the SBA is instrumented in foreign currency, the debt impact generated by the SBA is higher in the indicator Debt in foreign currency/GDP (%) than in the indicator Total Debt/GDP (%).

²⁸⁸ Debt held by the Central Government.

²⁸⁹ It is worth mentioning that, although there was a very high growth of this item in 2018, the entering into of these arrangements is not frequent. Likewise, as from the enactment of Law 27,612 (Strengthening of Public Debt Sustainability) in 2020, an expressly approved law of the Congress of the Nation is required in order to incur in this type of indebtedness.

²⁹⁰ Foreign currency debt balance includes debt issued in U.S. dollars, euros and other foreign currencies as shown in the Investment Account.



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From another perspective, the table below shows the ratio of total financing provided by the IMF loan over foreign currency debt issuance for the years 2016 (the year of the highest growth in debt measured in US\$ prior to the signing of the SBA) to 2019²⁹¹:

Table No. 33

Ratio of IMF Total Disbursements over Foreign Currency Debt placement ⁽¹⁾

Year	IMF Loan	IMF Disbursements / Issuances in foreign currency (<i>Letras</i> and Bonds)	IMF Disbursements / Issuances in foreign currency (Bonds)
2016	44.210	128%	187%
2017		66%	148%
2018		113%	232%
2019		176%	951%

Note: The amount of total disbursements used is that recorded in the DMFAS. “*Letras*” include placements to public sector agencies and issuance of LETES at discount.

Source: Compilation based on data of the CGN and of the Ministry of Economy.

The table shows the relevance of the amount of the IMF loan because, throughout those years, except for 2017, it exceeded the total amount placed in the foreign currency market (*letras* and bonds), representing more than one and a half times those amounts, as in 2019.

When the analysis is restricted to government securities in foreign currency, excluding issues of *Letras* in foreign currency, the ratio is higher, and as of 2018, the indicator grows exponentially. Therefore, since the amount of debt that Argentina took with the IMF greatly exceeds in most years the total amount of debt placed in foreign currency, this is significant in terms of the amount of debt acquired and affects solvency. Also, it reduced the diversification of foreign currency debt among different creditors, as most of the debt was placed with a single creditor. This increases credit and rollover risk.

ii. Impact of SBA on debt structure

The amount of the SBA loan -given the term and currency- increases significant exposure to local currency devaluation and leads to high refinancing risks (the need to obtain a high volume of foreign currency resources in a very short period of time) which, if faced with difficulties in obtaining the necessary resources, would imply the requirement of a sharp increase in the primary surplus, a situation that affects debt sustainability (as defined by the IMF).

²⁹¹ Foreign-currency denominated debt included securities and *letras* placed in foreign currency and in dollar-linked pesos.



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Debt composition and structure may result in difficulties in meeting obligations if it is structured in a way that leads to liquidity problems (the debtor does not have the resources to make debt service payments as they fall due) or viability problems that prevent it from meeting its debt obligations over the medium term (solvency). Therefore, the degree of exposure to various market risks (e.g., interest rate risk or rollover risk) is also a critical consideration in assessing debt sustainability²⁹². Assessing the risks associated with debt structure is a basis for monitoring and evaluating the debt management strategy²⁹³.

An appropriate debt structure reduces the risks of a crisis. Exposure to foreign exchange and interest rate risks will depend on the way in which the debt is structured (adverse changes in variables such as exchange rates or interest rates may result in the need for greater resources to meet commitments). In turn, the market's perception of public debt is affected by the way in which it is structured, which may accentuate rollover risk²⁹⁴.

Accordingly, the amount and form in which the debt is structured determine the resources that will be necessary to meet the commitments assumed for each fiscal year. In a given economic-fiscal context, this may make it difficult to make timely debt service payments, which, should a major correction of revenues and expenditures be required, may not be sustainable. Based on this, analyses and evaluations prior to making decisions on what debt to take on and under what conditions, as well as the development of a debt strategy, allow managers' decisions to be oriented towards more sustainable debt objectives.

Detailed information on the debt structure in terms of maturity (long or short term), bondholder profile (domestic or foreign), payment schedule (smooth or irregular with

²⁹² IMF, Public Sector Debt Statistics: Guide for Compilers and Users, Chapter 9, item B.

²⁹³ ISSAI 5422, The structure of debt in terms of currencies, maturities, rates, and instruments should respond to the debt strategy.

²⁹⁴ In fact, the way debt is structured is one of the analytical categories taken into account for sovereign debt ratings. Source:

<https://disclosure.spglobal.com/ratings/es/regulatory/delegate/getPDF?articleId=2444377&type=COMMENTS&subType=CRITERIA>



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peaks), currency composition (domestic vs. foreign), and the overall quality of debt management will help to obtain a more reliable forecast of gross financing needs and a better understanding of financing risks²⁹⁵.

Using an empirical approach to assess debt sustainability, this analysis evaluates the change that the Stand-By Arrangement brought about on the different dimensions of the debt structure (currency, amount, maturity and rate), and the impact that each one had on debt sustainability.

(1) Impact on diversification by creditor

Public debt increased 3.5% in nominal terms in 2018 compared to the previous year, and decreased 2.7% in 2019 compared to 2018. This increase results from changes in the various lender line items²⁹⁶.

As of the signing of the SBA in 2018, multilateral debt became the second largest item after "Public Securities" (both concentrated 92 % of direct public debt on average in 2018 and 2019). This item was the highest growth item in 2018 compared to the previous year (since the loan is recorded as multilateral debt), while in 2019 it was the second highest growth item compared to 2018, as shown in the table below:

Table No. 34

Total debt (direct and indirect) of the Central Administration by creditor item.

In Billion US\$ and in %

Item	Total Debt (billion US\$)			2018-2017 Variation		2019-2018 Variation		Relative participation		
	2017	2018	2019	Absolute (billion US\$)	%	Absolute (billion US\$)	%	2017	2018	2019
Central Administration Debt	319.308	330.597	321.679	11.289	3.5%	-8.917	-2.7%	93%	85%	79%
Securities	257.776	254.929	226.504	-2.846	-1.1%	-28.425	-11.2%	80.7%	77.1%	70.4%
Official Banking	28.010	14.819	17.057	-13.191	-47.1%	2.238	15.1%	8.8%	4.5%	5.3%
Private Banking	1.645	0.966	1.164	-0.679	-41.3%	0.198	20.5%	0.5%	0.3%	0.4%
Bilaterals	8.631	8.112	6.938	-0.519	-6.0%	-1.174	-14.5%	2.7%	2.5%	2.2%
Suppliers	1.920	0.734	2.015	-1.186	-61.8%	1.282	174.7%	0.6%	0.2%	0.6%
Multilaterals	21.327	51.037	68.001	29.710	139.3%	16.963	33.2%	6.7%	15.4%	21.1%
<i>IMF / Multilaterals</i>		55%	65%							

Source: Compilation based on Table 1-A and Table 34, Insert I of the Investment Account (CGN).

²⁹⁵ Debrun, W. *et al.* Op. Cit. Page 178.

²⁹⁶ Items presented by the CGN in Table 1A of the Investment Account (Private Banking, Bilaterals, Multilaterals, Suppliers, Government Securities) were taken. It should be mentioned that as from 2019, Official Banking (consisting of BCRA and BNA) will be shown separately from Private Banking, whereas in previous years they were integrated under the same item (Private Banking).



Debt contracted through the issuance of government securities fell by 11.2% in 2019 compared to 2018, while debt with multilateral organizations increased by 33.2% given the share of IMF disbursements. Thus, the relative share of government securities is reduced (from 81% of central government debt in 2017, to 70% in 2019). Meanwhile, indebtedness with Multilateral Credit Organizations increases its share in total indebtedness from 7% in 2017 to 21% in 2019.

This increases the concentration of debt in a single creditor and instrument, thus undermining diversification, in addition to the fact that such creditor is not subject to the legislation of a particular jurisdiction and does not contemplate renegotiation mechanisms.

(2) Impact of the Term

The SBA signed in 2018 projected that the loan would be fully repaid in 2024, with a strong concentration of maturities in 2022 and 2023, where about 80% of the amount due should be paid (approximately 19 billion in each year in amortization, interest and fees²⁹⁷). The projected primary surplus for these years²⁹⁸ represented approximately 12% and 21% of the 2022 and 2023 maturities, respectively.

Besides, if these maturities are compared with the average trade balance 2007-2017 (decade prior to the signing), this would have covered between 33% and 32% of amortizations, interest and charges, respectively. Likewise, the first repayment (corresponding to the year 2021) would be almost equivalent to the trade balance deficit of the year of the signing of the SBA (2018).

Also, in case of facing the maturities with the BCRA reserves, this would have meant the loss of 45% of them for 2022 and 2023 respectively, taking as a reference the average reserves for the decade prior to the signing of the arrangement (2007-2017).

²⁹⁷ Work was carried out with the payment flows shown in the amortization tables of the DMFAS as of March 25 March 2021. It should be mentioned that the interest rates set forth in such tables are updated as payments are made or payment projections change.

²⁹⁸ Projections made by the Financial Risk Analysis Unit of the then Ministry of Finance as of May 2018, in NO-2021-50316431-APN-ONCP#MEC in response to Note AGN 460/21. These projections show a primary deficit until 2021, which is reversed from 2022 onwards.



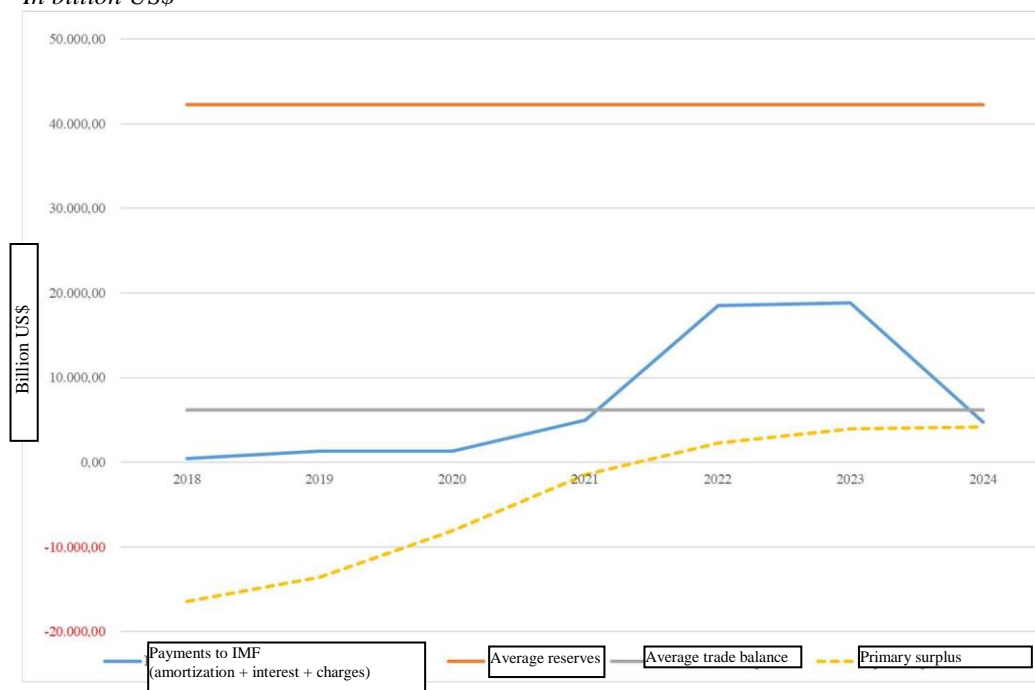
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Considering reserves at the time of the signing of the SBA (as of 12/Jun/18 amounted to US\$ 49.1 billion), the SBA repayment represented 38% and 39% of reserves in 2022 and 2023, respectively. Although the impact of the SBA repayment on reserves was lower than the average, it reflected the significance of the IMF repayments.

Chart 4

Total expected payments for the SBA

In billion US\$



Source: Compilation based on data of DMFAS and of the Ministry of Economy

The chart shows that, given the conditions of the SBA, the country would face a situation of illiquidity in the short-medium term, particularly in 2022 and 2023.

This is in addition to the previously observed growth in the debt-to-GDP ratio, which indicates a greater need for resources for debt repayment. A growing and sustained trend of this indicator may translate into a risk of rollover²⁹⁹.

²⁹⁹See IMF - Debt Sustainability Framework, available at: <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/39/Debt-Sustainability-Framework-for-Low-Income-Countries>. ISSAI 5422 defines this risk as the one that leads to the debt having to be rolled over at an unusually high cost or, in extreme cases, not being able to be rolled over.



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As for the average life of the debt, it was 7.34 years in 2018 and 6.94 years in 2019 (0.46 years less)³⁰⁰, which increases the renewal and liquidity risk. The average life is explained by the high concentration of maturities between 2020 and 2026:

Table No. 35

Maturities by term of debt stock in Normal Payment Status as of 31/Dec/2019.

In %

Period	Percentage
2020-21	41.10%
2022-26	42.40%
2027-36	10.80%
2037-2117	5.70%

Source: Ministry of the Treasury (MH)³⁰¹

The duration of the SBA is shorter than the average life of the debt, which decreases in 2018 and 2019. The relative importance of the amount of the SBA loan with respect to total debt, and the term of the loan (3 years), strengthen the need for short-term financing, which impacts the average term of total debt, increasing rollover and liquidity risks³⁰².

Repayment capacity within the stipulated term

This section evaluates the impact of the total amount to be paid by Argentina to the Fund in relation to the National Gross Savings (NGS), in order to analyze the country's repayment capacity³⁰³.

³⁰⁰ Ministry of the Treasury, Quarterly Debt Reports as of December 31 of each year.

³⁰¹ Chart Presentation of Argentina's Public Debt. 4th Quarter 2019.

³⁰² The IMF groups liquidity and solvency concepts together. In a liquidity crisis in the absence of financing on reasonable terms, compliance with the budget constraint may imply a disproportionate correction of revenues and expenditures, which is inconsistent with the IMF's definition of debt sustainability (Xavier Debrun, Jonathan D. Ostry, Tim Willems, and Charles Wyplosz, "Debt Sustainability", in S. Ali Abbas, Alex Pienkowski, and Kenneth Rogoff (Edit.) "Sovereign Debt: A Guide for Economists and Practitioners", Oxford University Press, 2020, p. 177).

³⁰³ National gross savings is the sum of savings of the resident sectors (government, companies, non-profit institutions serving households). National savings can also be obtained by the difference between gross national disposable income and actual national consumption. Source: Frequently Asked Questions on the System of National Accounts - Footnotes, No. 5 November 2020, INDEC. Available at:

https://www.indec.gov.ar/ftp/cuadros/economia/preguntas_frecuentes_cuentas_nacionales_notas_5.pdf

Using the ABN (National Gross Savings) as an indicator of Argentina's capacity to repay its commitments implicitly means considering the total savings generated by the country as a source of funds to be used to pay its commitments, sacrificing domestic investment but without affecting the levels of consumption of goods produced domestically, representing an assumption that is less strict than considering the entire domestic production of all final goods in a year (GDP) as the source of funds to repay the commitments undertaken by the country.



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En el Cuadro que sigue se exponen los pagos anuales que deben realizarse al FMI en concepto de servicios de la deuda asociados al préstamo Stand-By en proporción al ABN (National Gross Savings)³⁰⁴:

Table No. 36
Ratios of Argentina's payments to IMF in relation to the SBA
In US\$

Indicator	2018	2019	2020	2021	2022	2023	2024	Payments 2018-2024 / Average ABN
R ^{Payments to IMF-} ABN_average	0.61%	1.97%	1.95%	7.30%	27.16%	27.52%	6.94%	73.4%

Reference: ABN: National Gross Savings

Source: Compilation based on data of the INDEC and of the Ministry of Economy

The table shows that if the ABN in dollars remains constant, equal to the historical average, from 2018 to 2023 the share of savings to be allocated to the payment of principal and interest corresponding to the IMF arrangement grows, reaching its maximum in 2023, when almost one third of the ABN is required. Accordingly, the weight of all payments in the 2018-2024 period, represents more than 73% of the average dollar savings that Argentina generated from 2006 to 2020.

The following is an assessment of the maturities of the Stand-By Arrangement with the IMF in relation to foreign currency debt maturities³⁰⁵, and its correlation with the debt ratio based on the SBA estimates.

The table below shows how payments to the IMF increase the amount to be disbursed to meet debt maturities for the SBA repayment period, particularly for the years 2022 and 2023.

³⁰⁴ The loan's principal, interest and fee maturities is compared with the historical average ABN (National Gross Savings) measured in US\$ for the period 2006-2020 (available period of the data series), assuming the exchange rate remains constant for each year until 2024.

The study was carried out using the payment flows shown in the DMFAS amortization tables as of 25/Mar/21. It should be pointed out that the interest rates shown in these tables are updated as payments are made or payment projections change.

³⁰⁵ Maturities were calculated based on data from the former Ministry of Finance's financial program for the first quarter of 2018.



Table No. 37

Maturities of Principal, Interest and Fees of Central Government Debt in Foreign Currency (government securities).

Billion US\$

Maturities of principal and interest of Central Government in Foreign Currency			
Maturity Year	Maturities^{Without-IMF}	Maturities^{With-IMF}	Var % maturities with and without IMF
2021	24.99451	30.08904	20%
2022	27.17105	46.14232	70%
2023	22.70622	41.92754	85%
2024	22.11759	26.96147	22%

Source: Compilation based on data from DMFAS.

The table above shows how maturities in foreign currency increase with the SBA, especially in the years 2022 and 2023, where increases exceed 70%.

The above analysis shows that a significant proportion of resources is required in the short term to repay the maturities of the SBA, thus compromising the repayment capacity during those years and increasing the risk of default.

(3) Rate Impact

In order to assess the impact of the SBA debt services on the Central Government debt stock, the rate corresponding to the Arrangement³⁰⁶ is compared in relation to the rates of the main issues of 2016 and 2017 bonds for early May, when talks with the IMF to

³⁰⁶ The rate of the Arrangement was estimated based on the SDR interest rate at early May 2018, margin and corresponding surcharge. Regarding the surcharge, there are two possible situations depending on the residual value of the loan (outstanding debt):

- the case where the residual value of the loan is below 187% of the country's quota with the institution, which results in a rate of 3.61%;
- the case where the residual value of the loan exceeds 187% of the country's quota in the institution, which results in a rate of 4.48%.

Argentina's actual case would be the 4.48% rate, since there were no amortizations before the 3rd year. However, the 3.61% rate may be considered the best scenario for Argentina, which implies a de minimis situation.



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sign the SBA began³⁰⁷. The time curves of the rates are presented in the charts below, taking into account the AA19 bond and excluding it, given its effect on the analysis³⁰⁸:

Chart 5

Interpolation and Estimate of the Temporal Rate Curve

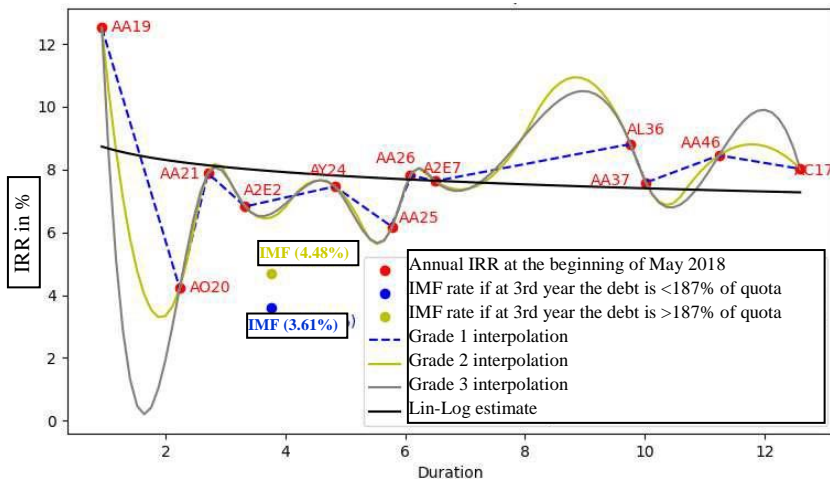
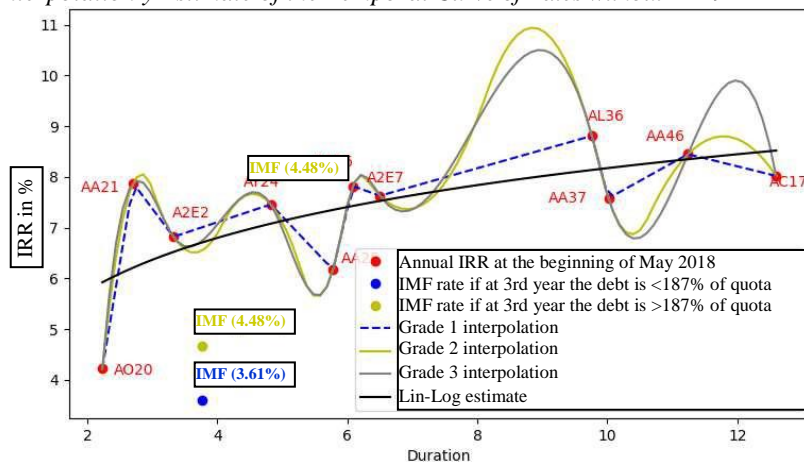


Chart 6

Interpolation y Estimate of the Temporal Curve of Rates without AA19



Source: Compilation based on data of former Ministry of Finance and IAMC (Argentine Institute of Capital Markets).

Both charts show that the estimated rate for the IMF Stand-By loan is below the yields of all securities with the same or longer duration than the IMF SBA.

³⁰⁷ Different interpolations of the yield rates were made based on the duration of the main securities issued during 2016 and 2017 (Bonar 20, 24, 25 and 37 together with the international bonds AA19, AA21, A2E2, AA26, A2E7, AL28, AL36, AA46 and AC17), including a lin-log estimate, so as to have different estimates to enable the comparison of the estimated rate corresponding to the SBA with the rate that would arise from the estimates of the securities for the term or duration corresponding to that of the agreement.

Further methodological development can be found in Exhibit 12.

³⁰⁸ It should be noted that the negative slope of the estimate based on the lin-log regression is due to the high yield of the AA19 bond in relation to the other securities, revealing a high uncertainty regarding the short-term payment (this bond matures in 2019, which could prompt the bondholders to sell the bond).



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Using the estimates of the government securities curves, for both the context in which the AA19 is considered and the context in which it is excluded, one obtains estimates of the rates corresponding to the duration of the fund's loan (estimated at 3.765 years), which are shown in the following table:

Table No. 38

Estimated rates of government securities corresponding to the SBA duration based on the estimated curves.

IMF Rate		$TNA_{IMF} = 3.61\%$	
	Estimated government securities rate	$TNA^{Estimated}$ with $Duration=3.765$	
		With AA19	Without AA19
Interpolation	Linear	7.01%	7.01%
	Quadratic	6.47%	6.55%
	Cubic	6.59%	6.74%
Reg	Lin-Log	7.95%	6.71%

TNA_{IMF}		(Rate w/ Residual Value <187%)		(Rate w/ Residual Value >187%)	
		3.61%		4.48%	
Compared to estimated rates for government securities		With AA19	Without AA19	With AA19	Without AA19
Regarding the minimum value (quadratic)	Difference in pp	- 2.86	- 2.94	- 2.0	- 2,07
	Variation %	-44,17%	-44.85%	-30.76%	-31.6%
Regarding the maximum value	Difference in pp	- 4.34	- 3.40	- 3.47	- 2.53
	Variation %	-54.57%	-48.47%	-43.65%	-36.09%

Source: Compilation with data of former Ministry of Finance and IMF

Based on the results, the SBA loan rate - in its two possible values according to the residual value - is lower than all the estimates considered for government bonds for the same duration (being at least 30% lower than those estimated for government bonds).

The analysis of the estimated curves (both the one that excludes the AA19 and even more the one that includes it) point to the need to evaluate the efficiency of the debt issuance and the cost of entering into a loan with a lower duration and rate with respect to a debt instrument with a higher duration and rate, given the amount of the SBA. In this regard, considering that a year before the entering into the SBA (June 2017), a 100-year-term bond was issued for a lower amount and a duration of 13.13 years, there is a need to diagram the debt objectives with respect to its structure in a debt strategy, in order to increase efficiency in decision making and avoid operations that are contradictory among the different objectives.



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Likewise, although the rate is convenient in relation to market alternatives, it should be taken into account that the financing provided by the SBAs is short-term and denominated in foreign currency, which increases market risk.

To sum up, the amount of SBA financing -given its term and currency- increases the significant exposure to domestic currency devaluations and generates high refinancing risks (the need to obtain a high volume of resources in foreign currency in a very short period of time) which, in the event of difficulties in obtaining the necessary resources, would imply a requirement for a strong increase in the primary surplus, a situation that affects debt sustainability (according to the IMF's definition).

These are the aspects that an *ex ante* evaluation of public credit operations can identify and take into account for decision making. However, as was seen in Section 5.c).ii, there were no risk evaluations or sustainability and solvency analyses that would make it possible to know and assess these risks.

For all the above mentioned, ***it is recommended*** to develop a strategy in terms of sound practices that incorporates objectives regarding the level and structure of the public debt, as well as to regulate specific processes that include the analysis of technical areas in relation to the cost-risk of this type of transactions and the sustainability of the debt to be arranged.

6. AUDITEE'S COMMENTS

The draft report was sent to the Ministry of Economy and the BCRA for their comments. No observations were made by any of the agencies with respect to the contents of the report; therefore, the findings are considered validated.



7. CONCLUSIONS

Non-compliance with regulations, lack of involvement of critical areas, lack of timely and effective technical evaluations, as well as the quality of advice, affected the proper management of operational and financial risks related to the process of design, negotiation, authorization, signing, management of resources, and accountability. Consequently, there is evidence of the auditee's discretionality in decision making, without the necessary information regarding the cost and risk assumed, impacting the effectiveness and efficiency of debt management, as well as public debt solvency and sustainability.

Effectiveness

The Auditee self-defined the steps to be followed in the signing of the Arrangement, failing to comply with Resolution MEyFP 108/09, which defines the process applicable to transactions with multilateral organizations.

The PTN National Treasury Attorney's Office is the highest advisory body of the National Executive Branch in matters of economic importance and significance. However, and in spite of the relevance of its involvement, it was not requested by the Auditee. This resulted in the absence of an opinion that could have allowed to forewarn about the scope of the regulations and to specify the necessary legal instruments, by considering the entire applicable regulatory plexus.

Along the same lines, the lack of effective and timely legal advice within the MH affected the mitigation of regulatory risks for decision making that could impact the validity of the act: the participation of the legal services after the signing of the June Arrangement and simultaneously with that of October; the absence of minimum requirements on the analysis which the opinions must meet, and the use of non-current

³⁰⁹ By NO-2023-47551136-APN-SLYA#MEC of 27/Apr/23, in response to Note AGN 743/22, it indicated that the areas of the SH "(...) have responded to the requirements formulated by said agency, which are mentioned below, not having in this instance anything more to add (...)". They detail a list of administrative files that correspond to the pertinent responses given to Notes AGN 33/21, 664/21, 665/21, 609/21, AGN 610/21, 668/21, 676/20, and opening note.

The BCRA replied by means of Presidential Note No. 30, stating that "In view of the fact that the Banco Central de la República Argentina duly responded to the informative requirements of the Auditoría General de la Nación in this regard, this Office has no observations to make".



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regulations on the competence of the MH to sign the SBA, meant the absence of elements to take an informed decision on legal matters and subsequent defects in competence and regulatory non-compliance.

Likewise, effectiveness was impaired due to defects or gaps in the management process, since the auditee did not effectively comply with the regulations.

This is what happened with the non-compliance with the legal framework of public credit when the MF did not take action in the negotiation and signing of the SBA, since this was not authorized or signed by the competent authority and the operation was carried out without complying with the LAF (Law 24,156 of Financial Administration and Control Systems of the National Public Sector) with respect to the exercise of OCSAF's function and without the essential requirement of competence established by Law 19,549.

It is also so when the process deviated from the healthy practice of transparency, maximum disclosure and accessibility to the terms and conditions of the borrowing (difficulties to know the financial conditions of the Arrangement, multiplicity of versions and their lack of publication), in addition to the non-compliance with the regulations related to translations and the exposure of sensitive information.

In addition, the lack of processes to implement the MH-BCRA Agreement affected compliance with the commitments assumed regarding the traceability of funds and accountability (the MH did not submit to the IMF the reports stipulated in said Agreement on the use of funds from the loan).

At the same time, the integrity of the information through which the auditee discloses the application of funds is impaired by inconsistencies affecting traceability, which has a negative impact on the rendering of accounts. This is aggravated by the fact that in the addendum to the Agreement the commitment to provide traceability to the funds is missing.

Finally, the late implementation of measures aimed at restricting capital movements had an impact on the effectiveness to prevent the Fund's resources from being used to face a significant or sustained capital outflow, which was contrary to the provisions of the IMF's Articles of Agreement.



Efficiency

The non-compliance with Res. MEyFP 108/09 affected a sound administration as it did not ensure the involvement of the corresponding areas as per the subject matters and functions assigned, or whose participation in the process would have been desirable due to their specific function (as in the case of the PTN).

Failure of the MF to participate in the negotiation and signing of the SBA resulted in the lack of participation of the critical technical areas -particularly, of the middle office areas- with normatively assigned competence in matters of indebtedness or relations with International Financial Institutions (in both legal and financial terms). This implied the absence of analysis of financial costs and risks, as well as of solvency and sustainability. In particular, the analysis of the impact on the balance of payments by the BCRA was omitted, in violation of Section 61 of the LAF). All this affected efficiency by not weighing the best debt alternatives within the framework of a debt strategy in terms of best practices (which was also non-existent), and contributed to the adverse impact of the SBA on the debt structure and its sustainability.

The lack of intervention of the JGM (Office of the Chief of the Ministers Cabinet), competent by virtue of its specific role as interjurisdictional coordinator³¹⁰, affected coordination and communication among ministries and areas with respect to the priorities established within the framework of their competences. Given the magnitude and complexity of the SBA, the technical evaluation and supervision by the JGM should have contributed to the efficiency of the operation.

Also, the split of the ministries disrupted the monitoring and evaluation of internal control, as it meant that the IAU (Internal Audit Unit) did not become involved (at the time of the signing, the MF -with competence in public credit matters- did not have an IAU and the collaboration of the IAU of the MH, which was in effect at the time, was not requested).

³¹⁰ Pursuant to DNU 513/17 amending the Law on Ministries, and Res. MEyFP 108/09.



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Therefore, the signing of the Stand-By Arrangement did not comply with the framework of processes and procedures that ensure efficiency and effectiveness in debt management, resulting in legal noncompliance, affecting prudence in debt management, impairing the adequate financing supervision, and adversely impacting the solvency and sustainability of the public debt.

Buenos Aires, May 8, 2023

**BENEDETTO,
Sabrina Milagros**

(Digitally signed by
BENEDETTO Sabrina Milagros)
Date: 08 May 2023
16:12:16 -03'00'

Lic. Sabrina M. Benedett
Supervisor

**ZANABRIA,
Miguel Angel**

(Digitally signed by
ZANABRIA, Miguel Angel)

Miguel A. Zanabria
Head of DCOCPyS
(Department of Control of Public
Credit Operations and Sustainability)

**CAMPORA,
Carlos Santiago**

(Digitally signed by
CAMPORA, Carlos Santiago)

Lic. Santiago Cámpora
Public Debt Control
Manager



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EXHIBIT 1 - Process of SBA issuance at MECON

The study determined the sequence of the process carried out for the issuance of the SBA and its addenda within the Ministry of the Treasury (MH).

File EX-2018-29772791- -APN-DGD#MHA contains information referred to the issuance of the arrangement signed on 18/Jun/2018. File EX-2018-52368222- - APN-DGD#MHA contains documentation referred to the amendments made on 17/Oct/2018, 7/Dec/2018, 13/Dec/2018, 25/Mar/2018 and 3/Jul/2019.

Pursuant to the foregoing, the processes carried out for the signing of the SBA and its addenda are detailed below.

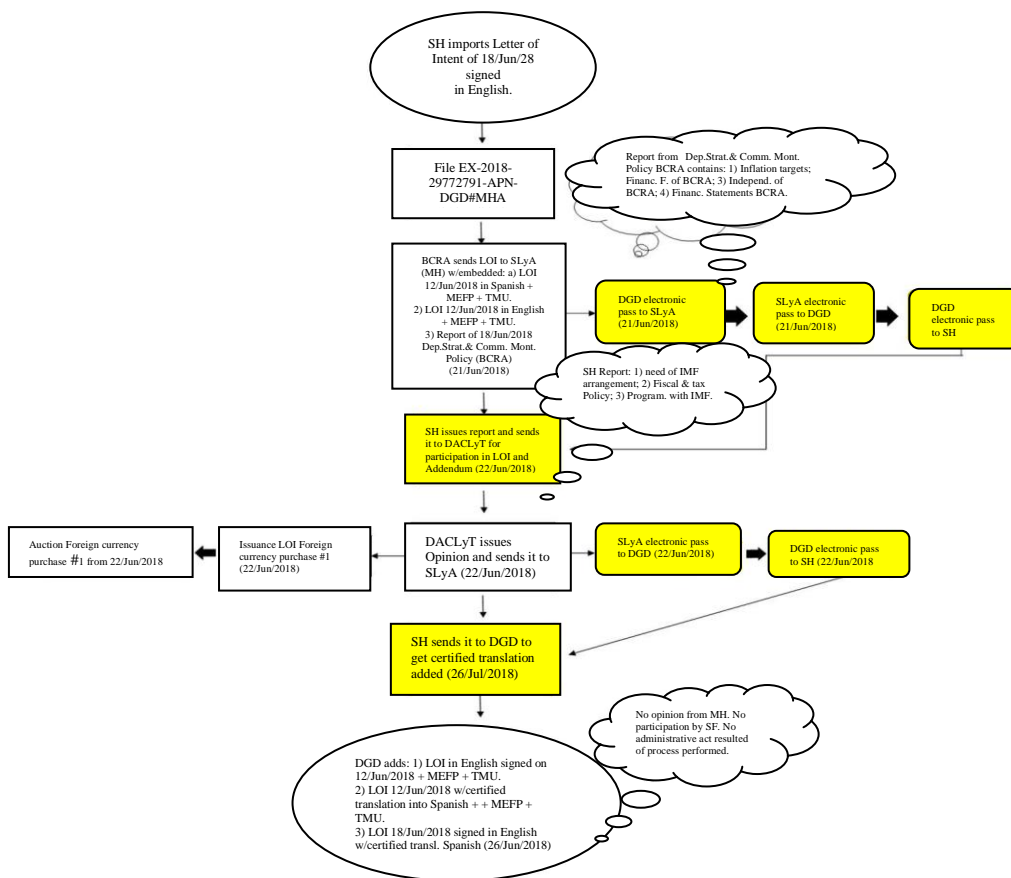


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a) Letter of Intent dated 18 June 2018

Table No. 39

Issuance process for the SBA dated 18/Jun/2018



Note: Actions taken by personnel who are not in charge of the area are highlighted in yellow.

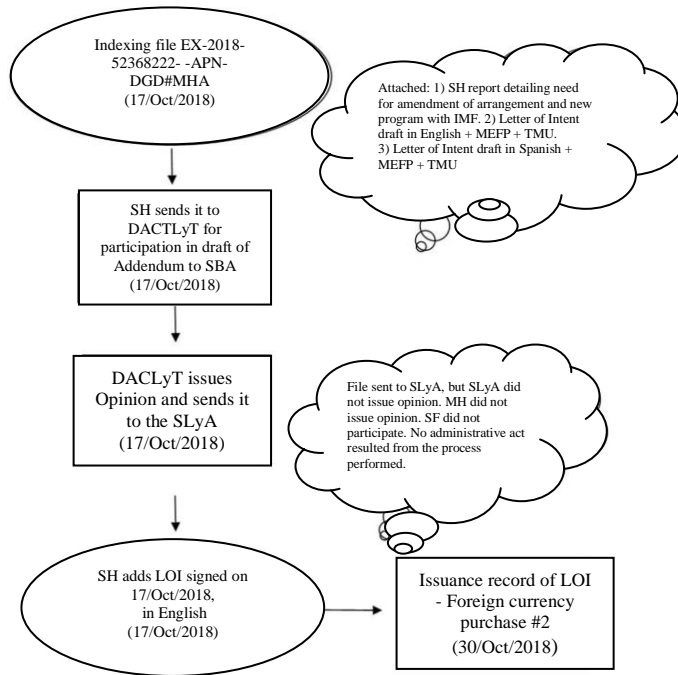
Source: Compilation based on file EX-2018-29772791- -APN-DGD#MHA.



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b) Letter of Intent dated 17 October 2018

Table No. 40

Issuance process for the Addendum dated 17/Oct/2018



Source: Compilation based on File EX-2018-52368222-APN-DGD#MHA

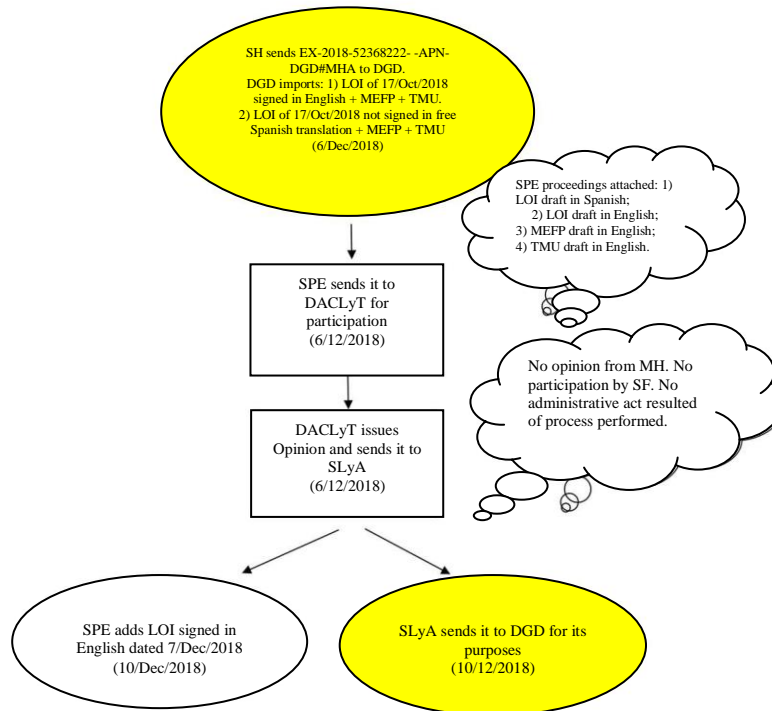


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c) Letter of Intent dated 7 December 2018

Table No. 41

Issuance process for the Addendum dated 7/Dec/2018



Note: Actions taken by personnel who are not in charge of the area are highlighted in yellow.

Source: Compilation based on file EX-2018-52368222 - -APN-DGD#MHA.

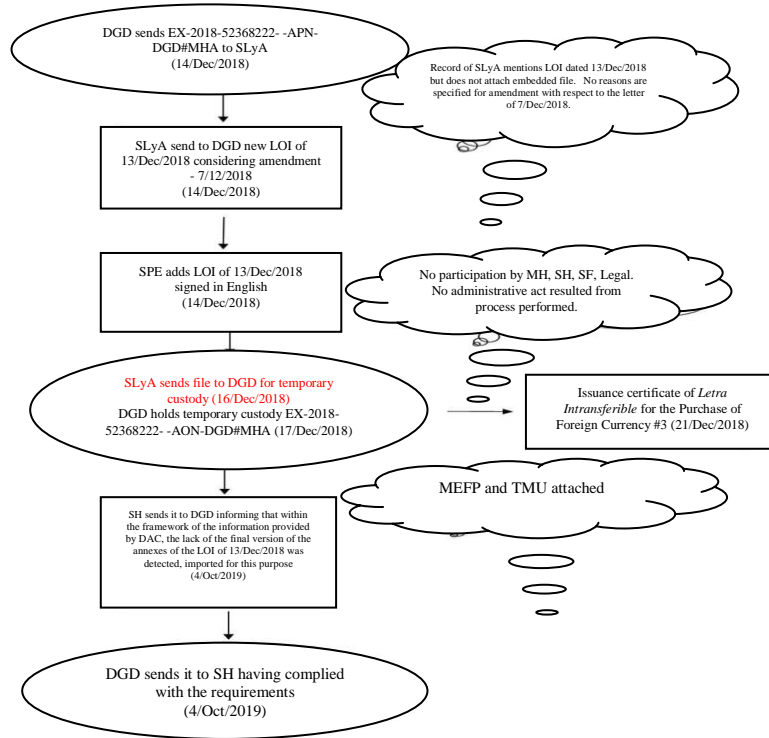


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d) Letter of Intent dated 13 December 2018

Table No. 42

Issuance process for Addendum 13/Dec/2018



Note: Actions taken by personnel who are not in charge of the area are highlighted in yellow.

Source: Compilation based on file EX-2018-52368222 -APN-DGD#MHA.

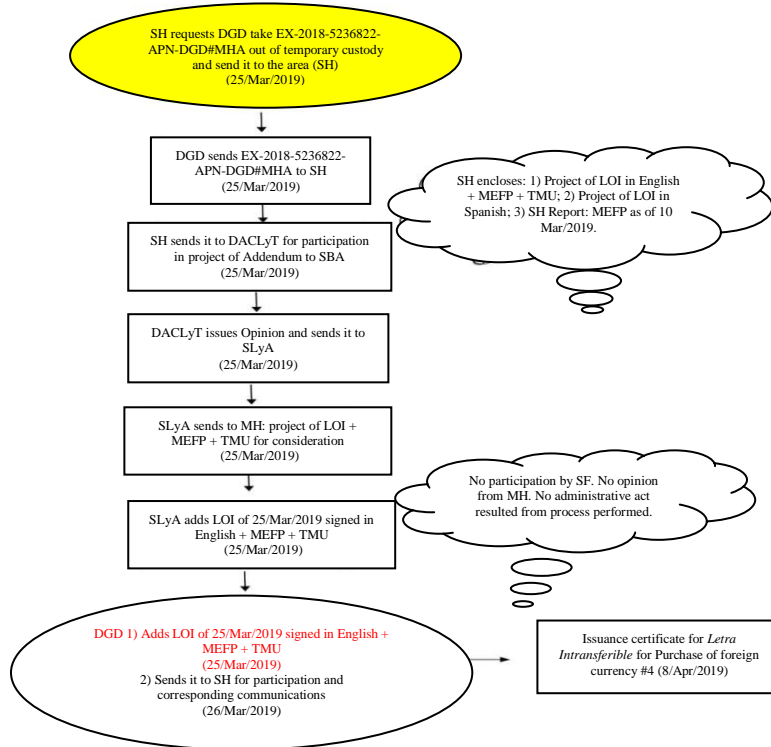


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e) Letter of Intent dated 25 March 2019

Table No. 43

Issuance process for Addendum dated 25/Mar/2019



Note: Actions taken by personnel who are not in charge of the area are highlighted in yellow.

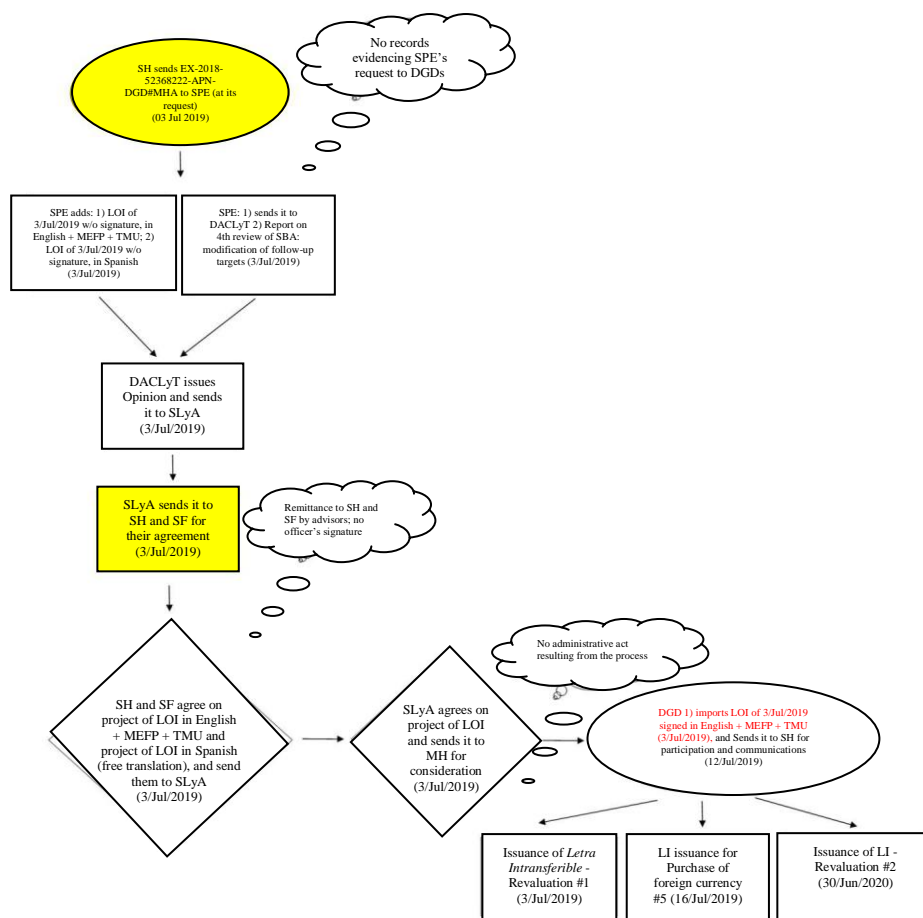
Source: Compilation based on file EX-2018-52368222- -APN-DGD#MHA.



f) Letter of Intent dated 3 July 2019

Table No. 44

Issuance process for Addendum dated 3/Jul/2019



Source: Compilation based on file EX-2018-52368222- -APN-DGD#MHA.



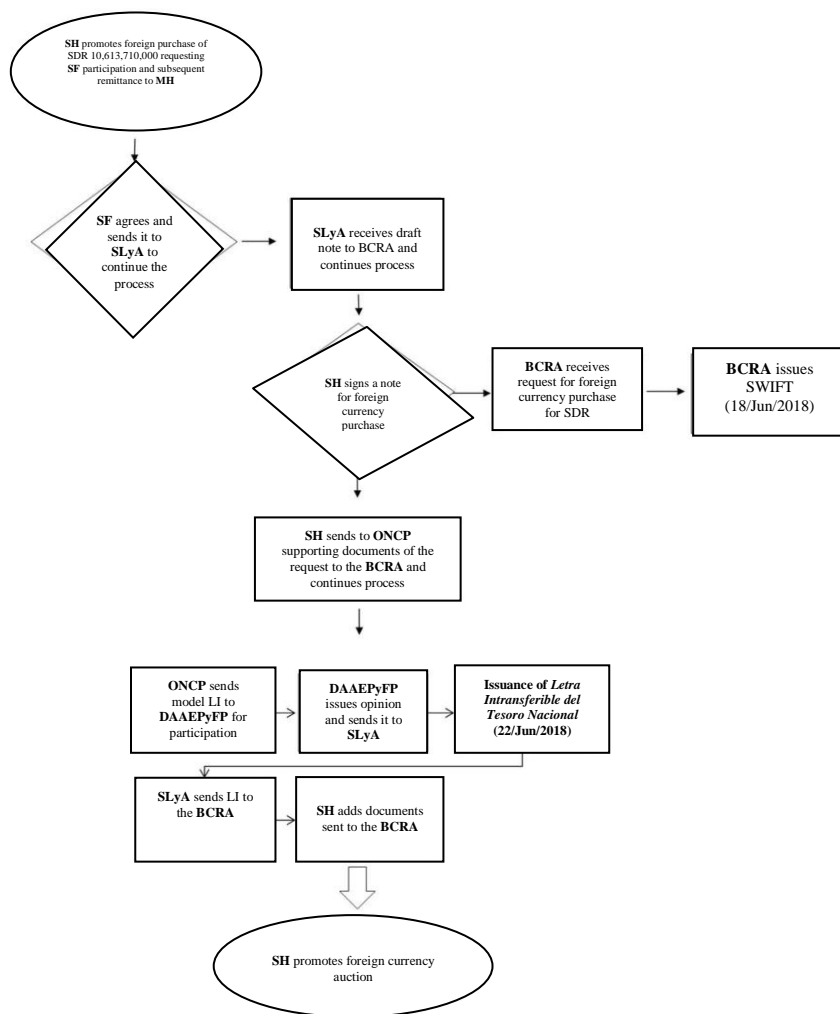
EXHIBIT 2 - Actual process performed by auditee for foreign currency purchase

The files forwarded by the MH were analyzed to determine the actual foreign currency purchase process.

File EX-2018-54074016-APN-DGD#MHA covers four foreign currency purchases (purchases 2 to 5).

The following is a detail of the circuits performed for the aforementioned transactions. Foreign currency purchase 1 was made for SDR 10,613,710,000. The *Letra Intransferible* was issued on 22/Jun/2018.

Table No. 45
Flowchart for Foreign Currency Purchase 1



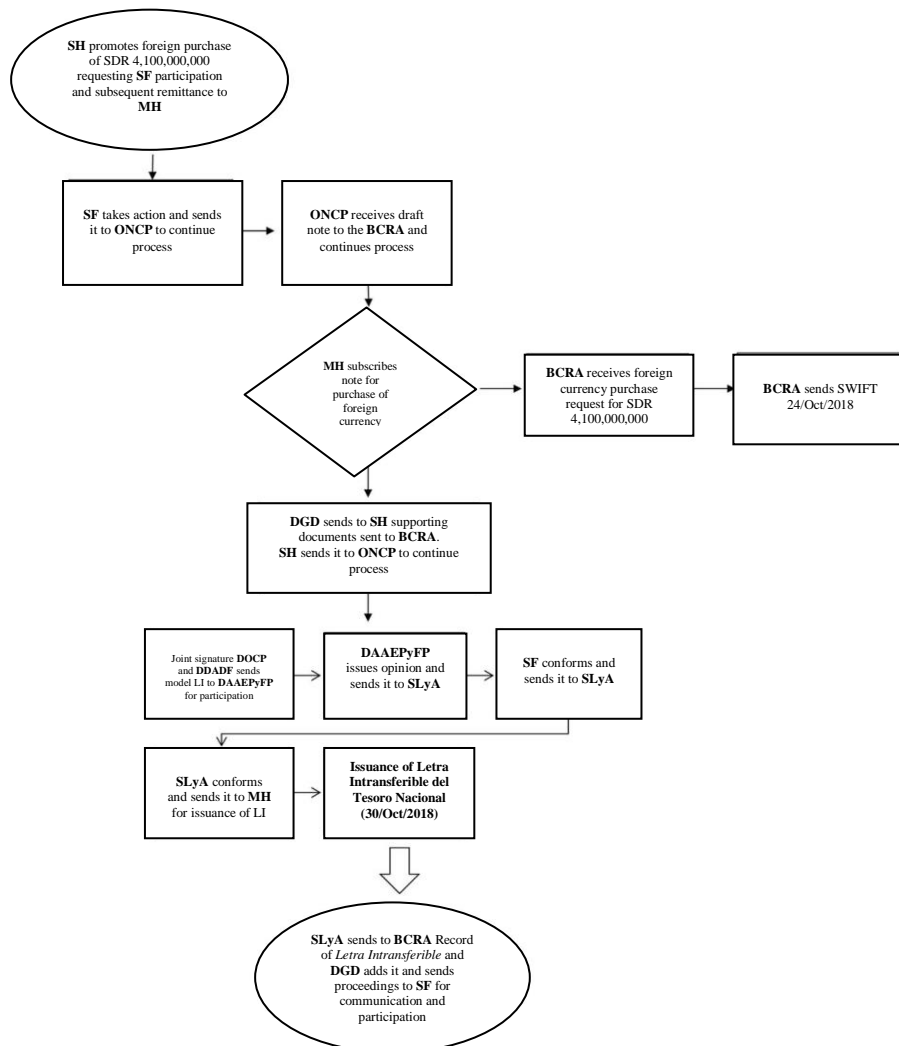
Source: Compilation based on files EX-2018-29237799-APN-DGD#MHA and EX-2018- 29238098-APN-DGD#MHA



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Foreign currency purchase 2 was made for SDR 4,100,000,000. The *Letra Intransferible* was issued on 30/Oct/2018.

Cuadro N° 46
Flowchart for Foreign Currency Purchase 2

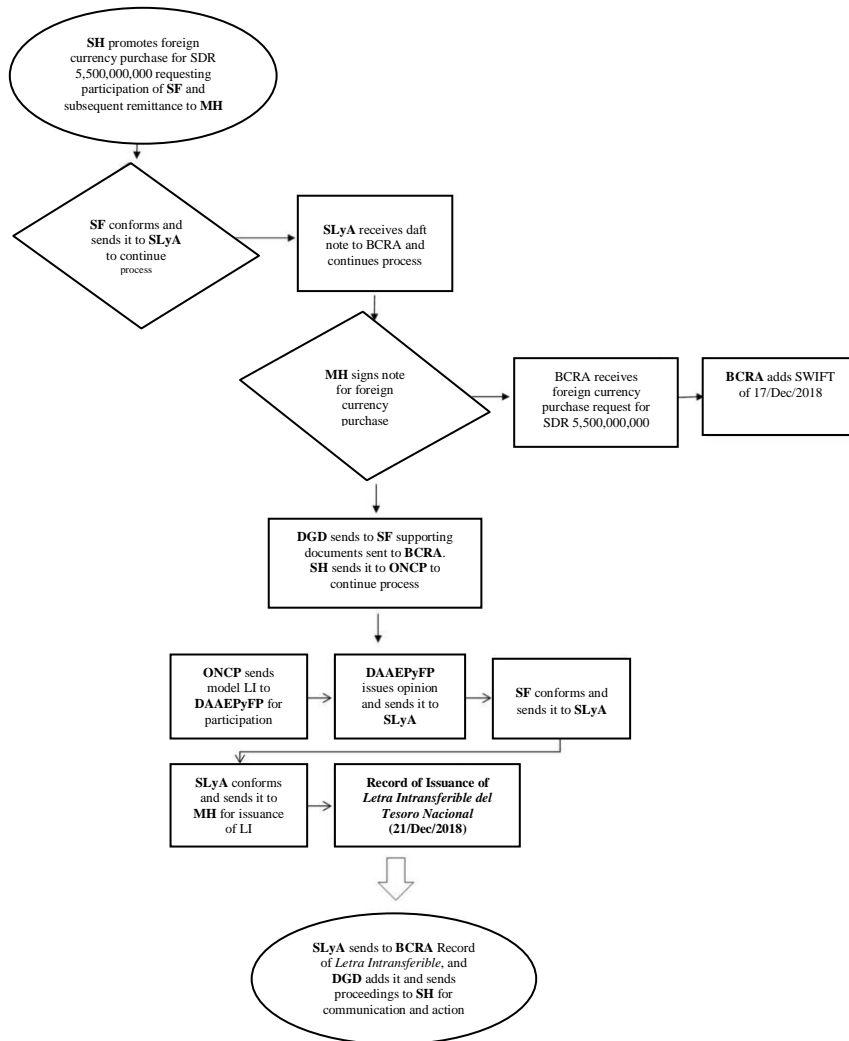


Source: Compilation based on file EX-2018-54074016-APN-DGD#MHA.



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Table No. 4187
Flowchart for Foreign Currency Purchase 3



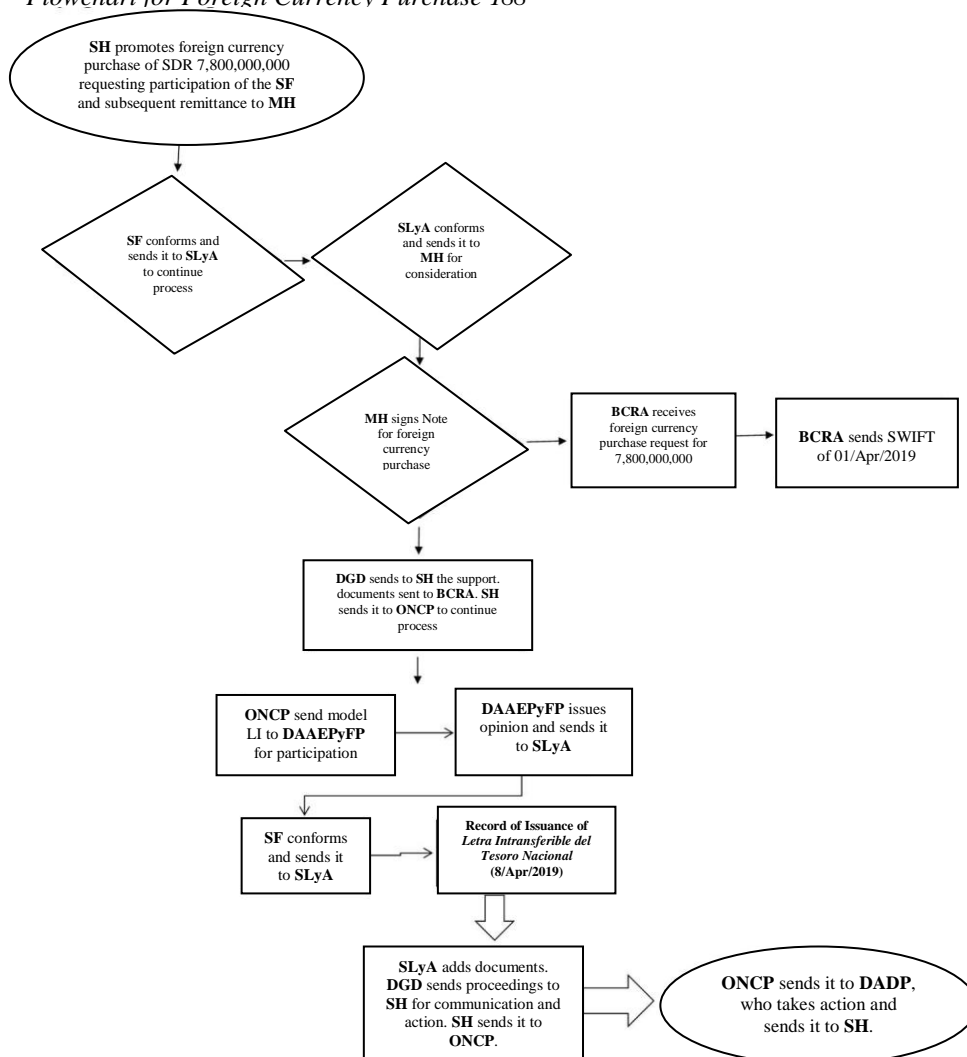
Source: Compilation based on file EX-2018-54074016-APN-DGD#MHA.

Foreign currency purchase 3 was made for SDR 5.500.000.000. The Letra Intransferible was issued on 21/Dec/2018.



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Cuadro N° 4188
Flowchart for Foreign Currency Purchase 188



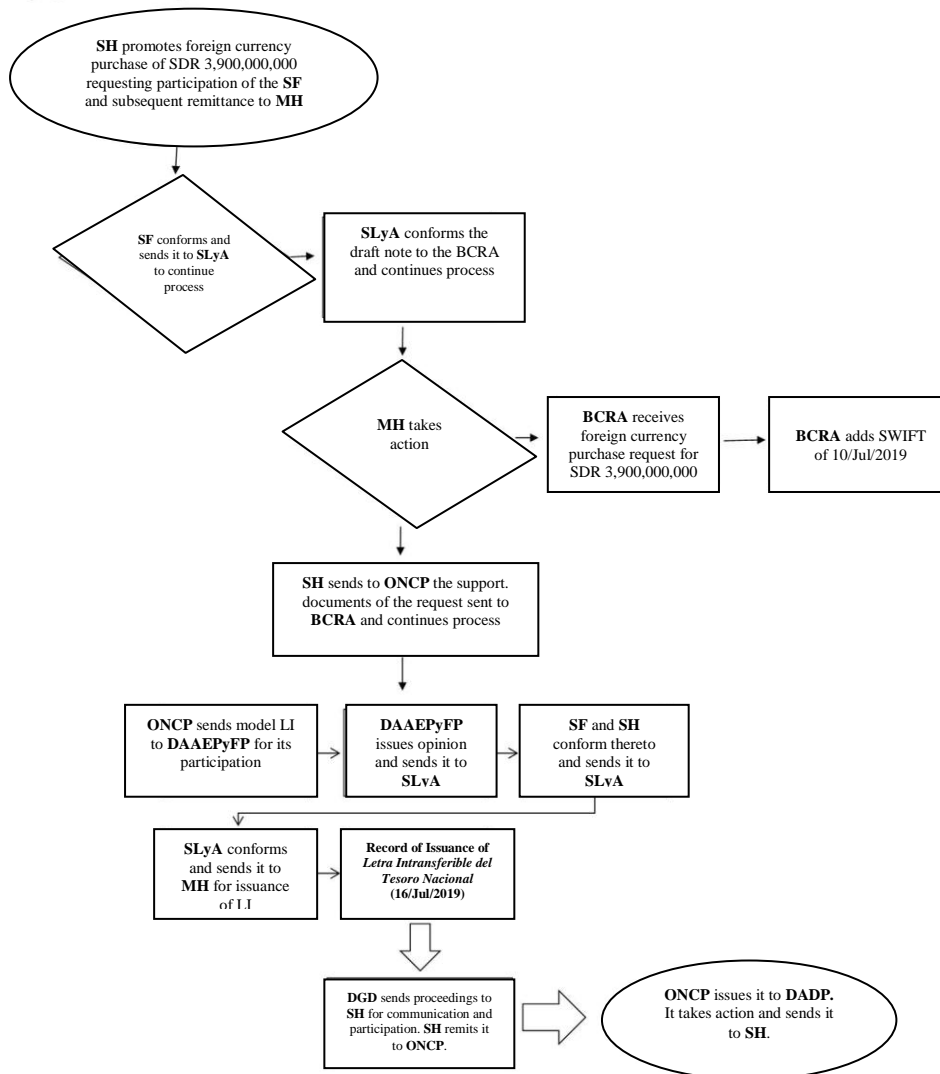
Source: Compilation based on file EX-2018-54074016-APN-DGD#MHA.

Foreign currency purchase 4 was made for SDR 7,800,000,000. The *Letra Intransferible* was issued on 8/Apr/2019.



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Cuadro N° 4189
Flowchart for Foreign Currency Purchase 189



Source: Compilation based on files EX-2018-54074016-APN-DGD#MHA.

Foreign currency purchase 5 was made for SDR 3,900,000,000,000 and the *Letra Intransferible* was issued on 16/Jul/2019.



EXHIBIT 3 - Issues set forth in the MH-BCRA Agreement and its Addendum

Below is a comparative table of the issues of the agreement and the addendum:

Table No. 50

MH - BCRA Agreement

	ITEM	AGREEMENT	ADDENDUM
ART.		19 June 2018	5 November 2018
1	1	When the MH may require a foreign currency purchase under the SBA, it must notify the BCRA no less than three (3) business days prior to the date set for the purchase. The BCRA shall send a purchase request to the IMF within the immediately following business day.	When the MH may require a foreign currency purchase under the SBA, it must notify the BCRA at least three (3) business days prior to the date set for the purchase. The BCRA shall send a purchase request to the IMF within the immediately following business day.
	2	All purchases of foreign currency from the IMF shall be deposited in BCRA accounts with the IMF and invested in accordance with the provisions of the legal and regulatory framework established for the administration of the BCRA's reserves.	All purchases of foreign currency from the IMF shall be deposited in BCRA accounts with the IMF and invested in accordance with the provisions of the legal and regulatory framework established for the administration of the BCRA's reserves.
	3	The MH shall independently determine the foreign currency composition of each purchase from the IMF, in accordance with IMF rules and established practices. The BCRA, as financial agent of the National Government before the IMF, shall identify in the purchase request to the IMF, the accounts of the MH at the BCRA to which the amounts purchased shall be credited.	The MH shall independently determine the foreign currency composition of each purchase from the IMF, in accordance with IMF rules and established practices. The BCRA, as financial agent of the National Government before the IMF, shall identify in the purchase request to the IMF, the accounts of the MH at the BCRA to which the amounts purchased shall be credited. The MH and the BCRA may agree upon the terms for its implementation, taking into account the market conditions to carry out eventual conversions between currencies.



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4	<p>For as long as they are not used by the MH, purchases from the IMF shall be held in the accounts of the MH with the BCRA. The MH shall keep all foreign currency amounts on deposit with the BCRA. The transfer of foreign currency deposits from the MH's account at the BCRA shall only be made for (i) immediate payments denominated in foreign currency for budgetary financing purposes; or (ii) the conversion into pesos of all or part of the foreign currency amounts through pre-announced auctions according to a schedule agreed between the MH and the BCRA. The pesos obtained from the auctions shall be deposited in the MH's account at the BCRA.</p>	<p>For as long as they are not used by the MH, purchases from the IMF shall be held in the MH's foreign currency accounts with the BCRA. The HM shall keep all foreign currency amounts on deposit with the BCRA.</p> <p>a) The transfer of foreign currency deposits from the account of the MH with the BCRA shall only be made for immediate payments denominated in foreign currency or for the conversion into pesos of all or part of the amounts in foreign currency for budgetary financing purposes.</p> <p>b) Exchange regulation interventions shall be carried out only by the BCRA. To date, IMF disbursements are not expected to be used for foreign currency sales during the remainder of 2018. This will be discussed again in the second review of the SBA. The transfer of pesos from the MH account at the BCRA shall only be made for the immediate payment in pesos for budgetary purposes.</p>
5	<p>Transfer of pesos from the MH's account at the BCRA shall only be for immediate payment in pesos for budgetary purposes, or for the foreign currency purchase to be used to cancel payments denominated in foreign currency for budgetary purposes. Foreign currency amounts received from such purchases shall be deposited in the MH's account at the BCRA while pending their use to cancel the aforementioned payments. The MH shall not use the aforementioned funds for cash management purposes.</p>	<p>An incremental adjustment factor shall be applied to the floor of Net International Reserves ("NIR") to the extent that accumulated foreign currency debt issuance exceeds that expected in the program's baseline. These resources, which exceed the expected baseline, shall be kept at the BCRA.</p>
6	<p>The BCRA (on behalf of the MH) shall conduct all foreign currency transactions related to the purchase and repurchase of IMF assistance in the electronic market through the SIOPEL platform. The MH shall provide details of any foreign currency transactions to the IMF on a daily basis and shall report full traceability in relation to associated peso budget expenditures as soon as possible.</p>	<p>The MH shall provide the IMF with a weekly analysis of the use of budgetary assistance provided by the IMF under this Memorandum of Understanding.</p>
7	<p>The BCRA, acting as the financial agent of the National Government, shall announce a foreign currency sales program. The sales shall be conducted through variable rate auctions at a fixed time during the day. The operational details of the auction shall be published by the BCRA on its website. The results of each auction, including weighted average rate of the awarded bids, marginal rate, total amount offered, and final allocation, shall be published on the BCRA's website 45 (forty-five) minutes after the end of each auction.</p>	



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2	1	For the IMF's holdings in pesos, subject to charges, resulting from foreign exchange purchases under the SBA, the MH, on behalf of the Republic of Argentina, shall issue a non-negotiable, non-interest bearing, non-transferable demand bill of exchange in pesos (<i>Letra Intransferible</i>) in favor of the IMF.	
	2	The <i>Letra Intransferible</i> shall be adjusted to reflect changes in the level of the IMF's holdings of pesos subject to charges, particularly as a result of purchases and repurchases, in a manner reflecting the maintenance of the adjusted values, in accordance with the IMF's rules relating to such adjustments. The BCRA shall inform the MH when such changes are necessary and shall provide the IMF with a signed copy of the amended <i>Letra Intransferible</i> .	
	3	The <i>Letra Intransferible</i> , as modified by the MH over the course of the arrangement, shall be deposited with the BCRA in the name of the IMF, and the IMF's Securities Accounts shall be credited accordingly.	
3	1	The amounts received from the IMF under the SBA represent a debt of the Republic of Argentina. Repurchases and all costs associated with the amounts obtained from the IMF, including availability of funds fees, interest and other charges, shall be the responsibility of the MH. All payments shall be made by the BCRA, following instructions from the MH, as financial agent of the Republic of Argentina in accordance with the IMF's payment schedule and procedures.	
	2	Within 2 (two) business days prior to each scheduled payment date, the MH shall instruct the BCRA to proceed with the payment of the corresponding amounts with the funds available in the designated accounts.	
	3	The MH shall assume the exchange rate differences that may arise from the transaction, in such a way that the payment be made without representing a financial cost for the BCRA.	
4	-	This agreement, which may be amended in writing by mutual agreement of the Parties, shall remain in effect until all foreign exchange purchases under the SBA are fully repaid.	

Source: MH-BCRA Agreement



ANEXO 4 - Functions of critical areas

Table No. 51

Critical areas functions detected as corresponding to the FM

Area	Agency	Regulations	Responsibility	Participated in the actual process
Financial Areas				
SF	MF	Decree 174/2018, Section 2, Annex II	<p>1. Engage in the execution of the policies and measures related to the credit aspects of the financial policy and the external and internal indebtedness of the Republic of Argentina, participating in the negotiations inherent to the subject with national, foreign, public and private financial entities and the International Monetary Fund (IMF), and taking charge of the relations with the international financial community and the coordination of the representations abroad.</p> <p>2. Design actions aimed at preserving public credit.</p> <p>3. Coordinate the preparation of budget projections of public financing and monitoring thereof.</p> <p>4. Manage and supervise the Public Credit System and coordinate the administration of the public debt.</p> <p>6. Engage in the relations, negotiations and representation of the country with the international financial credit organizations of which the Nation is a member, in those aspects related to the general and particular policies of such organizations and the loans from them.</p> <p>7. Engage in all matters related to the relations and negotiations with the international, bilateral and multilateral financial credit organizations for the development, updating and maintenance of the information systems aimed at optimizing the execution of the programs with such organizations.</p>	Yes
SSRFI	SF	Decree 174/2018, Section 2, Annex II	<p>Advise in the negotiations and in the representation of the country before the international financial credit organizations of which the Nation is a member, in all aspects that make the general and particular policies of such organizations and in the loans granted by them.</p> <p>Coordinate all matters related to the relations and negotiations with the international, bilateral and multilateral financial credit organizations.</p> <p>Engage in the development, updating and maintenance of the information systems designed to optimize the execution of programs with international financial lending organizations.</p> <p>Engage in the programming, formulation, negotiation and management of the loan portfolio with international, multilateral, bilateral and regional lending agencies, and in the review of existing portfolio transactions.</p> <p>Supervise the administration of programs and projects with external financing of the National Public Sector and to monitor, evaluate and control them.</p>	No
DNFOIC	SSRFI	DA 309/18 Section 1, Annex II	<p>Primary responsibility: to assist the Undersecretariat for International Financial Relations in the programming, management and negotiation with international financial credit organizations, for the loans and donations granted by them, as well as in the supervision of the administration of the programs under implementation, their monitoring, control and evaluation.</p>	No



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			<p>Assist in the coordination of institutional relations with international financial organizations, in all aspects related to the general and specific policies of such organizations and the loans granted by them.</p> <p>Assist in the coordination of the Ministry of Finance's negotiations with international financial organizations, implementing the policy objectives with the Argentine representations before them.</p> <p>Assist in the programming of the loan portfolio with international financial organizations, proposing the allocation of resources within the programs and/or projects; and to periodically review the portfolio and to monitor its evolution.</p> <p>Prepare the projections that allow incorporating to the National Budget the transactions under its competence.</p> <p>Coordinate, within the scope of the Ministry of Finance, the processing of actions related to the approval and signing of Loan Agreements, Donation Agreements and Non-Reimbursable Technical Cooperation, with international credit organizations.</p>	
DNEF	SF	DA 309/18 Section 1, Annex II	<p>Primary responsibility: to participate in the financial programming of the National Public Sector and to participate in the definition of the strategies for its execution.</p> <p>Plan the financing strategies of the National Treasury.</p> <p>Directing the preparation of projections of uses and financial sources of the National Treasury for the elaboration of the financing strategy</p> <p>To take part in the preparation of the analysis of medium and long term sustainability of the public debt.</p>	Vacant
ONCP	SF	DA 309/18 Section 1 Annex II	<p>Primary responsibility: to program, execute and control the public credit operations of the National Public Sector. Manage and record the public debt. Participate in the financial programming of the National Public Sector.</p> <p>Perform the analysis of the financial risks of the National Treasury's Public Debt liabilities and participate in the proposals for their management.</p>	No
DPIF	ONCP	DA 309/18 Section 2, Annex IV	<p>Participate in the preparation of public debt sustainability analyses</p> <p>Participate in the preparation of projections of uses and financial sources of the National Treasury for the purpose of drawing up the financial program for the fiscal year.</p> <p>Directing the preparation of reports and statistics on the public debt and the financial program with a view to their dissemination.</p>	No
CARyPF	DPIF	DA 309/18 Sec. 2, Annex IV	<p>Prepare performance indicators of the variables that influence the financial position of the Republic of Argentina.</p> <p>Prepare public debt risk indicators.</p> <p>Assist in the preparation of proposals for National Treasury financing strategies.</p> <p>Assist in the preparation of projections of the public debt financial performance.</p> <p>Participate in the identification of risks involved in liability management proposals.</p>	Vacant between 1 Oct 2018 and 30Apr 2019



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DAF	ONCP	DA 309/18 Sec. 2, Annex IV	Participate in the financial analysis of the National Treasury's financing strategies.	No
			Carry out the financial evaluation of the financing proposals addressed to the National Treasury and participate in the negotiation of public credit operations meant to finance the National Treasury as regards their financial aspects.	
DOCP	ONCP	DA 309/18 Sec. 2, Annex IV	Participate in the elaboration of proposals for the National Treasury financing strategies.	Vacant
			Design and implement methods and procedures for the structuring of public credit transactions and assist in the negotiation of public credit transactions of the National Treasury.	
			Participate in the formulation of proposals for liability management transactions of the National Treasury and implement those proposed to be carried out.	
			Assist the Director of Financing Analysis in the analysis of financing proposals for investment projects.	
Legal Areas				
SSALyR	SLyA	Dec. 174/2018, Sec. 2, Annex I	Advise on the legal analysis of contracts to be entered into with international, bilateral and multilateral financial credit organizations and private investors.	No
			Assist in the analysis of the legal aspects of actions directed at preserving public credit.	
			Participate in and advise on the legal aspects of international financial negotiations.	
DALI	SSALyR	DA 309/18 Sec. 2, Annex IV	Assisting in the analysis of the juridical and legal aspects of international financial negotiations and in the legal analysis of contracts entered into with international financial credit organizations that fall under the ministerial jurisdiction, be they bilateral or multilateral.	Vacant
SLyA	MF	Decree 174/2018, Sec. 2, Annex II	Participate in the aspects within its competence in contracts entered into with international, bilateral and multilateral financial credit organizations and with private investors.	No
DGAJ	SLyA	DA 309/18 Sec. 1, Annex II	Primary responsibility: to deal with all legal matters within the ministerial competence, in order to promote the improvement of legal and regulatory provisions; to take part in the analysis of preliminary drafts of economic-financial legislation and in the review and compatibilization of economic-financial legislation measures originating in other agencies.	Vacant and abolished by DA 8 of 4/Jan/2019
			Participate in the legal and juridical aspects of all national and international economic-financial negotiations, whether bilateral or multilateral, within the ministerial scope.	

- References:
- CARyPF: Coordination of Risk Analysis and Financial Programming
 - DAF: Office of Financing Analysis
 - DALI: International Legal Affairs Department
 - DGAJ: Department of Legal Affairs
 - DNEF: National Office of Financing Strategy
 - DNFOIC: National Office of Financing from International Financial Organizations
 - DOCP: Office of Public Credit Operations
 - DPIF: Programming and Financial Information Department
 - MF: Ministry of Finance
 - SF: Secretariat of Finance
 - ONCP: National Office of Public Credit
 - SLyA: Legal and Administrative Secretariat
 - SSALyR: Undersecretariat of Legal and Regulatory Affairs
 - SSRFI: Undersecretariat for International Financial Relations

Source: Compilation based on regulations and NO-2021-90300089-APN-SLYA#MEC in response to Note AGN 665/21 A-05



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EXHIBIT 5 – CAF: Uncommitted Contingent Credit Line Agreement

Decree 764/18 (Annex 2) approved the model loan agreement for a Contingent Credit Line (CCL) between CAF and Argentina³¹¹ "to support the public debt management strategy through a preventive financing instrument that provides financial resources to the Republic of Argentina in case it does not have competitive access to international capital markets"³¹², where it was specified that the funds "will be exclusively allocated to the financing of the following items under the Program: (i) budgetary support to the Borrower to strengthen its public debt management strategy -including multilateral debt- in the event of external shocks that, in CAF's opinion, may hinder competitive access to international capital markets under conditions consistent with its liability management strategies; and (ii) the Financing Fee and Loan Appraisal Costs"³¹³.

In addition, in a note from the then Minister of the Treasury to the CAF Director accepting the financing offer³¹⁴, it was stated that *"In this context, and in order to strengthen its economy, our country requests the Corporación Andina de Fomento (CAF) to activate a Contingent Credit Line (CCL) and, therefore, the signing of a sovereign loan agreement for the full amount of that line of US\$ 750,000,000, which will allow, together with the support of the International Monetary Fund (IMF), through the Stand-By Arrangement, to meet the Plan's objective. The funds from this sovereign loan will be used for the budgetary support of the National Government, with the purpose of strengthening its public debt management strategy -including multilateral debt- in order to guarantee a competitive access to international debt, and for the payment of the financing fee and the appraisal costs of this loan that would be entered into between the CAF and the Republic of Argentina under the CCL"* (emphasis added). This note warns that the CAF loan and the IMF loan would have been used to comply with the objective of a "plan", which is not explained in further detail.

³¹¹ This loan appears since fiscal year 2018 in Table 1-A of Insert II of the Investment Account, recorded with DMFAS 29964000. The authorization of the loan was provided for in DNU 1053/18.

³¹² The model Loan Agreement relates to the "financing program for the fiscal management of the years 2018 and 2019 of the Republic of Argentina under financial conditions similar to those observed in the international financial markets in the last quarter of 2017 and the first two-month period of 2018" (Special Conditions, Clause 1).

³¹³ Special Conditions, Clause 5.

³¹⁴ Note MHA 5/2018 of 13/Aug/2018, document imported through IF-2018-39099988-APN-DGD#MHA on file EX-2018-39223570- -APN-DGD#MHA.



In this case, it was verified that, even though it was not an investment project according to Law 24,354, Resolution MEyFP 108/09 was applied. In this context, the then Minister of the Treasury requested³¹⁵ the prioritization to process and negotiate the credit operation by attaching an executive summary³¹⁶ of the CCL in accordance with stage 1, step, 1 on obtaining the "Prior Opinion" provided for in such Resolution. Subsequently, it was verified the participation of the Office of the Chief of Cabinet of Ministers³¹⁷ in order to prioritize the program, granting the favorable opinion stipulated in stage 1, step 2, of the Resolution. The participation of substantial areas³¹⁸ was also verified, such as the technical opinions of the ONCP³¹⁹, BCRA³²⁰, and DNI³²¹, and the legal opinions³²² in relation to the draft decree and the validity and enforceability of the loan.

a) Information of Decree 764/18

Lender: Corporación Andina de Fomento (CAF). *Borrower:* Argentina.

Amount: US\$ 750,000,000.

Purpose: To finance: (i) budgetary support to the Government of Argentina to strengthen its public debt management strategy -including multilateral debt- in the event of external shocks that, in CAF's opinion, make it difficult for it to competitively access international capital markets under conditions consistent with its liability management strategies; and (ii) the financing fee and the appraisal costs of the Loan Agreements to be entered into with CAF under the CCL, through the execution of one (1) Loan Agreement, consisting of SIXTEEN (17) Clauses and that as Annex I (IF-2018-39953946-APN-SSRFI#MHA) is attached hereto an is part hereof.

³¹⁵ NO-2018-39093569-APN-MHA of 13/Aug/2018 on electronic file EX-2018-37763002- APN-DGD#MHA.

³¹⁶ Document imported through IF-2018-38924681-APN-SSRFI#MHA of 13/Aug/2018 on electronic file EX-2018-37763002-APN-DGD#MHA

³¹⁷ NO-2018-39307948-APN-JGM of 14/Aug/2018.

³¹⁸ On file EX-2018-39223570- -APN-DGD#MHA.

³¹⁹ IF-2018-35839504-APN-ONCP#MF of 26/Jul/2018.

³²⁰ NO-2018-00202976-GDEBCRA-GPANAC#BCRA of 14/Aug/2018.

³²¹ IF-2017-12020774-APN-DNI#MHA of 19/Jun/2017.

³²² IF-2018-39958573-APN-DACLTYT#MHA of 16/Aug/2018 and IF-2018-40239806-APN-DGAJ#SLYT of 17/Aug/2018 regarding the draft decree.

IF-2018-40235132-APN-DGDYD#SLYT of 17/Aug/2018 regarding the preparation of the draft decree.

IF-2018-40606873-APN-DACLTYT#MHA of 21/Aug/2018 regarding the Opinion according to clause 7.1, item (a), of the General Terms and Conditions applicable to Loan Agreements with CAF.



“Executing Agency” of the Financing Program: Ministry of the Treasury.

Signatories: MACRI - Marcos Peña - Nicolas Dujovne.

b) Uncommitted Contingent Credit Line Agreement (Annex I)

Uncommitted Contingent Credit Line for Argentina to support Argentina's public debt management strategy through a precautionary financing instrument to provide financial resources to the Republic of Argentina in the event that it does not have competitive access to international capital markets (the "Line" or "CCL")³²³.

Purpose of the loan: The funds of the Line will be used to finance: (i) budgetary support to the Government of Argentina to strengthen its public debt management strategy - including multilateral debt- in the event of external shocks that, in CAF's opinion, make it difficult for it to competitively access international capital markets under conditions consistent with its liability management strategies; and (ii) the financing fee and the appraisal costs of the Loan Agreements to be entered into with CAF under the CCL, (Clause III - Purpose of the Loan).

Term of the CCL: until 17/Jun/19 (Clause IV - Term of the Line).

c) Loan Agreement (Annex II)

³²³ "A credit line is a financial tool given to clients up to a certain limit that allows them **to request funding for various similar and independent projects** during the term thereof. The amount of the credit line and terms of each transaction will be established by CAF during the evaluation process. Credit Lines can be **short term (1 year)**, **medium term (from 1 to 5 years)** and, as an exception, **long term (more than 5 years)**. CAF may finance **sovereign** and **non-sovereign** operations. (...) Among the advantages of this financial tool is an exposure limit approved for financing one agreement having different eligible operations."

<https://www.caf.com/es/sobre-caf/que-hacemos/productos-y-servicios/lineas-de-credito/>



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Agreement: Special Conditions, General Conditions, and Annexes.

Program: the financing program for the fiscal management of the years 2018 and 2019 of the Republic of Argentina under financial conditions similar to those observed in the international financial markets in the last quarter of 2017 and the first two-month period of 2018 (Clause 1).

Amount: US\$ 750,000,000 (Clause 3)

Term: years + grace period: 18 months (Clause 4)

Interest – variable rate: LIBOR 6 months +1.55% (Clause 11). *Interest calculation basis:* current/360; the first day of each Interest Period will be included, but not the last day (General Conditions, Clause 9).

Default interest: highest LIBOR rate in effect for that period + the Margin + 2% (General Conditions, Clause 10.2). *Interest calculation basis:* current/360 (General Conditions, Clause 10.4).

Interest period: every 6 months. It begins on the day of the first disbursement (General Conditions, Clause 1). According to the Annual Rate of the DMFAS, it is paid on February 21 and August 21.

*Commitment fee*³²⁴: 0.35% per annum on undisbursed balances (Clause 12). *Financing Fee*³²⁵: 0.45% of the loan amount and only once (Clause 13). *Appraisal Costs*³²⁶: US\$ 25,000.

Application of Resources: The funds will be used exclusively to finance the following items under the Program: (i) budgetary support to the Borrower to strengthen its public debt management strategy -including multilateral debt- in the event of external shocks that, in CAF's opinion, make it difficult for it to competitively access international capital markets under conditions consistent with its liability management strategies; and (ii) the Financing Fee and the Loan Appraisal Costs (Clause 5).

³²⁴ "is the fee, as determined in the Special Conditions Clause captioned "*Commitment Fee*", payable by the Borrower to CAF for reserving the availability of the Loan (General Conditions, clause 1).

³²⁵ "is the fee, as determined in the Special Conditions Clause captioned "*Financing Fee*", that the Borrower must pay to CAF for the granting of the Loan" (General Conditions, clause 1).

³²⁶ "is the amount, as determined in the Special Conditions Clause captioned "*Appraisal Costs*", that the Borrower must pay to CAF for the appraisal of the Loan" (General Conditions, Clause 1).



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Executing Agency: Ministry of the Treasury (Clause 6).

Jurisdiction: The Parties submit to the jurisdiction of the Country and to any other jurisdiction that may be competent at CAF's discretion, whose judges and courts may hear any matter that does not fall within the exclusive jurisdiction of the Arbitration Court, in accordance with the provisions of the General Conditions (Clause 17.2).

Term: The term of the Loan shall commence on the date of signing by the parties (21/Aug/18 according to DMFAS) and shall terminate upon payment (Clause 19).

Conditions Precedent: Loan Disbursements shall be subject to the fulfillment, to CAF's satisfaction, of the following preconditions:

a) For the first Disbursement:

1. That CAF shall have received a legal report establishing -with an indication of the pertinent constitutional, legal, and statutory provisions- that the obligations undertaken by the Borrower in this Agreement, and those of the Guarantor in the Guarantee Agreement, if any, are valid and enforceable. Such report shall also cover any matter that CAF may deem pertinent;

2. That CAF has received payment of the Appraisal Costs and of the Financing Fee or, if applicable, that the Borrower has authorized CAF in writing to deduct such amounts from the first Disbursement;

3. That, if required in the Special Conditions, a Guarantee Agreement has entered into force and the obligations assumed by the Guarantor thereunder are valid and enforceable; and

4. Such others as may be established as such in the Special Conditions... (General Conditions, Clause 7).

Declaring the Loan to be overdue: 24.1 CAF shall have the right to declare the Loan to be past due in the following cases:



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- a) when any of the circumstances described in the Clause of these General Conditions under the heading "Suspension of Obligations on CAF" occurs, or when the situation described in paragraph a) of the Clause of these General Conditions under the heading "Suspension of Obligations due to Causes beyond the Parties' Control" occurs; or
- b) when the events of Force Majeure or Fortuitous Event referred to in paragraph b) of the Clause of these General Conditions headed "Suspension of Obligations due to Causes beyond the Parties' Control" continue for more than thirty (30) days, or when the consequences arising therefrom are not or cannot be remedied within such period of time.

24.2. The sole verification of the occurrence of one of these causes shall allow CAF to declare the Loan to be overdue without the need for any judicial or extrajudicial requirement, and the Borrower, or the Guarantor, if any, may not invoke arbitration in its favor. To that effect, CAF shall inform the Borrower and the Guarantor, if any, in writing, of such decision. In such cases, CAF shall be expressly entitled to request from the Borrower the immediate repayment of any amount due, together with interest, fees, expenses and charges, accrued up to the date on which payment is made, and to exercise its rights under the Guarantee Agreement, if any (General Conditions, Clause 24).

Increase in the Cost of the Program or Project, Additional Resources: If during the execution of the Program or Project, as the case may be, there is a change in the total cost thereof, either due to an increase in its costs or to modifications in its original scope, the Borrower undertakes to provide such additional resources as may be necessary to ensure the proper and timely execution of the Program or Project. Should this situation occur, the Borrower agrees to inform and provide CAF, as required, with the pertinent documentation (General Conditions, Clause 28).

d) Presentation atn the DMFAS

The CCL was registered under the DMFAS 29964000, with the name "10412 CAF LINEA DE CREDITO CONT". The amount of US\$ 750 million provided for in the approved agreement was disbursed during fiscal years 2018-2020 as evidenced from Tables 1-A of the CGN.



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The following table shows the income and amortization of such loan:

Table No. 52

Movements of DMFAS 29964000 during the 2018-2020 period.

In US\$

Year	Balance as of Dec. 31 of the previous year	Income	Amortizations	Balance as of December 31
2018	0.00	375,000,000.00	0.00	375,000,000.00
2019	375,000,000.00	320,000,000.00	0.00	695,000,000.00
2020	695,000,000.00	55,000,000.00	120,833,333.34	629,166,666.66
		750,000,000.00		

Source: Compilation based on Table 1-A of the Investment Account.

The authorization of the loan was contemplated in DNU 1053/18³²⁷ of November 15. According to the DMFAS amortization table, the first disbursement was on August 23, 2018 in the amount of US\$ 375,000,000³²⁸.

³²⁷ Official Gazette of 16/Nov/2018.

³²⁸ There were 3 disbursements recorded on that day for the following amounts in US\$: 371,600,000; 3,375,000; 25,000.



EXHIBIT 6 - Competence of the Governor of the BCRA

Regarding the competence of the Governor of the BCRA to sign the SB Arrangement as a starting point, it should be noted that the legal service did not issue an opinion on the competence of the officer to sign the first Arrangement. On the other hand, discrepancies were found between the information published about the beginning of the exercise of the position and the authorizing legislation. The latter shows that the appointment of the officer was made “in recess” (“*en comisión*”) for which reason, further investigation was made as to the nature of such appointment and whether it was finally approved by the Senate of the Nation, as required by the Charter of the BCRA³²⁹ (Section 7).

Regarding the discrepancy between the Decrees appointing the former Governor of the BCRA, the agency was asked to confirm whether the aforementioned officer did in fact begin the exercise of the position on the date reported on the BCRA website, i.e. June 14 and not June 18, and, if so, to provide documentation on the decisions taken by this officer from June 14 to June 18 and whether they were endorsed by the Bank's Board of Directors and other competent authorities. Furthermore, in view of the fact that the recess appointment (*nombramiento en comisión*) of the officer is stated in Presidential Decree 557/2018 as from 18/Jun/2018, it was requested to state, in case of confirming the exercise of the position as from 14/Jun/2018, whether the BCRA has any authorization from the Executive Power, a Board resolution, or similar, that would grant a waiver for the exercise of functions given the overlap of functions with the ministerial office³³⁰. The BCRA, through the Secretariat Management of the Board of Directors informed that "there is no additional information on file, regarding the Decrees 555/18 and 557/18 published in the Official Gazette on 18/Jun/2018, which are attached as annexes to the response to question 5 of the AGN's request for information". It also pointed out that the Communications and Community Relations Senior Management

³²⁹ **SECTION 7** — "The Governor, the Deputy Governor, and the members of the Board shall be appointed by the Argentine Executive with the Senate's consent; they shall serve for a term of six (6) years, and may be reappointed. The Executive may make provisional appointments pending the Senate's confirmation." (Recess Appointments, or "*Designaciones en comisión*").

The compensation payable to the President, Vice President and members of the Board shall be fixed in the Bank's budget." (Section replaced by Section 1 of [Decreto N° 1373/99](#) Official Gazette 29/Nov/1999).

³³⁰ Note AGN 607/21 A-05, item 4.



Office, as the area responsible for updating the information published on the Institution's website, was also involved, with no further specifications³³¹.

a) Opinion of the BCRA Legal Service regarding the competence of the Governor to sign the SB 1

Document IF-2018-00157147-GDEBCRA-GPEJ#BCRA dated 18 June 2018³³² (date of subscription of the second LOI) is the **opinion of the Main Office of Legal Studies**. Its purpose was to rule on the possibility of maintaining the **confidentiality of the market-sensitive information** identified in the file, as previously stated by the Operations Deputy General Management Office (order 10 IF-2018-00157087-GDEBCRA- SGO#BCRA) and the original request of the General Management.

After discussing issues related to Law 25,275 on Access to Public Information taking into account active and passive transparency³³³, it held that "it is held that as long as it is considered that the disruptions referred to by the Operations Deputy General Management Office jeopardize the proper functioning of the financial or banking system, the information concerned would fall under subsection b), Section 8, of Law 27,275, which must be decided by the Bank's Governorship. In addition, in consideration of the integrity of the information, the reservation must be specified in the publication".

It should be pointed out again that the date of this opinion is subsequent to the signing of the Letter of 12 June 2018 (whose related documentation seems to be analyzing), and of the same day of the signing of the second letter, of 18 June 2018, which date coincides with the date of acceptance of resignation and appointment of the BCRA's president, as explained above. In this document the legally competent Management merely responds to the consultation made regarding the publicity of certain information

³³¹ Note 400/02/2021, item 4, in response to Note AGN 607/21.

³³² Order 12 of the EX-2018-00154908- -GDEBCRA-GG#BCRA initiated on 14/Jun/18.

³³³ In Passive Transparency, the access to information is materialized through the request made by any natural or legal person, public or private, with no need to say why or for what purpose it is requested (Section 4 of the Law). Active Transparency, on the other hand, consists of the duty of the regulated entities to keep certain information permanently available to citizens through their websites -i.e. such information must be made publicly available, without the need for any subject to request it. (IF-2018-00157147-GDEBCRA-GPEJ#BCRA).



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of the Charter and Memoranda, but does not comment on the competence of the Governor of the BCRA to sign the documents, nor does it analyze the terms of the SBA from a legal point of view.

It should be highlighted the report IF-2018-00158471-GDEBCRA-GG#BCRA³³⁴ dated June 19 (one day after the signing of the second Letter by the newly appointed Governor of the BCRA) wherein the General Manager refers to the Letter signed in first term, i.e. June 12, without saying anything about the Letter signed on June 18: "In this regard, attached hereto is the Letter of Intent **signed by Dr. Federico Sturzenegger. Federico Sturzenegger, in his capacity of President of this Central Bank**, and the Minister of the Treasury, as well as the Memorandum of Economic and Financial Policies and the Technical Memorandum of Understanding that are part thereof (in their versions to be published in Spanish and English), so that together with the report prepared by the Senior Management Office of Strategy and Communication of Monetary Policy, they may be forwarded to the President of this Bank for their communication to the Ministry of the Treasury" (emphasis added). Then, on the same June 19, it is forwarded to the presidency by PV-2018-00158481-GDEBCRA- GG#BCRA. The subsequent forwarding occurred on 24 July 2018.

On 4 October 2018, references to a new agreement with the IMF begin (order 20 PV-2018-00247932-GDEBCRA-GG#BCRA). The unarchiving of the file is announced on 8 October 2019; on the same date, IF-2019-00218781-GDEBCRA- SG#BCRA states that a number of documents (embedded) will be used to answer a court order processed through EX-2019-00203706- -GDEBCRA- GSG#BCRA (order 24). On 4 August 2020, there is an order stating the "rehabilitation" of the file (PV-2020-00116848-GDEBCRA-SDD#BCRA, order 26). Finally, on 7 August 2020, the file was filed.

According to the above, it is highlighted that there is no legal opinion in the analyzed file evaluating the powers of the Governor of the BCRA to sign the Letter of 12 or 18 June 2018, and that even after said date, reference continues being made to the Letter signed by the previous president, on 12 June 2018.

³³⁴ Order 14 of EX-2018-00154908- -GDEBCRA-GG#BCRA initiated on 14 June 2018.



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In order to compare the information and determine whether it is a "style" opinion, the following landmark referred to the signing of the SBA was searched in the files: its amendment dated 17 October 2018.

File EX-2018-00258928- -GDEBCRA-GG#BCRA was identified, whose request for labeling is dated 17 October 2018 (signing day). The order that initiates it states: "In view of the different meetings held with the International Monetary Fund officials, the final version of the Letter of Intent and its annexes have been drawn up, to be signed by the President of this Central Bank and the Minister of the Treasury" (Order 1, PV-2018-00258929-GDEBCRA-GG#BCRA).

On the same day, the General Management draws up the report containing the Letter and the Memoranda, ready to be signed by the Minister of the Treasury (*Ministro de Hacienda*) (the embedded file is in English, where the clarification of the Minister's signature reads "Minister of Finance" -*Ministro de Finanzas*-) and by the Governor of the BCRA, who had changed by that time (order 2, IF-2018-00258927-GDEBCRA-GG#BCRA).

Later the same day, in order 3, the same Management orders the participation of different areas: "In view of the different meetings held with officials of the International Monetary Fund, the final version of the Letter of Intent and its annexes has been prepared, which shall be signed by the President of this Central Bank and the Minister of the Treasury. By virtue of the monetary and exchange rate policy program described therein, the participation of different areas is necessary, as defined below: (i) The [Deputy Management Office of Economic Research/Senior Management Office of Strategy and Communication of Monetary Policy], to issue an opinion on the reasonableness of the economic policy program included herein and to give an opinion regarding the sensitivity of the information highlighted in yellow (ii) The Main Office of Legal Studies, to decide on the powers of the President of this Central Bank to sign the Letter of Intent, and the possibility of maintaining the confidentiality of the market-sensitive information identified in the file, as previously stated by the Deputy Management Office of Economic Research. In view of the foregoing, please refer the matter to the Deputy Management Office of Economic Research and, subsequently, to the Main Office of Legal Studies.



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It is requested to urgently process this action. Once complied with, refer back to this instance" (PV- 2018-00258964-GDEBCRA-GG#BCRA).

When comparing the request made by the General Management in this ruling with the one made in the file EX-2018-00154908- -GDEBCRA-GG#BCRA, IF-2018-00154920-GDEBCRA-GG#BCRA, the following differences arise (in italic and red):

Table No. 53
Participation of competent areas of the BCRA

File	EX-2018-00154908- -GDEBCRA-GG#BCRA	EX-2018-00258928- -GDEBCRA-GG#BCRA
Document	IF-2018-00154920-GDEBCRA-GG#BCRA	PV-2018-00258964-GDEBCRA-GG#BCRA
Area / Participation required	Deputy Management Office of Economic Research / to issue an opinion on the reasonableness of the monetary policy program included in the present document.	Deputy Management Office of Economic Research / Senior Management Office of Strategy and Communication of Monetary Policy / to issue an opinion on the reasonableness of the <i>economic</i> policy program <i>included herein and to issue an opinion on the sensitivity of the information highlighted in yellow.</i>
	Deputy Management Office of Operations/ provide its opinion regarding the sensitivity of the information on foreign exchange market intervention included in said program, duly highlighted in yellow in the attached file named "Argentina MOU with IMF".	
	Main Office of Legal Studies / to issue an opinion on: <ul style="list-style-type: none"> - the possibility of maintaining the confidentiality of the market-sensitive information identified in the file, as previously stated by the Deputy General Management of Operations. 	Main Office of Legal Studies / issue an opinion <i>on:</i> <ul style="list-style-type: none"> - <i>the power of the President of this Central Bank to sign the Letter of Intent</i>, and - the possibility of maintaining the confidentiality of the market-sensitive information identified in the file, as previously stated by the <i>Deputy General Manager of Economic Research.</i>

Source: Compilation based on documentation of files provided through Note AGN 674/20

As for the areas involved, the participation of two areas is required for the signing of the October documentation: the Deputy Management Office of Economic Research and the Main Office of Legal Studies. The first³³⁵ is required to give an opinion on the economic policy program (in the previous SB, it said "monetary") and on the informa-



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tion "highlighted in yellow" (in this report there are no embedded documents, so it would probably refer to the previous order, which contains an embedding of the Letter and Memoranda, where the second memorandum contains the highlights, under the denomination "Participation Staff Consultation Clause").

Regarding the request made to the legal area, it is added the requirement to issue an opinion on the power of the Governor of the Central Bank to sign the Letter of Intent which, as explained, was not required for the Letters signed firstly on June 12 and 18, 2018.

Upon consultation on this aspect, the BCRA answered through the Legal Advisory Senior Management Office that as "it appears from the transcribed Rulings that in the case of the October 2018 file, the final version of the documentation was processed, and a legal opinion was requested wherein a ruling was issued on the power of the Governor of the Bank to sign such documentation (Opinion No. 29/2018); meanwhile, it may be noted that in June the negotiations with the IMF were in progress. According to the review made by the Legal Advisory Senior Management Office of this Institution, no legal opinions have been issued prior to the signing of the notes of June 12 and 18. (...) there is no information or supporting documentation in the records of the General Management of this Institution in its current structure, on the reasons that motivated the course of action detailed in that item of the information request"³³⁶.

It also stated clearly that "... there is no manual or instructions other than the Circular of Organizational Structure (Circular O.S.) in force for each date, where the assignments and functions of the different legal departments at any given time may be found. The minimum contents to be addressed by the legal opinion are those required by the consultation. Within this framework, the legal service may examine the legal aspects it deems relevant for a better orientation of the requesting authority as to the submitted

³³⁵ At the time of the addendum, the Deputy Management Office of Economic Research had, according to the then current organization chart, an area called Senior Management Office of Strategy and Communication of Monetary Policy, which does not exist at present (see the present organization chart at: <http://www.bcr.gov.ar/Institucional/Estructura.asp>, 30 April 2021).

³³⁶ Note 400/02/2021 in response to Note AGN 607/21 A-05, item 3.



matters, but without incurring in the analysis of technical, economic or opportunity issues, merit or convenience of the matters..."³³⁷.

b) Recess appointment of the Governor. Confirmation of the Senate.

The Charter of the Bank, Law 24,144³³⁸ as amended, provides: "Section 4. The Bank shall have the following functions and powers: (...) c) to serve as the financial agent for the National Government and as depositary and agent for Argentina before international monetary, banking and financial institutions to which Argentina has endorsed (...)." "

"Section 10. The Governor shall be the Bank's highest executive authority, and, as such, the Governor shall: (...) d) act as the legal representative of the Bank in its dealings with third parties; (...)" "

This article is key to the subject under study; every legal representative is the attorney-in-fact of the institution, of the entity, of the organization, etc., and is empowered to sign the documentation of the entity he/she represents.

Section 17. The Bank shall be empowered to conduct the following operations: (...) d) Any operations arising from international agreements on payment and borrowings from multilateral or foreign official agencies, central banks or entities with respect to which only the Bank can be a borrower, either on its own behalf or on behalf of the National Treasury as the Financial Agent of the Republic."

Section 99 of the National Constitution provides as follows: The President of the Nation has the following powers: Subsection 19. It may fill vacancies in jobs, which require the approval of the Senate, and which occur during its recess, by means of recess appointments (which shall expire at the end of the next Legislature.

³³⁷ Note 400/02/2021 in response to Note AGN 607/21 A-05, item 10.

³³⁸ Not all of the sections cover the relationship between the BCRA and the IMF, but they are related in terms of foreign debt.



Chronology of events

The term of Lic. Caputo as Governor of the Banco Central de la República Argentina was from 18 June 2018 until his resignation on 25 September 2018.

His resignation as Minister was submitted on 15 June 2018. His resignation as Minister of Finance was approved by Decree 556/2018.

In relation thereto, Message³³⁹ to the Senate reads as follows: On June 15, 2018, the National Executive Branch, by Message³⁴⁰ MEN-2018-88-APN-PTE, received on the same June 15 at the Reception Office of the Senate of the Nation, REFERENCES: Governor of the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA requests the corresponding Approval to appoint Luis Caputo, Bachelor in Economics, pursuant to Section 7 of the Charter of said Institution, to complete a term of office as provided by the Law. Digital Signature of the Chief of the Ministers Cabinet, Mr. Marcos Peña, and of the President of the Nation, Mr. Mauricio Macri.³⁴¹

Pending the confirmation of the Senate, on 18 June 2018, by Decree 557/2018³⁴², Mr. Luis Andrés Caputo was appointed "in recess" as Governor of the Banco Central de la República Argentina.³⁴³

³³⁹ See Decree 333/1985. RULES FOR THE ELABORATION, DRAFTING AND PROCESSING OF DRAFT ADMINISTRATIVE ACTS AND DOCUMENTS. GENERAL REQUIREMENTS: 1.1. Definitions: 1.1.1. Message: Note sent by the National Executive Branch submits to the Honorable Congress of the Nation, whereby it may provide the particulars and grounds to propose the enactment of a bill, request the necessary consent for the appointment of specific officers, veto totally or partially a law already enacted, request the return of messages previously sent, or make any other type of communication or request.

³⁴⁰ (File 0178-PE-2018), Information provided by the Organization and Parliamentary Law Department of the *Parliamentary Information Office*.

³⁴¹ GESTIÓN DOCUMENTAL ELECTRÓNICA-GDE. MINISTRY OF MODERNIZATION, SECRETARIAT OF ADMINISTRATIVE MODERNIZATION, serial Number CUIT 30715117564. Date: 2018-6-15 19:28:55 03 '00' (the Message entered the Reception Office of the Senate on 15/Jun/2018, at 10.50!).

³⁴² (Official Gazette 18/Jun/2018).

³⁴³ In the Recitals of the decree, it is stated that "... the corresponding Approval has been requested to the HONORABLE SENATE OF THE NATION to appoint Luis Andrés CAPUTO, Bachelor in Economics, as Governor of the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA. WHEREAS, the NATIONAL EXECUTIVE BRANCH may make recess appointments during the time required for the consent by the Senate, pursuant to the provisions of Section 7 of the Charter of the BANCO CENTRAL DE LA REPUBLICA ARGENTINA - Law No. 24,144 as amended by Section 1 of Decree No. 1373 of 24 November 1999, and WHEREAS, it is necessary to fill the position of the Governor of the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA".



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As Governor of the BCRA, appointed in recess³⁴⁴ on 18 June 2018, Mr. Caputo signed, on the same date, the Addendum³⁴⁵ to the Letter of Intent under the SBA with the IMF of June 2018.

Resignation as Governor of the BCRA: Mr. Caputo resigned as Governor of the BCRA on 25 September 2018. His resignation³⁴⁷ was accepted by Decree 850/2018³⁴⁶. Withdrawal of the message: Consequently, the PEN on October 1, 2018, through Message Number MEN-2018-160-APN-PTE, Reference: Withdrawal of Message Number 88 of 15 June 2018, enters on 2 October 2018 to the Senate of the Nation, Reception Office, File No. 299/18 whereby the withdrawal of message 88 is requested, by means of which the consent of the Senate was requested for the designation of Lic. Luis A. Caputo as Governor of the Central Bank³⁴⁸. Digital Signatures of Mr. Nicolás Dujovne, Minister, Minister of the Treasury, and of the President of the Nation, Mr. Mauricio Macri.

Senate authorization for the withdrawal of the message: in the Record of Sessions³⁴⁹ of the Senate of the Nation, of 10 October 2018, corresponding to the 16th Meeting-5th Ordinary Session³⁵⁰, chaired by Mr. Federico Pinedo, the issue is dealt with under item 7.

³⁴⁴ According to the legal opinions and principles included in this report, he has full powers. According to its Charter, he is the legal representative of the Institution, and therefore has the authorized signature.

³⁴⁵ The addendum to the Letter of Intent and its Memoranda consisted in that the original Letter was signed by Sturzeneger as BCRA's Governor on June 12, 2018. The aforementioned addendum was signed on June 18, while BCRA Governor was Caputo.

³⁴⁶ (Official Gazette 26/Sep/2018).

³⁴⁷ WHEREAS, Luis Andrés CAPUTO (*D.N.I.* No. 17,256,028), Bachelor in Economics, has resigned from his position as Governor of the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA. WHEREAS, it is appropriate to accept the resignation of the aforementioned officer. WHEREAS, it is also appropriate to thank the resigning professional for the valuable services rendered in the performance of his duties. WHEREAS, the present act is adopted by virtue of the powers conferred by Section 99, subsection 7, of the NATIONAL CONSTITUTION. NOW, THEREFORE, THE PRESIDENT OF THE ARGENTINE NATION, DECREES as follows: SECTION 1.- To accept the resignation of Luis Andrés CAPUTO (*D.N.I.* No. 17,256,028), Bachelor in Economics, from the position of Governor of the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA. SECTION 2.- To acknowledge the valuable services rendered by the resigning officer in the performance of his duties. SECTION 3.- Be it communicated, published, delivered to the NATIONAL DEPARTMENT OF THE OFFICIAL REGISTRY, and filed. In Office: MICHETTI - Nicolás Dujovne.

e. 26/Sep/2018 No. 71563/18 and 26/Sep/2018.

³⁴⁸ (File 0299-PE-2018 Organization and Parliamentary Law Department of the *Office of Parliamentary Information*).

³⁴⁹ Record of Sessions, page 38.

³⁵⁰ Message No. 154/18 requesting the approval for the appointment of Lic. Guido Martín SANDLERIS, Bachelor in Economics, as Governor of the Banco Central de la República Argentina, comes out from the reading of the present document. P.E. 291/18.



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It is recorded that there is no use of the floor and an electronic vote is taken for the withdrawal of the message; "*There are 66 affirmative votes, 0 negative votes, and 0 abstentions. They are sent back to the Executive Branch*".³⁵¹

Regarding the consideration of the request for Confirmation: As per consultation made to the Department of Organization and Parliamentary Law, of the Department of Parliamentary Information, of the House of Representatives of the Honorable Congress of the Nation, it is known "*...that the request regarding Mr. Luis Andrés Caputo was not dealt with by the Confirmation Committee of the Senate of the Nation*".

In addition, the Confirmation Committee of the Honorable Senate of the Nation was consulted regarding the consideration of the resolution request, and received the following answer³⁵²:

- a) No meeting has been held in the Confirmation Committee to discuss the appointment of Mr. Caputo as Governor of the Central Bank. MEM-2018-88-APN-PTE
- b) When discussing the withdrawal of the message MEM-2018-160-APN-PTE sent by the National Executive Power in the meeting held on 10-October-2018, no statement was given on this matter.

³⁵¹ Record of Sessions.

³⁵² Reply to Note AGN 629/21



EXHIBIT 7 – Versions of the Arrangement

Table No. 54

Versions of the Arrangement provided by the MECON and the BCRA

SBA versions on MECON's files (Note 676/20)								
Electronic File (EX)	Date	Type of Doc.	Doc. ID	Description	Signatory / Type of Signature	EXP versions referenced by MECON as containing the final versions (1)	Versions provided by the MECON to the Court in a court letter (2)	Versions provided by the BCRA (3)
EX-2018-2923779-9-APN-DGD#MHA	12/Jun/2018	IF	IF-2018-29241426-APN-SECH#MHA	Note (Letter of Intent) to Christine Lagarde - English version with Annexes (Memorandum of Economic and Financial Policies and Technical Memorandum of Understanding))	(from the Letter) Nicolás Dujovne - Minister of Economy- and Federico Sturzenegger -Governor of the BCRA- Holographic signature is seen, no digital signature. The insertion in GDE is done by Pena with signature of the system.	No	LoI 12/Jun/18: IF-2018- 29241426-APN-SECH#MHA (English version).	Yes
								02 - 2018.06.12 - letter of intent 1 (confidential). Letter of Intent and Memoranda in English, without translation. It has yellow highlights. No GDE (Electronic Document Management System) ID.
EX-2018-2977279-1-APNDGD#MHA	26/Jul/2018	IF	IF-2018-35852392-APN-DGD#MHA	Letter of Intent in English, and Memoranda dated 12/Jun/2018 . Signed by Nicolás Dujovne (Minister of the Treasury) and Federico Sturzenegger (Governor of the BCRA). It is a scanned document; the signatures may be holographic. A translation is available.	Carla Ximena Piccioni, Director	Yes	LoI 12/Jun/18: IF-2018-35852392-APN-DGD#MHA (Spanish version with certified translation)	Yes



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EX-2018-2977279-1-APNDGD#MHA	18/Jun/2018	IF	IF-2018-29241507-APN-SECH#MHA	Letter of Intent in English, dated 18/Jun/2018 . Signed by Nicolás Dujovne (Minister of the Treasury) and Luis Caputo (Governor of the BCRA). It is a scanned document; the signatures may be holographic.	Rodrigo Héctor Pena, Secretary Not a digital signature	Yes	LoI 18/Jun/18: IF-2018-29241507-APN-SECH#MHA (English version).	Yes
EX-2018-2977279-1-APNDGD#MHA	26/Jul/2018	IF	IF-2018-35847938-APN-DGD#MHA	Letter dated 18/Jun/2018 - Certified translation into Spanish.	Carla Ximena Piccioni, Director	Yes	LoI 18/Jun/18: IF-2018-35847938-APN-DGD#MHA (Spanish version with certified translation).	Yes
EX-2018-5236822-2-APN-DGD#MHA	17/Oct/2018	IF	IF-2018-52374052-APN-SECH#MHA	GEDO imported (scanned pdf) of the Letter of Intent of 17/Oct/18 . With Sandleris/Dujovne holographic signatures. In English.	Rodrigo Héctor Pena Secretary	Yes	No	No
EX-2018-5236822-2-APN-DGD#MHA	6/Dec/2018	IF	IF-2018-63627446-APN-DGD#MHA	GEDO imported (scanned pdf) of the Letter of Intent, MEFP and Technical Memorandum of Understanding between Argentina and the IMF - English language version - Published at the MH's website. Version of 17/Oct/18 .	María Laura Riera Legal Advisor	Yes	LoI 17/Oct/18: IF-2018-63627446-APN-DGD#MHA (English version).	Yes
EX-2018-5236822-2-APN-DGD#MHA	6/Dec/2018	IF	IF-2018-63628702-APN-DGD#MHA	GEDO imported (pdf scanned) of the Letter of Intent, MEFP and Technical Memorandum of Understanding between Argentina and the IMF - Spanish language version - Published on the MH's website. Version dated 17/Oct/18 .	María Laura Riera Legal Advisor	Yes	LoI 17/Oct/18: IF-2018-63628702-APN-DGD#MHA (Spanish version with free translation).	Yes
								07 - 2018/Oct/17 - letter of intent - attachment ii (complete). Technical Memorandum of Understanding, in English, without translations. Undated (the date is in the name of the document). IYellow highlights. No GDE ID.



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EX-2018-5236822-2--APN-DGD#MHA	10/Dec/2018	IF	IF-2018-64359384-APN-SECPE#MHA	GEDO imported (scanned pdf) of the Letter of Intent dated 7/Dec/18 . With Sandleris/Dujovne holographic signatures. In English. It reads " STRICTLY CONFIDENTIAL ".	Miguel Braun Secretary	Yes	No	No
EX-2018-5236822-2--APN-DGD#MHA	14/Dec/2018	IF	IF-2018-65669295-APN-SECPE#MHA	GEDO imported (scanned pdf) of the Letter of Intent dated 13/Dec/18 . With Sandleris/Dujovne holographic signatures. In English. It reads " STRICTLY CONFIDENTIAL ".	Miguel Braun Secretary	Yes	LoI 13/Dec/18: IF-2018- 65669295-APN-SECPE#MHA	Yes
								11 - 13/Dec/2018 - letter of intent - attachments i and ii (confidential). Memoranda in English, without translations. Undated (the date is in the name of the document). Yellow highlights. No GDE ID.
EX-2018-5236822-2--APN-DGD#MHA	26/Mar/2019	CONVE	CONVE-2019-18396956-APN-DGD#MHA	GEDO imported (scanned pdf) of the Letter of Intent dated 25/Mar/19 and the Memorandum (stating that this Memorandum supplements and updates the memorandum of 11/Dec/18). With holographic signatures of Sandleris/Dujovne. In English. It reads " SECRET ".	Claudia Ledesma Administrative Assistant	Yes	No	No



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EX-2018-52368222--APN-DGD#MHA	25/Mar/2019	IF	IF-2019-18125341-APN-SECLYA#MHA	GEDO imported (scanned pdf) of the Letter of Intent dated 25/Mar/19 . With holographic signatures of Sandleris/Dujovne. In English. It reads " SECRET "	Pedro De Elizaalde Legal Advisor	Yes	LoI 25/Mar/19: IF-2019-18125341-APN-SECLYA#MHA (English version)	Yes
EX-2018-52368222--APN-DGD#MHA	3/Jul/2019	IF	IF-2019-59161254-APN-SECPE#MHA	GEDO imported (scanned pdf) of the Letter of Intention dated 03/Jul/19 . WITHOUT holographic signatures of Sandleris/Dujovne. Spanish version - Free translation to be reviewed.	Miguel Braun Secretary	Yes	No	No
EX-2018-52368222--APN-DGD#MHA	3/Jul/2019	IF	IF-2019-59161853-APN-SECPE#MHA	GEDO imported (scanned pdf) of the Letter of Intent dated 03/Jul/19 and Memoranda. WITHOUT holographic signatures of Sandleris/Dujovne. In English. It reads " STRICTLY CONFIDENTIAL "	Miguel Braun Secretary	Yes	No	No
								14 - 11/Jul/2019 - letter of intent (supplement) (CONVE-2019-62643811-APN-DGD#MHA). Supplement to the Letter of Intent in English, without a translation. It has GDE ID but it does not appear in the files of the MH. In the BCRA, it only appears as embedded to the order 24 (response to the court letter)
								15 - 11/Jul/2019 - Supplement to the Letter of Intent (confidential). Supplement to the English version of the Letter of Intent, without a translation. It has yellow highlights. No GDE ID.



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EX-2018-5236822-2--APN-DGD#MHA	12/Jul/2019	CONVE	CONVE-2019-62900189-APN-DGD#MHA	GEDO imported (scanned pdf) of the Letter of Intent dated 3/Jul/19 and the Memorandum (stating that it supplements and updates the memorandum dated 25/Mar/19). With holographic signatures of Sandleris/Dujovne. In English. It reads " STRICTLY CONFIDENTIAL "	Claudia Ledesma Administrative Assistant	Yes	LoI 03/Jul/19: CONVE- 2019-62900189-APN-DGD#MHA (English version). Supplement of 11/Jul/19.	Yes
EX-2018-5236822-2--APN-DGD#MHA	4/Oct/2019	IF	IF-2019-90493107-APN-SECH#MHA	GEDO imported. Annexes I and II (Memoranda), stating that this memorandum supplements and updates the memorandum dated 17/Oct/18 . WITHOUT holographic signatures of Sandleris/Dujovne. In English. It reads " STRICTLY CONFIDENTIAL "	Eduardo Marcelli Administrative Assistant	Yes	IF-2019-90493107-APN-SECH#MHA (English version)	Yes

Source: Compilation based on information provided by MECON and BCRA

Notes:(1) In response to Note AGN 610/21 to the ME, question 6.

(2) In response to Note AGN 610/21-ME, question 1, versions attached to EX-2019-85309649-APNDGD#MHA (by which the court letter is processed).

(3) In response to Note AGN 607/21-BCRA, question 15, versions attached to IF-2019-00218781-GDEBCRA-SG#BCRA (in response to the court letter being processed by EX-2019-00203706- -GDEBCRA-GSG#BCRA).

Table No. 55

Letters of Intent published on the IMF's website.

Date of Publication	Publication	Content
26 OCTOBER 2018	Argentina: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding; 17 October 2018	Letter of Intent and Memoranda Date: 17/Oct/18 Signed by MH Dujovne and Gov. BCRA Sandleris (no digital or holographic signatures)
11 DECEMBER 2018	Argentina: Letter of Intent, Memorandum of Economic Financial Policies, and Technical Memorandum of Understanding, 11 December 2018	Letter of Intent and Memoranda Date: 11/Dec/18 Signed by MH Dujovne and Gov. BCRA Sandleris (no digital or holographic signatures)

Source: IMF's Website



EXHIBIT 8 – Main aspects of the IMF reports

Table No. 56

Summary of the main items of the country reports prepared by the IMF in June and October 2018

Relevant aspects	Report of December 2017	Report of July 2018	Report of October 2018
Public Spending	<p>It is observed that even for 2019, Argentina's spending projection levels remain above the region's average, measured as a percentage of GDP. A deficit of 2% is expected for 2019.</p> <p>The Agency suggests spending cuts in order to make a better policy mix and reduce distortionary taxes. Among the suggested adjustments are: reducing government employment, adjusting pension pressures, streamlining social transfers, and reducing other current expenditures.</p> <p>The gradualist fiscal strategy adopted by the authorities softened the impact of the necessary consolidation on activity and employment, but has negative side effects.</p> <p>* Public Debt: debt growth, especially in foreign currency (both national and provincial);</p> <p>* Inflation: fiscal gradualism implies that the BCRA's financing continues and this goes against the imposed goals and the BCRA's credibility. This also implies an increase in the bank's liabilities to sterilize such financing with quasi-fiscal costs;</p> <p>* External imbalances: IMF staff observes an overvaluation of the peso of between 10-25%, resulting in a moderately weak external position towards the end of 2017 with a level consistent with medium-term fundamentals and desirable policies.</p>	<p>The fiscal effort is projected with a primary deficit of 2.7 percent of GDP in 2018 and 1.3 percent of GDP in 2019. This represents a bold and ambitious commitment, especially coming from the 3.8 percent of GDP resulting from the 2017 deficit. This is achieved by reducing subsidies; reducing public employment wage bill; rationalizing spending on other goods and services, with a 15% reduction in real terms in 2018 and continuing in 2019; reducing transfers to state-owned companies; reducing discretionary transfers to provinces; reducing capital expenditures; reducing tax expenditures; selling assets; adjusting pensions³⁵³.</p>	<p>Reduction of federal government spending (reduction of energy subsidies, reprioritization of capital expenditures and adjustment of transfers to provinces). Zero primary fiscal deficit for 2019 and primary fiscal surplus for 2020³⁵⁴.</p>

³⁵³ Summary of what Argentina's authorities are going to do, supported by the IMF in its report, not an IMF suggestion. See list of actions in Excel, Report tab, row 10.

³⁵⁴ Line of action to follow, reviewed by the IMF in terms of fiscal policy guidelines.



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Taxes	<p>* The IMF proposes the need to implement tax, labor and market reforms, which will strengthen productivity, reducing pressures on the currency and mitigating inflationary pressures. There exist high and distortionary taxes in Argentina. In this regard, the government proposes:</p> <ul style="list-style-type: none">* Reduce tax burden;* Reduce the marginal tax rate on labor income for low and middle-income wage earners;* Reduce cascading taxes;* Tax capital income and carbon <p>IMF staff estimates that the revenue loss from the government's reform, after five years, will be approximately 3¾ percent of GDP (1½ percent from the reduction in the gross turnover tax and 2¼ percent from the other measures). Argentina expects growth to act as a compensating element for the drop in revenue resulting from the tax reform. In this regard, the IMF calls attention to relying on uncertain growth effects to compensate for the revenue losses derived from the tax reform. The government's proposed reform is, in the IMF's view, a major step towards overhauling Argentina's inefficient tax system.</p>	<p>Argentine government proposal reviewed by the IMF:</p> <ul style="list-style-type: none">-To delay portions of the tax reform;-To maintain the average export tax rate on soybean products at 25.5 percent.	<p>Argentine government proposal reviewed by the IMF:</p> <ul style="list-style-type: none">-Introduction of withholding taxes, increase in personal property tax.
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Exchange Rate	<p>IMF's view:</p> <p>Argentina's external position is vulnerable to a rapidly growing current account deficit that is moderately weaker than medium-term fundamentals and desirable policies imply. It is estimated that the exchange rate is overvalued. A disorderly correction of these growing external imbalances constitutes a major vulnerability that could jeopardize the sustainability of the ongoing economic recovery.</p>	<p>Monetary framework of the program and commitments assumed by the BCRA:</p> <p>Fully floating exchange rate that adjusts to market needs (except for market dysfunctions).</p>	<p>Monetary framework of the program and commitments assumed by the BCRA:</p> <p>Exchange rate regime without intervention (intervention in exceptional cases without sterilization).</p>
Inflation	<p>The committee agrees on tight monetary policies that are successful in reducing inflation, and give credibility to inflation targets, as well as greater independence to the BCRA.</p>	<p>Argentine government proposal, as part of the Stand-By Arrangement policy plan with the IMF:</p> <ul style="list-style-type: none"> -Single-digit inflation by the end of 2021. -Communication of new credible inflation targets. -Greater autonomy for the BCRA with proposed new charter. 	<p>Proposal by the Argentine government, as a framework for the policy plan of the Stand-By Arrangement with the IMF:</p> <p>Change of monetary regime, abandonment of inflation targeting for monetary aggregates targeting.</p>
Growth	<p>Growth of around 2.5% for 2018 and 2019.</p>	<p>Growth slowdown in 2018 (0.4%). Growth of 1.5% in 2019. Average potential growth of 3% from 2020 onwards.</p>	<p>2018 Contraction (-2.8%). 2019 Contraction (-1.7%).</p>
Potential risks	<ul style="list-style-type: none"> * External financing. Despite lower primary fiscal deficits, the relatively small financial system means that the federal government's external financing needs remain high over the medium term (Annex II). As such, any adjustment in external, financial conditions could prove detrimental. In the worst-case scenario, external financing constraints could force stronger fiscal consolidation and lead to lower private investment, which would reinforce the recession. * Currency overvaluation. The sustained strength of the real exchange rate could be an obstacle to a rebound in investment, depressing growth and job creation. A more problematic risk would be if markets perceive the currency to be significantly out of line with medium-term fundamentals. This could trigger a sharp and sudden adjustment of the nominal exchange rate that would complicate disinflation efforts and, given the dollarization of liabilities, lead to a staggered increase in the public debt/GDP ratio. * Inflation inertia. Higher-than-expected inertia in both inflation and inflation expectations could require a tighter monetary policy stance (i.e., higher real interest rates and a more appreciated peso) to reduce inflation to single digits. This would affect future growth prospects. 	<ul style="list-style-type: none"> * Strong gross financing needs (although with a high percentage of debt in the hands of the public sector). * Large amount of foreign currency debt. * Proposed fiscal consolidation, ambitious compared to similarly situated countries (i.e., in the top 13 percent of the distribution of consolidations achieved by program countries). 	<ul style="list-style-type: none"> * Low roll over percentages. * Possibility of further GDP decline. * Inability to achieve target fiscal adjustment. * Risk of external shocks. * Lack of social cohesion to support adjustment.



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<p>Analysis results from the DSA (Debt Sustainability Analysis)</p>	<p>Debt vulnerabilities have increased as external imbalances have grown, making fiscal consolidation critical to ensure debt sustainability.</p> <p>Federal Government Debt: expected to remain slightly above 50 percent of GDP over the medium term. There is likely to be a positive effect from a declining primary deficit and higher growth, matched by higher real interest rates, as the government shifts to a broader lending market.</p> <p>Solvency risks are moderate, but high ratio of foreign currency-denominated debt creates vulnerabilities from large exchange rate depreciation. High gross financing needs constitute a risk, only partially mitigated by the high ratio of debt held by other entities in the sector.</p>	<p>Generally, the staff assesses that, under the program's baseline, federal debt is sustainable, but without high probability³⁵⁵.</p> <p>Debt vulnerabilities have become apparent following the tightening of global monetary policy conditions and a series of domestic policy changes. Federal government debt is projected to rise to 65 percent in 2018 before gradually declining again.</p> <p>Risks to debt stabilization are contained as the increase in the debt-to-GDP ratio in 2018, as a result of depreciation. It is expected to be more than offset after 2019 by a lower deficit, which is assumed to turn into a surplus as of 2021. However, a high level of financing needs, a high proportion of foreign currency debt, high external financing needs, and potential contingent liabilities pose significant risks.</p>	<p>The IMF Staff's assessment is that sustainable debt remains, but not with a high probability³⁵⁶.</p> <p>Public debt is expected to peak at 81% of GDP by the end of 2018. This reflects the recent depreciation of the real exchange rate and the high share of foreign currency-denominated debt and, to a lesser extent, lower GDP growth. With the implementation of the new monetary framework and additional fiscal consolidation, staff foresees a rebound in market confidence in the baseline, including a partial and anticipated reversal of the real exchange rate depreciation and a return of growth, leading to debt falling to 59 percent of GDP by 2023. However, there are significant downside risks to this baseline, a scenario that includes (i) if the rebound in market confidence projected in the program does not materialize, (ii) the structurally high proportion of foreign currency-denominated debt, and (iii) potential contingent liabilities of the broader public sector. At the same time, the 40 percent of public debt held by other public entities is a mitigating factor.</p> <p>The "heat map" of debt sustainability changed from June 2018 to October 2018, showing the disappearance of green flags (low risk) and reflecting 8 red flags (GDP growth shock, primary Balance shock, interest rate shock, exchange rate shock, market perception, external financing requirements, changes in the share of short-term debt, foreign currency debt) versus 3 in the June 2018 analysis (external financing requirements, changes in the share of short-term debt, foreign currency debt. The rest were green flags - 3- or yellow flags -2-).</p>
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Source: Compilation based on IMF's Website

Note: The data and estimates mentioned in the reports are prepared by the Ministerio de Hacienda y Finanzas Públicas, the Banco Central de la República Argentina (BCRA) and IMF staff³⁵⁷

³⁵⁵ "Taking all these considerations into account, staff assesses that, under this baseline, the federal debt is sustainable but not with a high probability."

³⁵⁶ "Staff's overall assessment is that Argentina's debt is sustainable, but not with a high probability."

³⁵⁷ "Sources: Ministerio de Hacienda y Finanzas Públicas, Banco Central de la República Argentina (BCRA), and IMF's staff estimates."



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EXHIBIT 9 – Sensitivity analysis prepared by the National Office of Public Credit (ONCP)

Table No. 57

Sensitivity analysis prepared by the ONCP.

ONCP Note	AGN requirement to which the analysis was provided as a response	Contemplates the SBA	There are simulations	Simulation period	Sensitivity Analysis		
					Variable that sensitizes	With respect to	Sensitivity GAP applied
NO-2020-71395355-APN-ONCP#MHA	Indicators that measure risk with respect to the debt portfolio, whether management strategies were designed to reduce the vulnerability of public debt services to possible fluctuations in exchange rates and interest rates and to reduce the financing cost.	<p>It shows the heading "IMF baseline scenario", but without indicating the variables where it is contemplated.</p> <p>Given the date of the simulation, the SBA is not considered. Estimated IO source funding values reflect constant funding values for the 2017/2026 period, of 4 billion per year (a 40 billion total over the 10 years).</p>	Yes	2015-2026	-Total Debt Evolution -GAP to be financed in the international market -Total Debt / GDP Ratio -Net GAP to be financed with private sources	- Economic growth (GDP) - Primary outcome - Interest rate	+/- 2 to the parameters
NO-2020-78835505-APN-ONCP#MHA	Sensitivity analysis that considers the exchange rate risk of debt issuances in 2018 and an analysis of debt sustainability assessment in a context of increasing public debt in relation to GDP.	<p>No</p> <p>The IO funds estimated in this simulation are almost half of those estimated in the previous line.</p>	Yes	2018-2026	-Total Debt Evolution -GAP to be financed in the international market -Total Debt / GDP Ratio -Net GAP to be financed with private sources.	- Economic growth (GDP) - Primary outcome - Interest rate	+/- 2 to the parameters
		<p>IMF financing is contemplated (financing sources, disbursements, amortizations).</p> <p>IMF disbursements contemplated between 2018 and 2021 for a total of 42.602 billion.</p> <p>IO financing estimates (including the SBA) increase to more than 81 billion for the entire period detailed in the file. They are four times higher than in the previous simulation (05/18).</p>	No.	There is a baseline scenario based on assumptions, but no simulations are displayed.	N/A	Sensitivity analysis is not displayed.	Sensitivity analysis is not displayed.



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IF-2020-77513689-APN-ONCP#MHA	Debt sustainability reporting that considers risks and costs of borrowing for the year 2018.	IMF financing is contemplated (financing sources, disbursements, amortization, interest).	No	N/A	N/A	N/A	N/A
NO-2021-34633310-APN-ONCP#MEC NO-2021-50316431-APN-ONCP#MEC	Risk assessment (including financial and legal risks) performed prior to the issuance of the international government securities placed in New York during the period 2016-2018 (the auditee responds by referring to the analyses provided as sustainability analysis).	It displays a heading "IMF baseline scenario", but without indicating the variables where it is contemplated. Given the date of the analysis, it does not contemplate the SBA. The estimated IO funding needs are at budget level of 2 billion per year, while in the alternative scenario, the June 2017 estimate (first line of Excel) of 4 billion per year is sustained.	Yes	2015-2026	-Total Debt Evolution -GAP to be financed in the international market -Total Debt / GDP Ratio -Net GAP to be financed with private sources.	- Economic growth (GDP) - Primary outcome - Interest rate	+/- 2 to the parameters
		The IMF is not mentioned, nor is the SBA considered; the estimates of IO financing are maintained at an average of 2 billion per year for the simulated period.	Yes	2018-2026	-Total Debt Evolution -GAP to be financed in the international market -Total Debt / GDP Ratio -Net GAP to be financed with private sources.	- Economic growth (GDP) - Primary outcome - Interest rate	+/- 2 to the parameters
		IMF disbursements are taken into account. IMF disbursements between 2018 and 2021 totaling 56.595 billion under the SBA are considered.	Yes	2019-2027	- Gross Debt - Net Debt	- TC - Supéavit Primario - US\$ Interest rate - BADLAR through expected inflation - BADLAR through spread - Economic growth	-Increase of 0.3 transient - EXR -Permanent SP fall of 0.005 -US\$ interest rate increase of 0.1 permanent -Expected inflation increase of 0.01 permanent -Permanent spread increase of 0.4 -Growth fall of 0.0015 permanent

Source: Compilation based on information provided by ONCP.



EXHIBIT 10 – Payments made with SBA resources

The table below details the specific instruments and/or creditor to whom the payment informed was made:

Table No. 58
Informed payments by category, creditor, and instrument
In million US\$ and %

Informed Payments (in US\$)	2018	% of total	2019	% of total
PRIVATE BANKING	11	0.071%	1	0.005%
CITIBANK	0	0.000%	0	0.000%
DEUTSCHE BANK	0	0.000%	0	0.000%
DIAREA	1	0.006%	1	0.003%
G24 account	0	0.000%	0	0.000%
LAW No. IN° 27,431.	7	0.046%	0	0.000%
MIZUHIBANK	0	0.002%	0	0.000%
Other	0	0.000%	1	0.002%
WACHOVIA BANK	0	0.000%	0	0.000%
WELLS FARGO BANK	3	0.016%	0	0.000%
WESTPAC BANK	0	0.000%	0	0.000%
BILATERALS	98	0.641%	273	0.972%
AFD	0	0.000%	0	0.001%
ARTIGIANCASSA	42	0.279%	1	0.004%
CDB	0	0.000%	96	0.340%
CEPERNIC	0	0.000%	93	0.332%
CITIC	6	0.040%	48	0.172%
EXIMBANK	9	0.061%	22	0.079%
ICO	4	0.027%	7	0.024%
JBIC	0	0.000%	6	0.021%
N/A	36	0.234%	0	0.000%
Energy	0	0.000%	629	2.241%
EBY - YACIRETÁ	0	0.000%	46	0.163%
IEASA	0	0.000%	13	0.048%
Other	0	0.000%	569	2.029%
EXPENSES AND FEES	3	0.021%	58	0.205%
BLOOMBERG	0	0.000%	0	0.000%
CITIBANK	0	0.000%	0	0.000%
CVSA	0	0.001%	0	0.000%
ESTUDIO DE ABOGADOS CLEARY, GOTTLIEB, STEEN & HAMILTON (Law firm)	3	0.016%	5	0.017%
FEDERAL BANK OF NEW YORK	0	0.000%	0	0.000%
MOODY'S	0	0.002%	0	0.000%
Other	0	0.000%	0	0.000%
SOCIETE DE LA BOURSE DE LUXEMBOURG	0	0.000%	0	0.000%



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THE BANK OF NEW YORK MELLON	0	0.000%	53	0.187%
LAW No. 27,249 - STANDARDIZATION	3	0.018%	181	0.645%
Multilateral	416	2.728%	2.456	8.753%
BEI	0	0.000%	1	0.002%
BID	158	1.036%	711	2.533%
IBRD	75	0.489%	236	0.841%
CAF	40	0.259%	271	0.967%
FIDA	1	0.009%	1	0.005%
IMF (*)Bn US\$	107	0.703%	*1.228	4.377%
FONPLATA	35	0.231%	6	0.021%
Other	0	0.000%	2	0.007%
SUPPLIERS	3	0.017%	15	0.053%
CAMMESA	3	0.017%	15	0.053%
REST OF PRIVATE BANKING	0	0.000%	1	0.002%
BBVA ARGEII	0	0.000%	0	0.000%
BBVA ARGEIII	0	0.000%	0	0.000%
DEUTSCHE BANK	0	0.000%	0	0.002%
REST OF BILATERALS	0	0.000%	2	0.007%
FONDO KUWAITI	0	0.000%	2	0.007%
Government securities (*)Bn US\$	*14.708	96.505%	*24.435	87.095%
BIRAD	780	5.119%	*4.647	16.564%
BIRAE	54	0.351%	226	0.806%
BIRAF	0	0.000%	14	0.049%
BOCON	25	0.161%	31	0.110%
BONAR (*)Bn US\$	*5.256	34.490%	*4.637	12.607%
BONCER	42	0.278%	143	0.511%
BONTES	0	0.000%	618	2.203%
Cuasipar	122	0.802%	0	0.000%
DISCOUNT (*)Bn US\$	*1.371	8.995%	295	1.051%
LECAP (*)Bn US\$	*1.133	0.000%	870	3.100%
LETES (*)Bn US\$	*4.284	28.106%	*8.727	31.107%
Letra (*)Bn US\$	*1.405	16.652%	*2.341	8.345%
PAR	0	0.000%	250	0.891%
PGN	0	0.000%	*1.456	5.188%
Secured Loans	0	0.000%	0	0.000%
Repo Bonar	236	1.549%	*1.280	4.563%
Other	0	0.000%	6	0.023%
Banco Nación	0	0.000%	3	0.009%
Other	0	0.000%	4	0.014%
Total general (*)Bn US\$	*15.240	100.000%	*28.056	100.000%

Source: Compilation based on information provided by TGN

Note: Debt items are presented with the categories set forth in Table 1A of the Investment Account and by the items reported in a generic manner.

Applications to budgetary expenditures resulting from the transfer of \$35 billion to the BNA are taken into account.



EXHIBIT 11 – Measures for the easing of restrictions

The BCRA provided³⁵⁸ a list of communications (type A, B and C), clarifying that as from the issuance of Communication "A" 5850 of 17/Dec/2015, foreign exchange regulations were made more flexible through rules aimed at eliminating the restrictions established as from 2011 and also at providing a framework of more flexibility in the regulations that, prior to that date, had been governing the operation of the said market with less restrictions to capital movements³⁵⁹.

Regarding the rules for the build-up of assets by residents, the BCRA lists a series of rules that relaxed the access to the local foreign exchange market in this respect³⁶⁰.

³⁵⁸ Note 400/02/2021 del BCRA in response to Note AGN 607/21, question 7.

³⁵⁹ Regarding import transactions of payments and services, as from that moment (Communication "A" 5850) it was established a gradual scheme of access to goods and services imports to be implemented in June 2016, and which was finally carried out earlier with Communication "A" 5955, so that as from 22/Apr/16 those transactions could be carried out without restrictions.

Through Communications "A" 5861, 5885, 5890, 5899, 5899, 5910, 5937, 5952, 5961, 5963, 5964, 6003, 6011, progress continued to be made in the relaxation of the rules governing the operation of the foreign exchange market, as well as in new rules aimed at greater freedom in capital flows and in the payment and collection of goods and services.

As a result of the aforementioned regulatory changes, there were no regulatory restrictions for residents to access the market for payment of foreign obligations arising from debts for goods and services imports, proceeds, and other current transfers; also, access conditions were made more flexible for the prepayment of imports of goods and financial debts with foreign countries, as well as for the repatriation of direct and portfolio investments by non-residents.

With Communication "A" 6363 dated 10/Nov/17, the "Foreign Trade and Exchange" regulations that imposed the mandatory inflow and settlement of export proceeds and the follow-ups associated to the verification of compliance with such obligation, were repealed (Decree 893/17). The "Foreign Exchange and Exports" rules were subsequently supplemented by other rules that did not involve changes of major relevance to the overall scheme until September 2019.

³⁶⁰ Regarding the rules on build-up of foreign assets by residents without the obligation to apply them to a specific purpose, paragraph 2 of Communication "A" 5850 authorized access to the foreign exchange market for this concept for up to the equivalent of US\$ 2 million. The only requirements therefor were that in the case of purchases exceeding the equivalent of US\$ 500, the transaction be made with a debit to a sight account opened with a financial institution and that in the case of purchases of foreign currency for portfolio investments abroad, the transfer be made to an account in the customer's name opened with a specific type of foreign institution. This regulation also established that residents that as of 17/Dec/2015 would register sales of own foreign assets in the local foreign exchange market, would not be subject to the limit entered until then.

Later, Communication "A" 5899 of 4/Feb/16 also allowed access to the local foreign exchange market for amounts above the limit provided that the funds acquired were applied simultaneously to the payment to residents for the acquisition of real estate in the country by means of a deposit or transfer to local bank accounts in foreign currency of the seller. This rule also allowed full transferability of foreign currency deposits from the local financial system to foreign countries by simply declaring the concept and verifying, if applicable, the minimum term of permanence. Continuing with the relaxation of the rules governing the local foreign exchange market, Communication "A" 5963 raised the limit for the residents' build-up of assets without the obligation of a subsequent specific application from the equivalent of US\$2 million to the equivalent of US\$5 million.



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Likewise, the BCRA highlights that with Communication "A" 6037 of 8/Aug/16, new foreign exchange rules were adopted³⁶¹, and through Communication "A" 6039, the Foreign Exchange Transactions Information Regime (RIOCI) was readjusted effective as of 1/Sep/16, announcing a new list of concept codes with a detail of their equivalences.

The following table sets forth the standards cited by the BCRA:

Table No. 59

Changes in foreign exchange regulations for the liberalization of the foreign exchange market

Type	No.	Date	Observation
C	50620		Regulations in force at the end of June 2015 regarding foreign trade and foreign exchange.
A	5850	17 Dec 2015	Introduced more flexible foreign exchange regulations through rules aimed at eliminating the restrictions established as of 2011, and it also provided a more flexible framework for the rules that had been regulating the operation of the foreign exchange market prior to that date. It established a gradual scheme of access to the import of goods and services to be released in June 2016. Item 2 of Communication "A" 5850 allowed access to the foreign exchange market for this concept for up to the equivalent of US\$ 2 million, with the only requirements being that in the case of purchases exceeding the equivalent of US\$ 500, the transaction be made by debit to a demand account opened in a financial institution, and that in the case of purchases of foreign currency for portfolio investments abroad, the transfer be made to an account in the customer's name opened in specific types of foreign institutions. This regulation also established that residents that as of 17/Dec/2015 would register sales of own foreign assets in the local foreign exchange market, would not be subject to the limit entered until then.
A	5861		Progress in the flexibilization of the rules governing the operation of the foreign exchange market and in new rules intended to increase freedom in capital flows and in the payment and collection of goods and services.

By means of Communications "A" 6137 and 6163 dated 30/Dec/16 and 20/Jan/17 respectively, the monthly limit for cash transactions was eliminated and these transactions were admitted with resident counterparties, respectively.

As of 1 July 2017, under Communication "A" 6244 of 19 May 17, all the rules previously regulating foreign exchange transactions (item 4 of the Annex) were repealed. With this, among other measures, the requirement to support foreign exchange transactions by means of the signing of tickets by customers and the presentation of affidavits to access the foreign exchange market was abolished, and access to the foreign exchange market by non-residents was totally liberalized.

Communication "A" 6312 of 30/Aug/17 disseminated the restated text of the "Foreign Trade and Exchange" Regulations, consisting of the provisions disclosed in the Annex of Communication "A" 6244.

³⁶¹ The following items were restated: General Rules of the Free Foreign Exchange Market (item I of Annex I); Payments of Argentine imports of goods and other purchases of goods abroad (item II of Annex I); Services, proceeds, current transfers and non-produced non-financial assets (item III of Annex I); Financial debts (item IV of Annex I); Residents' Build-up of foreign assets Formation (item V of Annex I); Financial derivatives (item VI of Annex I), and Foreign exchange transactions with non-residents (item VII of Annex I).



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A	5885	14 Jan 2016	Progress in the flexibilization of the rules governing the operation of the foreign exchange market and in new rules intended to increase freedom in capital flows and in the payment and collection of goods and services.
A	5890	21 Jan 2016	Progress in the flexibilization of the rules governing the operation of the foreign exchange market and in new rules intended to increase freedom in capital flows and in the payment and collection of goods and services.
A	5899	4 Feb 2016	It allowed access to the local exchange market for amounts above the limit when the funds acquired are to be applied simultaneously to the payment to residents for the acquisition of real estate in the country by means of a deposit or transfer to the seller's local bank accounts in foreign currency. This rule also allowed full transferability of foreign currency deposits from the local financial system to foreign countries, subject only to a declaration of the concept and verification, if applicable, of the minimum term of permanence.
A	5910	25 Feb 2016	Progress in the flexibilization of the rules governing the operation of the foreign exchange market and in new rules intended to increase freedom in capital flows and in the payment and collection of goods and services.
A	5937	31 Mar 2016	Progress in the flexibilization of the rules governing the operation of the foreign exchange market and in new rules intended to increase freedom in capital flows and in the payment and collection of goods and services.
A	5952	15 Apr 2016	Progress in the flexibilization of the rules governing the operation of the foreign exchange market and in new rules intended to increase freedom in capital flows and in the payment and collection of goods and services.
A	5955	21 Apr 2016	As of 22/Apr/16, it was allowed to carry out import operations of goods and services without restrictions.
A	5961	3 May 2016	Progress in the flexibilization of the rules governing the operation of the foreign exchange market and in new rules intended to increase freedom in capital flows and in the payment and collection of goods and services.
A	5963	5 May 2016	The limit for the resident's build-up of assets without the obligation of a specific subsequent application was raised from the equivalent of US\$2 million to the equivalent of US\$5 million.
A	5964	5 May 2016	Progress in the flexibilization of the rules governing the operation of the foreign exchange market and in new rules intended to increase freedom in capital flows and in the payment and collection of goods and services.
A	6003	1 Jul 2016	Progress in the flexibilization of the rules governing the operation of the foreign exchange market and in new rules intended to increase freedom in capital flows and in the payment and collection of goods and services.
A	6011	11 Jul 2016	Progress in the flexibilization of the rules governing the operation of the foreign exchange market and in new rules intended to increase freedom in capital flows and in the payment and collection of goods and services.
A	6037	8 Aug 2016	New foreign exchange regulations on: I. General rules governing the Free Foreign Exchange Market. II. Payments of Argentine imports of goods and of other purchases of goods abroad. III. Services, proceeds, current transfers, and non-produced non-financial assets. IV. Financial debts. V. Residents' Build-up of current assets. VI. Financial derivatives. VII. Exchange transactions with non-residents.
A	6039	8 Aug 2016	The Foreign Exchange Transactions Information Regime (RIOCI) was readjusted, effective as from 1/Sep/16, with a new list of concept codes and a detailed description of their equivalences.
A	6137	30 Dec 2016	Regarding resident build-up of current assets, the monthly limit for cash transactions was removed and these transactions with resident counterparties were admitted, respectively.
A	6163	20 Jan 2017	



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A	6244	9 May 2017	<p>As from July 1, 17, foreign exchange operations were regulated by the provisions disclosed in its Annex (item 1), and as from said date, all the rules that had been previously regulating foreign exchange operations (item 4), among others, became null and void.</p> <p>The requirement to support foreign exchange operations by signing tickets by customers and submitting affidavits to access the foreign exchange market was repealed.</p> <p>The registration of transactions before the BCRA by financial and exchange entities was maintained (as provided for in Decree 66/08, Section 1).</p> <p>Access to the foreign exchange market for non-residents was fully liberalized.</p>
A	6312	30 Aug 2017	<p>The restated text of the "Foreign Trade and Exchange" regulations was published, made up by the provisions disclosed in the Annex to Communication "A" 6244.</p>
A	6363	10 Nov 2017	<p>As of Decree 893/17, the "Foreign Trade and Exchange" regulations that established the mandatory inflow and settlement of export proceeds and the follow-ups associated with the verification of compliance with such obligation were repealed.</p>

Source: Compilation based on information provided by the BCRA (400/02/2021 del BCRA in response to Note AGN 607/21, question 7).



EXHIBIT 12

a) Clauses in multilateral loan agreements

Table No. 60

Clauses in loan agreements

IFI	Decree	Program / Project	Text of the agreement
IDB	1120/2017	Water Supply and Sanitation Development Program – Plan Belgrano	<p>GENERAL RULES - May 2016. CHAPTER IV - Disbursements, waiver and automatic cancellation. ARTICLE 4.01. Conditions Precedent for the First Disbursement of the Loan Resources. Without prejudice to other conditions set forth in the Special Stipulations, the first disbursement of the Loan resources is subject to the following conditions being met to the satisfaction of the Bank: (a) That the Bank has received one or more well-founded legal reports establishing - with the pertinent constitutional, legal and regulatory provisions - that the obligations undertaken by the Borrower under this Agreement and those of the Guarantor under the Guarantee Agreements, if any, are valid and enforceable. Such reports shall also refer to any legal consultation that the Bank may deem appropriate. (b) That the Borrower or, as the case may be, the Executing Agency, has designated one or more officers who may represent it for purposes of requesting Loan disbursements, and in other acts related to the financial management of the Project, and has provided the Bank with true copies of the signatures of such representatives. If two or more officers are designated, it shall be necessary to indicate whether the designated officers may act separately or whether they must act jointly...</p>
	1121/2017	Program to Strengthen the Statistical Capacity of Argentina’s National Statistical and Census Institute (INDEC)	
	419/2018	Water and Sanitation Program for the Buenos Aires Metropolitan Area and the Districts in the First, Second, and Third Rings of the Buenos Aires Conurbation	
	476/2018	Program for the Implementation of the National Financial Inclusion Strategy of Argentina	
	492/2018	Program to Build Capacity and Improve Safety on the Accesses to the Cristo Redentor Border Crossing	
	539/2018	Program to Support Productive Infrastructure Financing	



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	762/2018	-Program to Enhance the Management Capacity of the Federal Administration of Public Revenue – AFIP	
	1079/2018	Supporting the Execution of the Program to Enhance Argentina’s Social Protection System Equity and Effectiveness	
	765/2018	Growth Enhancement Program	<p>GENERAL RULES - May 2016 CHAPTER IV - Rules Relating to Disbursements ARTICLE 4.01. Conditions Precedent for the First Disbursement. The first disbursement of the Loan is subject to compliance, to the satisfaction of the Bank, with the following requirements: (a) That the Bank has received one or more well-founded legal reports establishing - with the pertinent constitutional, legal and regulatory provisions - that the obligations undertaken by the Borrower under this Agreement and those of the Guarantor under the Guarantee Agreements, if any, are valid and enforceable. Such reports shall also refer to any legal consultation that the Bank may deem appropriate (b) That the Borrower, by itself or through the Executing Agency, if any, has designated one or more officers who may represent it in all acts related to the execution of this Agreement and has provided the Bank with true copies of the signatures of such representatives. . If two or more officers are designated, it shall be necessary to indicate whether the designated officers may act separately or whether they must act jointly.</p>
	1037/2018	Program to Support Gender Equality Policies	
IBRD	1129/2018	Additional Financing for the Children and Youth Protection Project	<p>General Conditions for IBRD Financing. Investment Project Financing. July 14, 2017. ARTICLE IX. Effectiveness. Termination. Section 9.01. Conditions Precedent to the Entry into Force of Legal Agreements. The Legal Agreements shall not become effective until evidence satisfactory to the Bank has been furnished to the Bank that the conditions specified in paragraphs (a) through (c) of this Section have been satisfied. (a) The execution and delivery of each Legal Agreement on behalf of the Loan Party or the Project Implementing Entity which is a party to such Legal Agreement have been duly authorized or ratified by all governmental and corporate actions necessary to that effect...</p>



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	1131/2018	First Inclusive Growth Programmatic Development Policy Financing	<p>Section 9.02. Legal Opinions or Certificates.</p> <p>As part of the evidence to be submitted pursuant to Section 9.01, the Bank shall be furnished with an opinion or opinions satisfactory to the Bank issued by counsel acceptable to the Bank or, if requested by the Bank, with a certificate satisfactory to the Bank, issued by a competent official of the Member Country, stating the following:</p> <p>(a) on behalf of each Loan Party and the Project Executing Agency, that the Legal Agreement to which it is a party has been duly authorized or ratified by, and executed and delivered on behalf of, such party, and is legally binding on such party in accordance with its terms; and</p> <p>(b) such other matter as may be specified in the Loan Agreement or reasonably requested by the Bank with respect to the Legal Agreements for purposes of this Section ("Additional Legal Matter").</p>
CAF	764/2018	Financing program for the fiscal management of the years 2018 and 2019 of the Republic of Argentina under financial conditions similar to those observed in the international financial markets in the last quarter of 2017 and the first two months of 2018.	<p>LOAN AGREEMENT. GENERAL CONDITIONS.</p> <p>Clause 7. Conditions Precedent to Disbursements</p> <p>7.1. Loan Disbursements shall be subject to the fulfillment, to CAF's satisfaction, of the following conditions precedent:</p> <p>a) For the first Disbursement: 1. That CAF has received a legal report establishing - with the pertinent constitutional, legal and statutory provisions - that the obligations undertaken by the Borrower in this Agreement, and those of the Guarantor in the Guarantee Agreement, if any, are valid and enforceable. Such report shall also cover any matter that CAF deems pertinent;</p>
	766/2018	Capital Markets Development Program for Productive Financing	
FONPLATA	502/2018	Program for Integration Infrastructure	<p>GENERAL RULES</p> <p>CHAPTER IV - DISBURSEMENTS</p> <p>Article 4.01. CONDITIONS PRECEDENT FOR THE FIRST DISBURSEMENT.</p> <p>The first disbursement of the Loan is subject to compliance, to the satisfaction of FONPLATA, with the following requirements:</p> <p>(A) That FONPLATA has received one or more well-founded legal reports establishing - with the pertinent constitutional, legal and regulatory provisions - that the obligations undertaken by the Borrower under this Agreement and those of the Guarantor under the Guarantee Agreement, if any, are valid and enforceable. Such reports shall also refer to any legal consultation that FONPLATA may deem appropriate.</p> <p>(B) That the Borrower, by itself or through the Executing Agency, if any, has designated one or more officers who may represent it in all acts related to the execution of this Agreement and has provided FONPLATA with true copies of the signatures of such representatives. If two or more officers are designated, it shall be necessary to indicate whether the designated officers may act separately or whether they must act jointly. To that end, it is incompatible to hold the positions of Executive Director and officer of FONPLATA with that of representative of the Borrower...</p>
	901/2018	Project to Digitalize the Collection of the Mariano Moreno National Library (BNMM)	
	1164/2018	Support for the Railway Safety Program in the Metropolitan Region of Buenos Aires (RMBA)	

Source: Compilation based on loan agreements.



b) IMF Country Reports

Table No. 61

Summary of the main items of IMF country reports prepared in December 2017, and June and October 2018.

Relevant aspects	Report of December 2017	Report of July 2018	Report of October 2018
Public Spending	<p>It is observed that even for 2019, Argentina's spending projection levels remain above the region's average, measured as a percentage of GDP. A deficit of 2% is expected for 2019.</p> <p>The Agency suggests spending cuts in order to make a better policy mix and reduce distortionary taxes. Among the suggested adjustments are: reducing government employment, adjusting pension pressures, streamlining social transfers, and reducing other current expenditures.</p> <p>The gradualist fiscal strategy adopted by the authorities softened the impact of the necessary consolidation on activity and employment, but has negative side effects.</p> <p>* Public Debt: debt growth, especially in foreign currency (both national and provincial);</p> <p>* Inflation: fiscal gradualism implies that the BCRA's financing continues and this goes against the imposed goals and the BCRA's credibility. This also implies an increase in the bank's liabilities to sterilize such financing with quasi-fiscal costs;</p> <p>* External imbalances: IMF staff observes an overvaluation of the peso of between 10-25%, resulting in a moderately weak external position towards the end of 2017 with a level consistent with medium-term fundamentals and desirable policies.</p>	<p>The fiscal effort is projected with a primary deficit of 2.7 percent of GDP in 2018 and 1.3 percent of GDP in 2019. This represents a bold and ambitious commitment, especially coming from the 3.8 percent of GDP resulting from the 2017 deficit. This is achieved by reducing subsidies; reducing public employment wage bill; rationalizing spending on other goods and services, with a 15% reduction in real terms in 2018 and continuing in 2019; reducing transfers to state-owned companies; reducing discretionary transfers to provinces; reducing capital expenditures; reducing tax expenditures; selling assets; adjusting pensions³⁶².</p>	<p>Reduction of federal government spending (reduction of energy subsidies, reprioritization of capital expenditures and adjustment of transfers to provinces). Zero primary fiscal deficit for 2019 and primary fiscal surplus for 2020³⁶³.</p>

³⁶² Summary of what Argentina's authorities are going to do, supported by the IMF in its report; it is not the IMF's suggestion. See list of actions in Excel, Report tab, row 10.

³⁶³ Line of action to follow, reviewed by the IMF in terms of fiscal policy guidelines.



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Relevant Aspects	Report of December 2017	Report of July2018	Report of Octubre 2018
Taxes	<p>* The IMF proposes the need to implement tax, labor and market reforms, which will strengthen productivity, reducing pressures on the currency and mitigating inflationary pressures. There exist high and distortionary taxes in Argentina. In this regard, the government proposes:</p> <ul style="list-style-type: none"> * Reduce tax burden; * Reduce the marginal tax rate on labor income for low and middle-income wage earners; * Reduce cascading taxes; * Tax capital income and carbon <p>IMF staff estimates that the revenue loss from the government's reform, after five years, will be approximately 3¾ percent of GDP (1½ percent from the reduction in the gross turnover tax and 2¼ percent from the other measures). Argentina expects growth to act as a compensating element for the drop in revenue resulting from the tax reform. In this regard, the IMF calls attention to relying on uncertain growth effects to compensate for the revenue losses derived from the tax reform. The government's proposed reform is, in the IMF's view, a major step towards overhauling Argentina's inefficient tax system</p>	<p>Argentine government proposal reviewed by the IMF:</p> <ul style="list-style-type: none"> -To delay portions of the tax reform; -To maintain the average export tax rate on soybean products at 25.5 percent. 	<p>Argentine government proposal reviewed by the IMF:</p> <ul style="list-style-type: none"> -Introduction of withholding taxes, increase in personal property tax



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Relevant aspects	Report of December 2017	Report of July 2018	Report of October 2018
Exchange Rate	<p>IMF's view: Argentina's external position is vulnerable to a rapidly growing current account deficit that is moderately weaker than medium-term fundamentals and desirable policies imply. It is estimated that the exchange rate is overvalued. A disorderly correction of these growing external imbalances constitutes a major vulnerability that could jeopardize the sustainability of the ongoing economic recovery</p>	<p>Monetary framework of the program and commitments assumed by the BCRA: Fully floating exchange rate that adjusts to market needs (except for market dysfunctions).</p>	<p>Monetary framework of the program and commitments assumed by the BCRA: Exchange rate regime without intervention (intervention in exceptional cases without sterilization).</p>
Inflation	<p>The committee agrees on tight monetary policies that are successful in reducing inflation, and give credibility to inflation targets, as well as greater independence to the BCRA.</p>	<p>Argentine government proposal, as part of the Stand-By Arrangement policy plan with the IMF: -Single-digit inflation by the end of 2021. -Communication of new credible inflation targets. -Greater autonomy for the BCRA with proposed new charter.</p>	<p>Proposal by the Argentine government, as a framework for the policy plan of the Stand-By Arrangement with the IMF: Change of monetary regime, abandonment of inflation targeting for monetary aggregates targeting.</p>
Growth	<p>Growth of around 2.5% for 2018 and 2019.</p>	<p>Growth slowdown in 2018 (0.4%). Growth of 1.5% in 2019. Average potential growth of 3% from 2020 onwards.</p>	<p>2018 Contraction (-2.8%). 2019 Contraction (-1.7%).</p>



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Potential Risks	<p>* External financing. Despite lower primary fiscal deficits, the relatively small financial system means that the federal government's external financing needs remain high over the medium term (Annex II). As such, any adjustment in external, financial conditions could prove detrimental. In the worst-case scenario, external financing constraints could force stronger fiscal consolidation and lead to lower private investment, which would reinforce the recession.</p> <p>* Currency overvaluation. The sustained strength of the real exchange rate could be an obstacle to a rebound in investment, depressing growth and job creation. A more problematic risk would be if markets perceive the currency to be significantly out of line with medium-term fundamentals. This could trigger a sharp and sudden adjustment of the nominal exchange rate that would complicate disinflation efforts and, given the dollarization of liabilities, lead to a staggered increase in the public debt/GDP ratio.</p> <p>* Inflation inertia. Higher-than-expected inertia in both inflation and inflation expectations could require a tighter monetary policy stance (i.e., higher real interest rates and a more appreciated peso) to reduce inflation to single digits. This would affect future growth prospects.</p>	<p>* Strong gross financing needs (although with a high percentage of debt in the hands of the public sector).</p> <p>* Large amount of foreign currency debt.</p> <p>* Proposed fiscal consolidation, ambitious compared to similarly situated countries (i.e., in the top 13 percent of the distribution of consolidations achieved by program countries).</p>	<p>* Low roll over percentages.</p> <p>* Possibility of further GDP decline.</p> <p>* Inability to achieve target fiscal adjustment.</p> <p>* Risk of external shocks.</p> <p>* Lack of social cohesion to support adjustment.</p>
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Relevant aspects	Report of December 2017	Report of July 2018	Report of October 2018
Analysis results from the DSA (Debt Sustainability Analysis)	<p>Debt vulnerabilities have increased as external imbalances have grown, making fiscal consolidation critical to ensure debt sustainability.</p> <p>Federal Government Debt: expected to remain slightly above 50 percent of GDP over the medium term. There is likely to be a positive effect from a declining primary deficit and higher growth, matched by higher real interest rates, as the government shifts to a broader lending market.</p> <p>Solvency risks are moderate, but high ratio of foreign currency-denominated debt creates vulnerabilities from large exchange rate depreciation. High gross financing needs constitute a risk, only partially mitigated by the high ratio of debt held by other entities in the sector.</p>	<p>Generally, the staff assesses that, under the program's baseline, federal debt is sustainable, but without high probability³⁶⁴.</p> <p>Debt vulnerabilities have become apparent following the tightening of global monetary policy conditions and a series of domestic policy changes. Federal government debt is projected to rise to 65 percent in 2018 before gradually declining again.</p> <p>Risks to debt stabilization are contained as the increase in the debt-to-GDP ratio in 2018, as a result of depreciation. It is expected to be more than offset after 2019 by a lower deficit, which is assumed to turn into a surplus as of 2021. However, a high level of financing needs, a high proportion of foreign currency debt, high external financing needs, and potential contingent liabilities pose significant risks.</p>	<p>The IMF Staff's assessment is that sustainable debt remains, but not with a high probability³⁶⁵. Public debt is expected to peak at 81% of GDP by the end of 2018. This reflects the recent depreciation of the real exchange rate and the high share of foreign currency-denominated debt and, to a lesser extent, lower GDP growth. With the implementation of the new monetary framework and additional fiscal consolidation, staff foresees a rebound in market confidence in the baseline, including a partial and anticipated reversal of the real exchange rate depreciation and a return of growth, leading to debt falling to 59 percent of GDP by 2023. However, there are significant downside risks to this baseline, a scenario that includes (i) if the rebound in market confidence projected in the program does not materialize, (ii) the structurally high proportion of foreign currency-denominated debt, and (iii) potential contingent liabilities of the broader public sector. At the same time, the 40 percent of public debt held by other public entities is a mitigating factor.</p> <p>The "heat map" of debt sustainability changed from June 2018 to October 2018, showing the disappearance of green flags (low risk) and reflecting 8 red flags (GDP growth shock, primary Balance shock, interest rate shock, exchange rate shock, market perception, external financing requirements, changes in the share of short-term debt, foreign currency debt) versus 3 in the June 2018 analysis (external financing requirements, changes in the share of short-term debt, foreign currency debt). The rest were green flags -3- or yellow flags 2-).</p>

Source: Compilation based on IMF's Website.

Note: The data and estimates mentioned in the reports are prepared by the Ministerio de Hacienda y Finanzas Públicas, the Banco Central de la República Argentina (BCRA) and the IMF's staff³⁶⁶.

³⁶⁴ "Taking all these considerations into account, staff assesses that, under this baseline, the federal debt is sustainable but not with a high probability."

³⁶⁵ "Staff's overall assessment is that Argentina's debt is sustainable, but not with a high probability."

³⁶⁶ Textual quote: "Sources: Ministerio de Hacienda y Finanzas Públicas, Banco Central de la República Argentina (BCRA), and Fund staff estimates."



EXHIBIT 13 - Methodological Annex to the SBA impact analysis

a) Rate Impact

The rate of the Stand-By Agreement entered into by Argentina in June 2018 was calculated based on the IMF's technical factsheet³⁶⁷ and on the IMF's data³⁶⁸ at the beginning of May 2018, so as to be compatible with the estimates of the rate curve made.

The duration of the loan was calculated as a weighted average of the tranches corresponding to May 2018.

Regarding the calculation of the rate corresponding to the SBA as of May 6, the following two estimates are obtained, based on the different considerations of the residual value of the loan with respect to the quota; these are shown below:

$$i_{FMI}^{pret} \cong \begin{cases} 3,61\% \frac{VR}{C_{FMI}^{Arg}} \leq 1,875 \\ 4,48\% \frac{VR}{C_{FMI}^{Arg}} > 1,875 \end{cases}$$

The interest rate applicable to the SBA was calculated as follows:

$$i_{FMI}^p = i_{base} + \varepsilon(T, M) \left(1 - 1,875 \frac{C_{FMI}^J}{VR} \right)$$

Where:

i_{FMI}^p : Interest Rate for the Stand-By Arrangements.

i_{base} : Basic rate of charge consisting of the rate on SDR (“*DEG*”) and margin (*Margen*). The latter being:

$$i_{base} = i_{DEG}^{Mercado} + m$$

$i_{DEG}^{Mercado}$: SDR interest rate

m : *Margen* (100 pb)

³⁶⁷ <https://www.imf.org/es/About/Factsheets/Sheets/2016/08/01/20/33/Stand-By-Arrangement>

³⁶⁸ <https://www.imf.org/external/np/fin/data/query.aspx>



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$\varepsilon(T, M)$: over Rate, which depends on Term (T) and credit amount (M) .

$$i_{FMI}^p = i_{base} + 2\% \left(1 - 1,875 \frac{C_{FMI}^j}{VR} \right) \text{ Si al 3er año } \frac{VR}{C_{FMI}^{Arg}} \leq 1,875$$

$$i_{FMI}^p = i_{base} + 3\% \left(1 - 1,875 \frac{C_{FMI}^j}{VR} \right) \text{ Si al 3er año } \frac{VR}{C_{FMI}^{Arg}} > 1,875$$

For the estimates, three different functional forms were used to perform the interpolations and a log-lin regression:

- Linear interpolation (grade 1): Contemplates a linear behavior of the rates that are interpolated.
- La interpolación cuadrática (grado 2): Quadratic interpolation (grade 2): Contemplates a quadratic behavior of the points that are interpolated.
- La interpolación cúbica (grado 3): Cubic interpolation (grade 3): Contemplates a cubic behavior of the points that are interpolated.

Log-lin regression: Looks for the best linear fit.



EXHIBIT 14 – Subscription of the LI and Digital Signature

Different signature quality was detected (from the GDE system or the officer's token) for the same legal instrument (issuance of *Letras Intransferibles*), as shown in the following chart:

Table No. 62

Description of Signatures - Records - Letras Intransferibles

DATE	RECORDS	DESCRIPTION	DIGITAL SIGNATURE
22 Jun 2018	ACTA-2018-29826301-APN-MHA	Foreign currency purchase Record 1	NO
30 Oct 2018	ACTA-2018-55222888-APN-MHA	Foreign currency purchase Record 2	YES
21 Dec 2018	ACTA-2018-67161143-APN-MHA	Foreign currency purchase Record 3	NO
8 Apr 2019	ACTA-2019-21148641-APN-MHA	Foreign currency purchase Record 4	NO
16 Jul 2019	ACTA-2019-64291397-APN-MHA	Foreign currency purchase Record 5	YES
3 Jul 2019	ACTA-2019-59389970-APN-MHA	Foreign currency revaluation 1	YES
30 Jun 2020	ACTA-2020-41594563-APN-MEC	Foreign currency revaluation 2	NO

Source: Compilation based on files EX-2018-54074016- APN-DGD#MHA

Given the discrepancies found in the types of signatures inserted in the records containing the *letras intransferibles*, an analysis was made to determine the nature of the instruments and whether the lack of homogeneity of the type of signature may impose risks to the validity of the documents.

As to the form of these instruments, they require the signature of the officer as "proof of the authorship of the declaration of intent expressed in the text to which it corresponds. It must consist of the signatory's name or a sign" (Section 288 of the CCyC)" (CCyC: Argentine Civil and Commercial Code).

"In instruments generated by electronic means, the requirement of the signature of a person is satisfied if a digital signature is used, which undoubtedly ensures the authorship and integrity of the instrument" (Section 288 of the CCyC).

Within this framework, the CCyC requires a digital signature to ensure the authorship of the instrument. From the observation and comparison of the instruments, it can be seen that some *letras intransferibles* bear the GDE system registration and other signatures with the officer's own external device.



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Also, in accordance with Section 289 of the CCyC³⁶⁹, the LIs would fall within the framework of public instruments³⁷⁰.

The requirements for validity³⁷¹ are the powers of the Minister of the Treasury³⁷² (MH) and, secondly, the existence of the signatures according to the applicable regulations.

On the other hand, nothing is said about the type of registration/signature made by the system, not being in accordance with a Digital Signature, in any of its versions (with token or remote)³⁷³.

Additionally, Section 13 of Decree 1,063/2016 states that the GDE allows the digital signature of electronic documents with 3 possible modalities³⁷⁴.

In accordance with Law 25,506, digital signatures have full validity by virtue of the provisions of Section 9, undoubtedly assuring the authorship and integrity of the digitally signed electronic document³⁷⁵.

³⁶⁹ Law 26,994. TITLE IV, Legal acts and matters. CHAPTER 5. Legal acts. SECTION 4, Public Instruments, Section 289.-

³⁷⁰ The Code states as follows:

Enunciation. The following are public instruments:

- b) instruments issued by notaries public or by public officers in accordance with the requirements established by law;
- c) securities issued by the national or provincial government or the Autonomous City of Buenos Aires, in accordance with the laws authorizing their issuance.

³⁷¹ The Code states as follows:

Requirements for the validity of the public instrument are as follows

- (a) the action of the public officer within the limits of his/her powers and territorial competence, unless such place is generally considered to be included therein;
- (b) the signatures of the public officer, of the parties and, if applicable, of their representatives; if any of them does not sign by him/herself or at his/her request, the instrument is not valid for any of them. (Section 290).

"It is a prerequisite for the validity of the instrument that the public officer is actually in office (...). Within the limits of good faith, the lack of the necessary requirements for his/her appointment and investiture does not affect the act or the instrument if the intervening person actually holds an existing office and acts under the appearance of legitimacy of his/her office" (Art. 292).

³⁷² Ministerial reference for the year 2018. Currently, the Ministry of Economy (*Ministerio de Economía*).

³⁷³ We can differentiate:

- Hardware Digital Signature with Token and
- Remote Digital Signature without Token

Both have the same legal validity and in both cases, it is necessary to process certificates, for signatures with token: The certificates are issued by "AC-ONTI" (Certifying Authority of the National Office of Information Technology) and are only for natural persons. The digital signature with token is used to sign any type of document.

³⁷⁴ a) Remote digital signature: it is used to digitally sign any type of electronic document, including administrative acts.

b) Digital signature with external cryptographic device: it is used to digitally sign any type of electronic document including administrative acts.

c) Digital signature with system certificate: used to digitally sign electronic documents, except for administrative acts, such as opinions, reports, official communications, etc.

³⁷⁵ Section replaced by Section 4 of Decree No. 182/2019 - Official Gazette of 12/Mar/2019.



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As regards authorship, it is presumed, in the absence of proof to the contrary, that any digital signature belongs to the holder of the digital certificate that allows the signature to be verified³⁷⁶.

It is worth mentioning that the Manual for the signature of administrative acts states, by procedure, that it is the signatory who selects the type of signature to be used (paragraph 2.1).

As a closing remark of the analysis related to the types of signatures included in the LI, the Ministry of Economy³⁷⁷ was asked whether "the quality of the signature required for each type of document had been defined at the date of the signing", to which the audited party responded by referring to the applicable regulations³⁷⁸, concluding that "Therefore, in view of the foregoing, the regulatory framework described above specifies the validity of the signatures identified without distinction as to the types of signature mentioned". In turn, the BCRA replied³⁷⁹: "Regarding the clarifications requested in paragraphs a), b), c) and d), and notwithstanding the fact that in all cases these are documents issued by different officers in charge of the Ministry of the Treasury/Finance, in accordance with the applicable regulations of that area outside this Institution, the Legal Advisory Senior Management Office of this Central Bank has informed that, according to the provisions of the Law No. 25,506 on Digital Signature (LDS), both types of signatures are admissible. The aforementioned regulation, of which the rules governing the signature provided by the GDE system and the use of TOKEN are only an application, admits the substitution of the holographic signature by electronic means; it should be borne in mind that the difference in effects between the digital signature and the electronic signature is that authorship is presumed in the digital signature unless proven otherwise, while in the case of the electronic signature -if unknown, and only in that case- it is up to the person who invokes it to prove its validity (Sections 5 and 7 of the LDS). The validity of the signatures inserted in the consultation documents has not been questioned or disregarded in the aforementioned cases".

³⁷⁶ Law 25,506, Section 7.

³⁷⁷ Note AGN 610/21, responded through NO-2021-90300371-APN-SLYA#MEC (second delivery in relation to the above-mentioned note).

³⁷⁸ Decree 561/16, Resolution 43/19, Decree 1063/16, Law 25,506.

³⁷⁹ Note BCRA 400 02 021, in response to Note AGN 607/21.