Auditoría General de la Nación
REPÚBLICA ARGENTINA

IDI-WGPD Webinar - May 2025

Concept Note SAI Argentina

Content

Preface

This work was carried out by the team under my leadership in the **Vice-Presidency of the Working Group on Public Debt (WGPD)**.

I would like to express our full support for initiatives of this nature, where the most pertinent issues within the **Supreme Audit Institutions (SAIs)** are brought to the debate within **INTOSAI**. On this occasion, the role of SAIs in the **sustainability of public debt** in our countries is being evaluated. The progress achieved through this discussion will have a significant impact on the oversight work we perform.

This activity made us think about important issues related to debt sustainability and lessons learned, and gave our SAIs the opportunity to begin a new debate that surely will continue in the future. I celebrate and encourage this time to reflect on this important matters for all the countries of our INTOSAI community.

Furthermore, I would like to extend my gratitude to the **Chairperson of the Working Group on Public Debt** for invigorating our daily work by bringing together experts and auditors for this initiative, and **Chairman of General Audit of Argentina**, **Dr. Juan M. OLMOS**, who strongly supports our WGPD activities.

Francisco J. FERNANDEZ

WGPD VICECHAIR -SAI ARGENTINA -

I. Background: Argentina's Public Debt — Composition, Trends, and Projections

The public debt of the Argentine Republic is governed by **Law No. 24,156 on Financial Administration** and by the **National Constitution**. The issuance of public debt or sovereign debt instruments must be authorized by the **National Congress**, except in the case of debt contracted with **international public credit organizations**[1] **(IPCOs)**.

It is noteworthy that the **Argentine Supreme Audit Institution (Auditoría General de la Nación)** holds a specific mandate to oversee sovereign debt. In this capacity, it conducts annual audits of Argentina's public debt. This mandate is detailed further in Sections III and IV.

Regarding the current state of public debt—its composition, trends, and projections—it should be noted that, in Argentina's case, total public debt stands at **USD 466.921 billion**, equivalent to **83.2% of GDP**. Its evolution has been variable and has involved several debt restructuring operations over the past ten years.

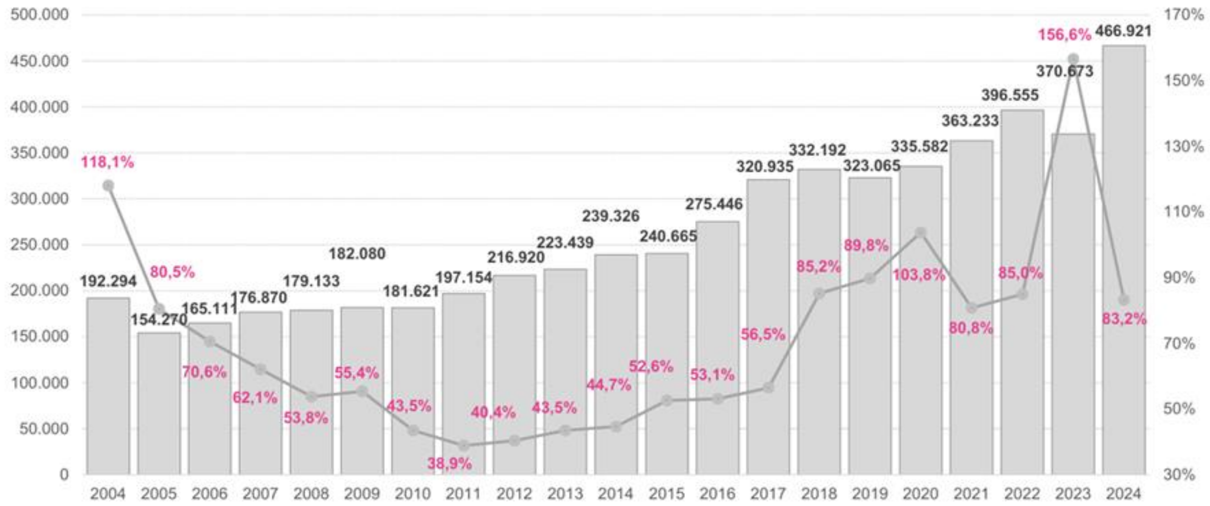
As shown in the following chart, Argentina's public debt has exhibited a **rising trend in recent years**, particularly following recent economic crises. This situation worsened in **2023**, when the debt reached levels close to **100% of GDP**, surpassing previous years significantly. Two clear inflection points in the trend can be identified upon closer examination of the data.

- The **first period**, from **2005 to 2015**, was marked by a **healthy and declining Debt-to-GDP ratio**, following the 2005 debt exchange.
- The **second period**, from **2016 to 2023**, saw a **steady increase in public debt**, culminating in a debt level of **156% of GDP** in 2023.

The **COVID-19 pandemic** must also be mentioned, as it led to increased fiscal spending and debt worldwide. However, even after the pandemic's peak, Argentina's **debt trajectory continued to rise**, rather than stabilize.

[1] Los préstamos con OIC cuentan con un procedimiento propio (Res. MEyFP 108/09 y normas modificatorias), que incluye la aprobación por decreto presidencial, salvo los acuerdos con el FMI que requieren aprobación por parte del Congreso de la Nación (Ley 27.612).

Chart No. 1
Evolution of Argentina's Gross Debt, 2004–2024
In millions of USD and as a percentage of GDP



Source: Elaboration based on data provided by the Ministry of Economy. https://www.argentina.gob.ar/datos-trimestrales-de-la-deuda

With regard to the composition of Argentina's public debt portfolio, it can be categorized into four (4) clearly defined creditor groups:

Group 1 – Private Creditors (held 52.2% of the issued debt at the end of 2023)

Group 2 – National Public Sector Agencies (held 70.1% of the issued debt)

Group 3 – Multilateral and Bilateral Organizations (held 33.3% of the debt in the form of direct loans)

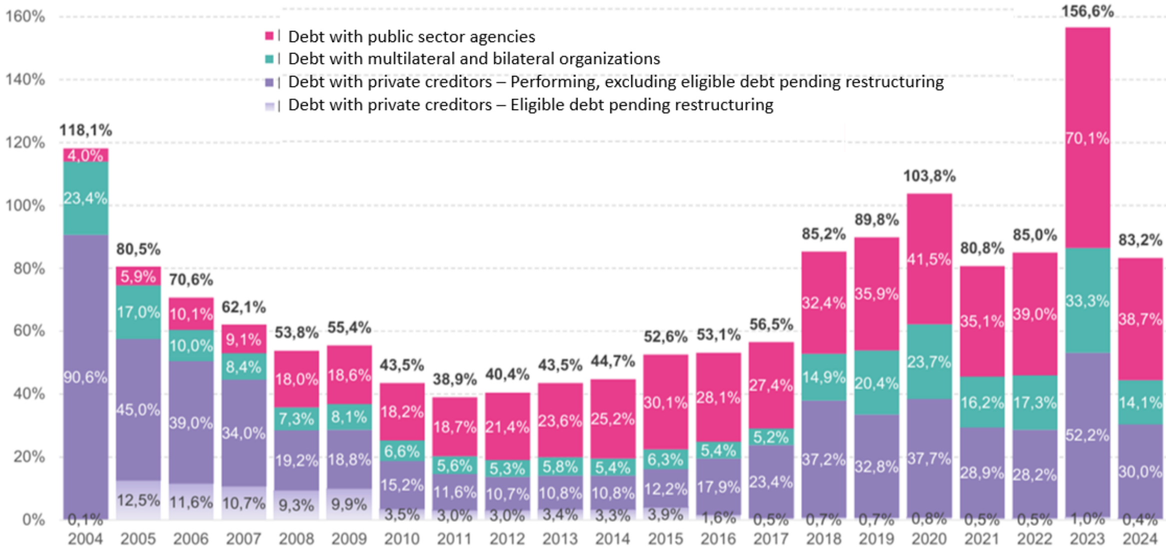
Group 4 – Private Creditors Holding Eligible Public Debt Pending Restructuring (representing a remaining 1%)

The first key point concerns the evolution of these groups since 2015. In particular, there has been a noticeable increase in borrowing from Multilateral Credit Organizations, with a significant presence of the International Monetary Fund (IMF) during the 2018–2020 period.

The second important factor, which affects debt sustainability, is the predominance of debt held by public sector agencies (known as intra-public[2] sector debt) and the substantial portion of public securities held by private agents.

[2] The one in which the creditor is a public sector agency.

Chart No. 2
Composition of Argentina’s Gross Debt, 2014–2024, by Type of Creditor
(expressed as a percentage)

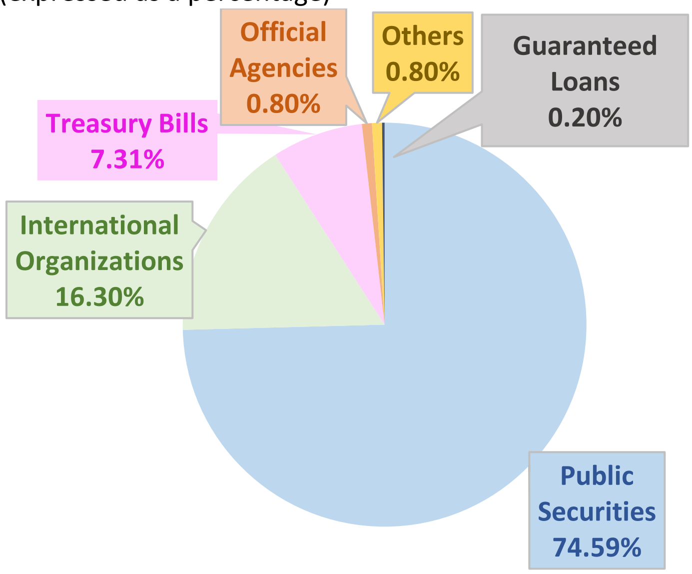


Source: Elaboration based on data provided by the Ministry of Economy.
https://www.argentina.gob.ar/datos-trimestrales-de-la-deuda

The particular structure of Argentina’s debt portfolio indicates that a significant portion must be carefully managed to avoid potential crisis events in the medium term, which typically emerge in cycles of 7 to 10 years — a pattern that aligns with the portfolio’s duration.

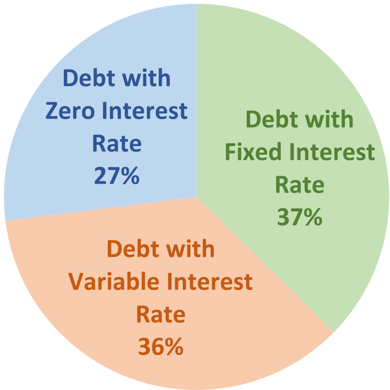
In this regard, it is important to note that 74.59% of the debt consists of capital market instruments (government securities), most of which (68%) are issued under domestic law, with varying interest rate conditions (fixed, variable, or at a discount — i.e., zero-coupon), and across different maturities, as shown in the following charts.

Chart No. 3
Composition of Argentina’s Gross Debt in 2024, by Instrument Type
(expressed as a percentage)



Source: Elaboration based on data provided by the Ministry of Economy https://www.argentina.gob.ar/datos-trimestrales-de-la-deuda

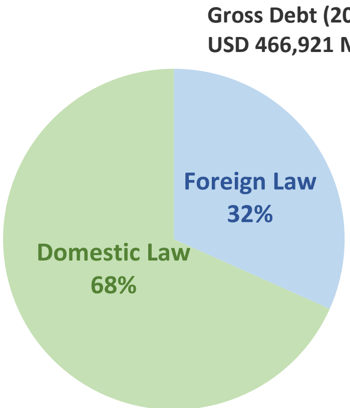
Chart No. 4
Composition of Argentina's Gross Debt in 2024, by Interest Rate Type
(expressed as a percentage)



Source: Elaboration based on data provided by the Ministry of Economy https://www.argentina.gob.ar/datos-trimestrales-de-la-deuda

The classification of debt by governing law (domestic or foreign), for example, is presented in order to distinguish the portion that carries greater contingent risk upon rollover. This is particularly relevant given that the country has faced numerous claims abroad resulting from successive debt[3] exchange operations.

Chart No. 5
Composition of Argentina's Gross Debt in 2024, by Governing Law
(expressed as a percentage)

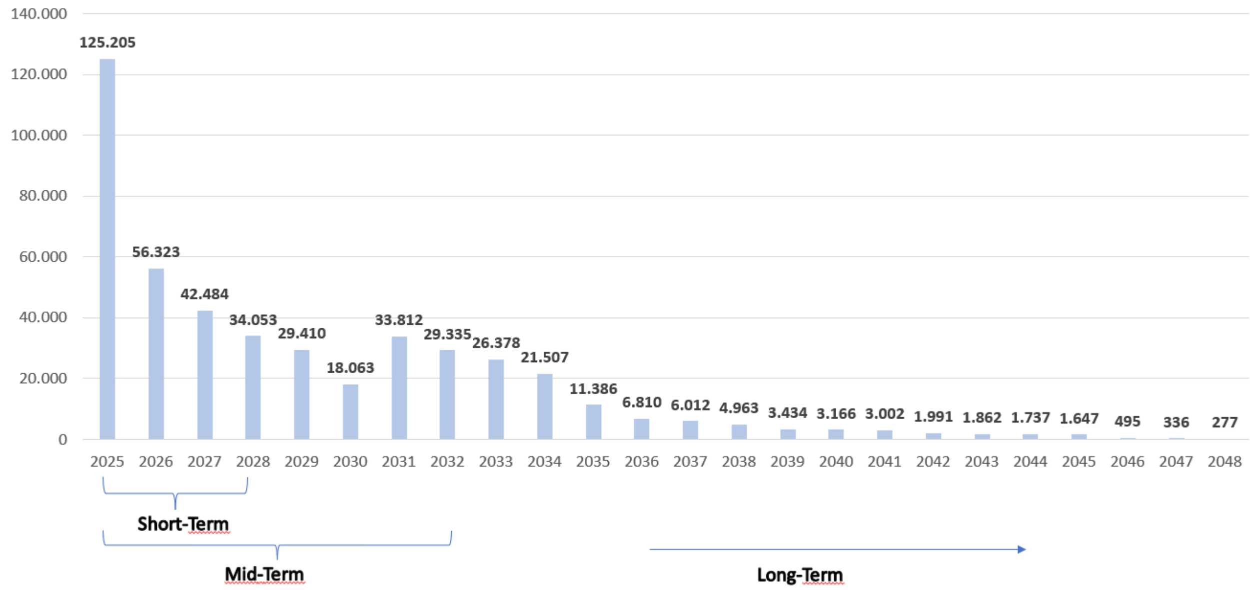


Source: Elaboration based on data provided by the Ministry of Economy https://www.argentina.gob.ar/datos-trimestrales-de-la-deuda

[3] We recall the so-called "Vulture Funds" lawsuit against the Argentine Republic, in which the disputed securities were recognized at face value, and this was ruled for their settlement in 2016..

Another important aspect concerns the maturity terms of the public debt, whether short, medium, or long term. The following chart illustrates the public debt by the maturity term of the outstanding principal. As shown, in the case of Argentina, debt maturities are heavily concentrated in the short term, particularly in 2025, which creates significant financial pressure in that year and the years immediately following. From 2030 onwards, the burden eases, providing some long-term relief.

Chart No. 6
Capital Maturity Profile 2025–2048, by Term
Expressed in millions of USD



Source: Elaboration based on data provided by the Ministry of Economy *https://www.argentina.gob.ar/datos-trimestrales-de-la-deuda*

Regarding credit risk, it is relevant to present the market's perception of Argentina's public debt. To this end, the list of bonds issued following the most recent debt exchanges (2010 and 2020), under both foreign and local legislation, is presented below, along with an updated yield curve for these instruments (as of April 2025).

Table No. 1
List of Bonds from the 2010 and 2020 Debt Restructuring Exchange, under Local and Foreign Law

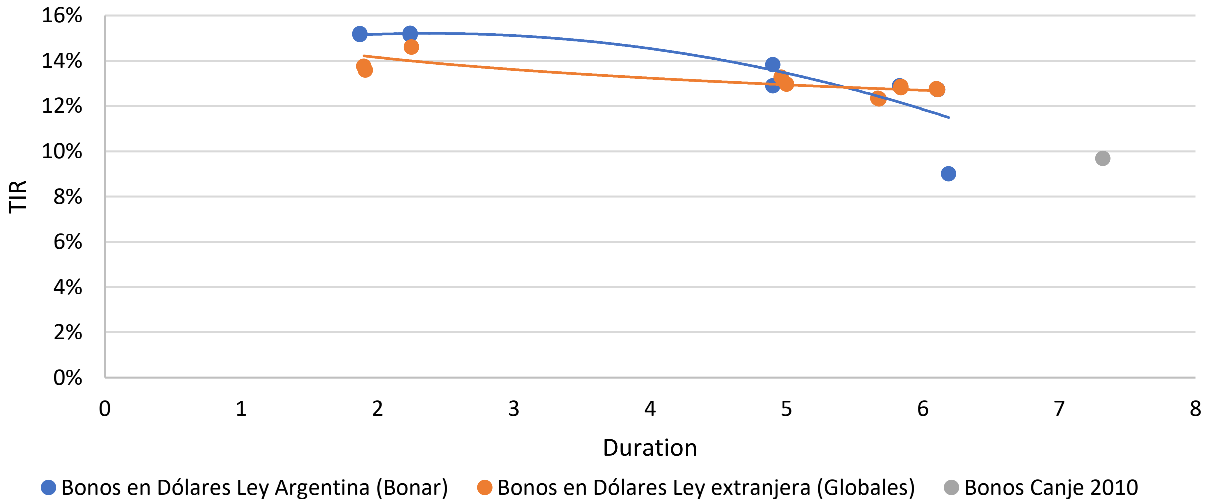
Debt Restructuring Exchange Bonds – 2020
Bono PAR $ Ley Arg: PAR Bond $ Argentine Law
Bono Discount $ Ley Arg: Discount Bond $ Argentine Law
U.V.P in USD – 2010 Exchange under New York Law
Debt Restructuring Exchange Bonds – 2020
I. Argentine Law Dollar Bonds (Bonar)
BONAR STEP-UP USD Ley Arg 2029
BONAR STEP-UP USD Ley Arg 2029
BONAR STEP-UP USD Ley Arg 2030

BONAR STEP-UP USD Ley Arg 2030
BONAR STEP-UP USD Ley Arg 2035
BONAR STEP-UP USD Ley Arg 2035
BONAR STEP-UP USD Ley Arg 2038
BONAR STEP-UP USD Ley Arg 2038
BONAR STEP-UP USD Ley Arg 2041
BONAR STEP-UP USD Ley Arg 2041
II. Foreign Law Dollar Bonds (Global Bonds)
GLOBAL STEP-UP USD Ley NY 2029
GLOBAL STEP-UP USD Ley NY 2029
GLOBAL STEP-UP USD Ley NY 2030
GLOBAL STEP-UP USD Ley NY 2030
GLOBAL STEP-UP USD Ley NY 2035
GLOBAL STEP-UP USD Ley NY 2035
GLOBAL STEP-UP USD Ley NY 2038
GLOBAL STEP-UP USD Ley NY 2038
GLOBAL STEP-UP USD Ley NY 2041
GLOBAL STEP-UP USD Ley NY 2041
GLOBAL STEP-UP USD Ley NY 2046
GLOBAL STEP-UP USD Ley NY 2046

Source: 2020 Investment Account Report https://www.agn.gob.ar/informes/Informe-54-2025

Furthermore, in the following chart, it can be observed that the Argentine law bonds, the BONARs, have an inverted blue curve with a more concave shape, which indicates a warning of short-term refinancing risk. On the other hand, the foreign law bonds, the GLOBEX bonds, have a flatter orange curve with a gentler decline, meaning the market has more confidence in foreign law, although it still perceives a high level of risk.

Chart No. 7
Bonds Debt Restructuring Exchange under Local and Foreign Legislation
Yield Curve of Dollar-denominated Bonds in 2025



Source: Prepared by the author based on the daily report from IAMC 4-4-2025.
https://www.iamc.com.ar/informediario/

Argentina's Public Debt: Sustainability

Public debt sustainability is a key concept in macroeconomic and fiscal analysis, as it allows for evaluating whether a country can meet its financial obligations without compromising economic stability. Sovereign debt sustainability is defined as the level of debt that allows for the servicing of its associated obligations (i.e., the payment of interest first and capital repayments second) without disturbing fiscal balance or external balance.

To assess this sustainability, quantitative indicators are commonly used. The most widely used is the Debt/GDP ratio, which represents the proportion between the gross debt stock and a country's Gross Domestic Product. This ratio normalizes the information and allows for homogeneous comparisons between different countries, regardless of the absolute size of their economies.

In the case of Argentina, the projected ratio for 2024 is estimated at 83.19%, based on the following calculation.

This level of indebtedness suggests significant pressure on public finances, which could have implications for the implementation of economic policy in the face of various shocks.

However, the true solvency of a country's debt and fiscal situation is informed by the following sustainability indicators, some of which have already been presented:

1) Composition of the sovereign debt portfolio by internal or external creditor, public or private, or with multilateral credit organizations.

2) Composition by instrument type: Public bonds, loans, special agreements.

3) Composition by interest type: Fixed/Variable.

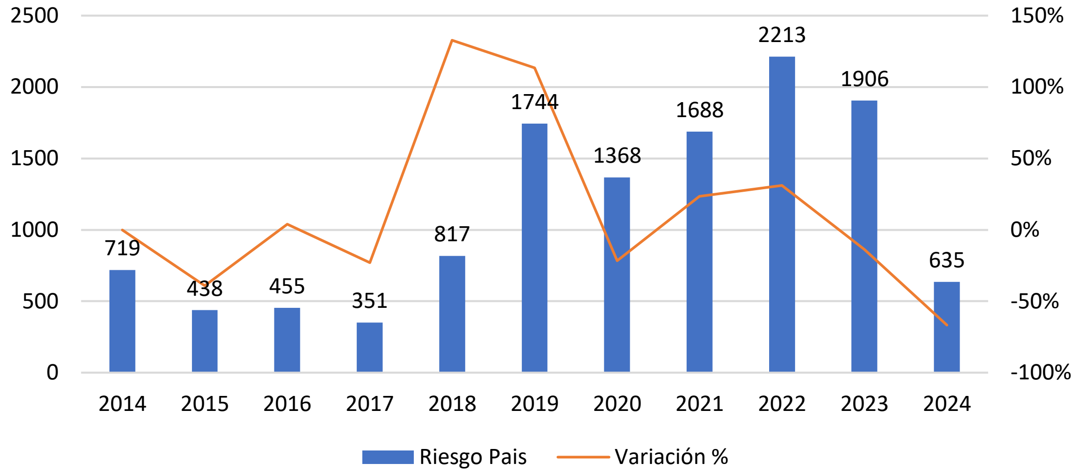
4) Risk of Refinancing or Credit History.

5) Capacity to defend against unforeseen external events (Black Swan events).

Regarding the country's refinancing risk history, it can be observed through the country risk indicator, which clearly reflects the cycles of confidence and uncertainty that the national economy has faced in the last 10 years.

Chart N°8

Evolution of Country Risk (EMBI+ Argentina) from 2014 to 2024 in basis points (bp)



Source: Elaboration based on the EMBI+ (Emerging Bond Index Plus), an indicator developed by JP Morgan as of December 31 of each year.

Between 2014 and 2017, Argentina's country risk remained at relatively low and stable levels, reaching a minimum of 351 basis points in 2017. This behavior was partly due to the agreement with private creditors (holdouts) and the country's return to international markets, which temporarily improved the perception of external solvency. Starting in 2018, the indicator began to rise sharply, reflecting the growing macroeconomic instability, the balance of payments crisis, the loss of access to voluntary financing, and the increase in political uncertainty in an electoral context. This trend deepened in 2019 and 2020, years in which the country fell into selective default and carried out a debt restructuring, reaching a country risk of 1,744 basis points in 2019 and remaining elevated in the following years. Then, between 2021 and 2023, country risk remained persistently high, peaking at 2,213 basis points in 2022. It is important to remember that in 2020, all countries faced the COVID-19 pandemic, leading to significant fiscal imbalances that continued into the following years.

The effect reflects a combination of high debt, high inflation (in the Argentine case), an increasing exchange rate gap[4], and growing mistrust toward the fiscal policies implemented. In 2024, a significant decline in the indicator is observed, reaching 635 basis points. This reduction suggests an improvement in market expectations, possibly linked to signals of the implementation of adjustment policies.

Given Argentina's fiscal and debt history, the still elevated level of country risk indicates that structural challenges persist, limiting the sustainable financing of the public sector.

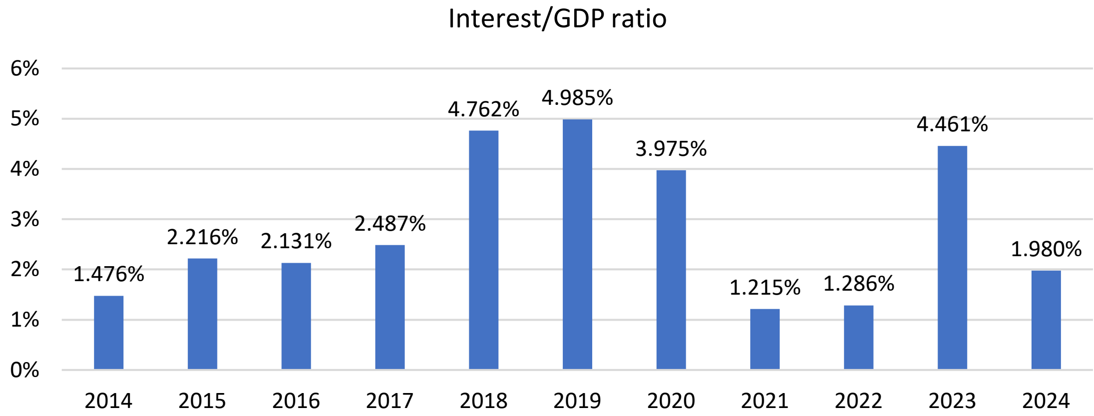
Regarding repayment capacity, the relevant indicator is the interest-to-GDP ratio, which allows us to understand how much Argentina's GDP must grow, generating tax revenue and foreign currency inflows to at least cover public debt interest payments.

The following graph shows the evolution of the interest-to-GDP ratio between 2014 and 2024, an indicator that reflects how much the economy must grow to cover the financial cost of the debt. The ratio peaked in 2019 (4.99%) and rose again in 2023 (4.46%), showing a high interest burden in those years. After the 2020 restructuring, there was a temporary decline (1.2% in

[4] In the Argentine Republic, different exchange rates have persisted over the last 10 years, including the official rate and the unofficial or parallel rates. The so-called exchange rate gap refers to the difference between the official exchange rate and the unofficial or "blue" rates.

2021 and 2022), but sustainability remains a challenge. For 2024, the projected ratio is 1.98%, indicating a relative improvement but still requiring sustained economic growth over time to demonstrate solvency.

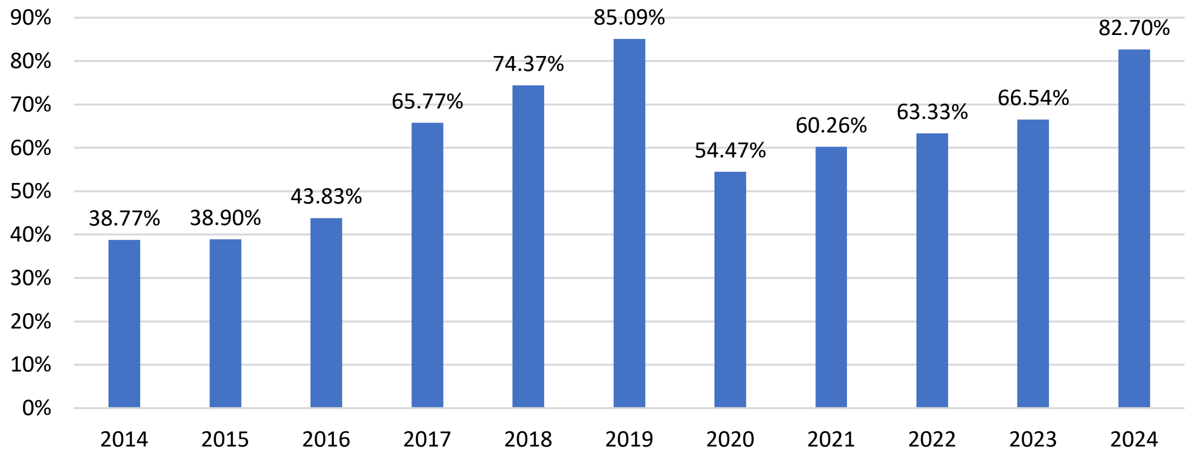
Chart No. 9
Public Debt Interest-to-GDP Ratio, 2014–2024
(As a percentage)



Source: Elaboration based on data provided by the Ministry of Economy. (https://www.argentina.gob.ar/datos-trimestrales-de-la-deuda) and the National Institute of Statistics and Census of Argentina (https://www.indec.gob.ar/indec/web/Nivel4-Tema-3-9-47)

An important indicator is the concept of debt service (which includes the cancellation of maturing capital and interest). In this case, we present it as a ratio (%) of tax revenues.

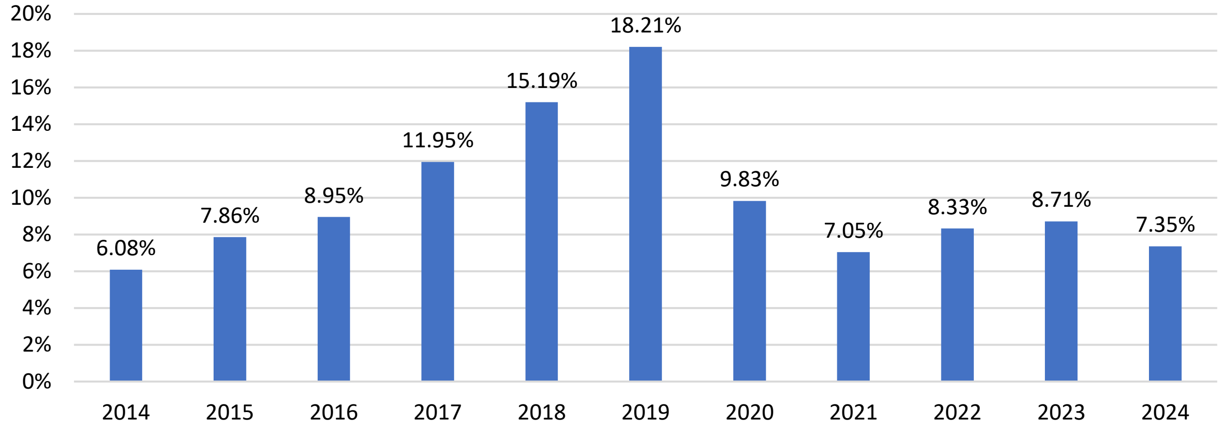
Chart Nº10
Debt service paid as a percentage of tax revenues from 2014 to 2024



Source: Elaboration based on data provided by the Ministry of Economy.
https://www.argentina.gob.ar/datos-trimestrales-de-la-deuda

Chart N°11

Interest payments as a percentage of tax revenues from 2014 to 2024



Source: Elaboration based on data provided by the Ministry of Economy. https://www.argentina.gob.ar/datos-trimestrales-de-la-deuda

The previous charts illustrate the limited fiscal space available to the government for managing resources allocated to public policies. Indeed, the evolution of debt service and interest payments relative to tax revenues from 2014 to 2024 reveals significant fiscal fragility. Total debt service is projected to reach a peak of 82.7% in 2024, showing a rising trend since 2020. As for interest payments, they represented up to 18.2% in 2019 and have stabilized around 8% in recent years, indicating a significant fiscal burden, though contained relative to the pre-restructuring peak. While the burden of interest payments as a percentage of tax revenues has stabilized after the debt restructuring, the overall debt service remains very high. As mentioned, persistent fiscal pressure limits the space for managing public spending on services to citizens and highlights the need for a long-term sustainable financing strategy.

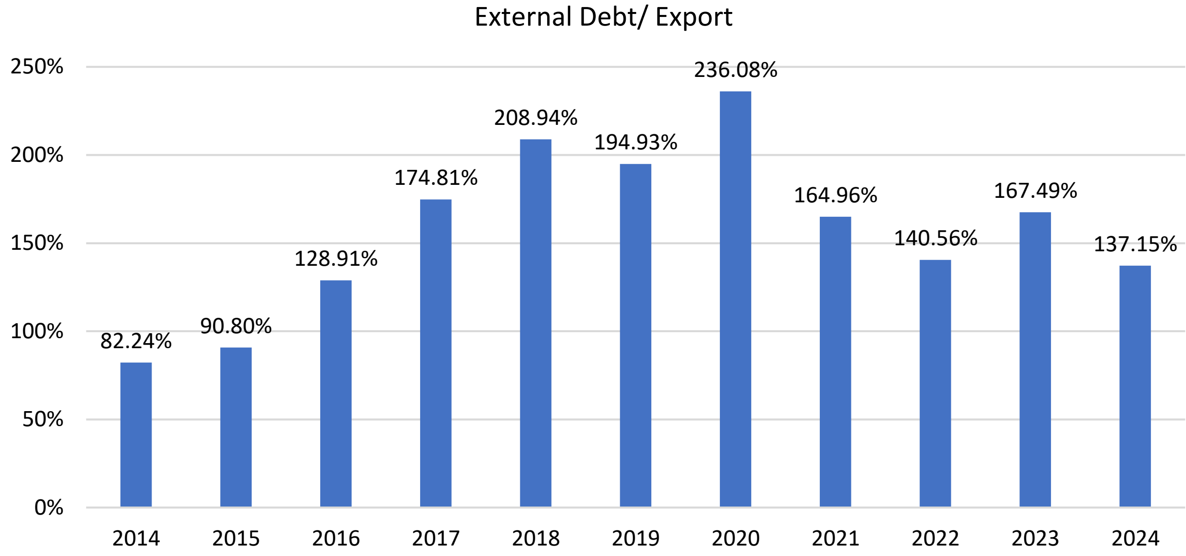
Argentina has a particularity regarding its debt portfolio and external constraints, which can be interpreted as indicators of external solvency. The ratio of external debt[5] to exports and the ratio of external debt to international reserves allow us to observe the same. These indicators are key to assessing the sustainability of a country's external debt, as they reflect its real repayment capacity based on foreign currency income and liquid assets.

First, the external debt/export ratio shows how many dollars of debt the country owes for each dollar it generates through exports. In Argentina, the chart shows that this indicator increased from 82.2% in 2014 to a peak of 236% in 2020, meaning that for every dollar exported, more than two dollars had to be allocated to debt repayment. Although it has decreased in recent years, it is estimated to reach approximately 137.1% by 2024, which is still a high level and demonstrates significant vulnerability in the balance of payments.

[5] Article 58 of the Financial Administration Law (LAF) states that: internal debt will be considered that which is incurred with individuals or legal entities residing or domiciled in the Argentine Republic, and whose payment can be required within the national territory. External debt, on the other hand, refers to debt incurred with another state or international organization, or with any other individual or legal entity without residence or domicile in the Argentine Republic, and whose payment can be required outside its territory. Furthermore, its regulatory decree LAF 1344/07 stipulates: In cases where securities, bonds, long- and medium-term obligations, or Treasury Bills are issued, those placements to which Argentine law applies will be considered internal debt, and those whose jurisdiction or applicable law is not Argentine law will be considered external debt.

Chart N°12

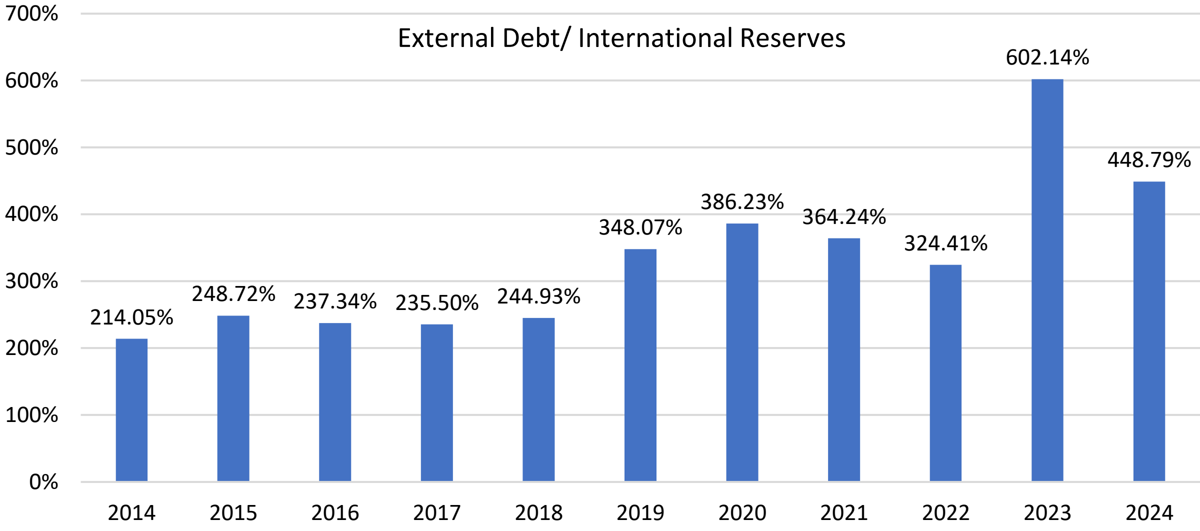
External Debt as a % of Exports from 2014 to 2024



Source: Elaboration based on data provided by the Ministry of Economy. https://www.argentina.gob.ar/datos-trimestrales-de-la-deuda

The external debt-to-international reserves ratio is also an indicator of the country's external financial fragility. This ratio increased from 214% in 2014 to an alarming peak of 602% in 2023, with projections showing a decrease to 448.8% in 2024. This scenario highlights the persistent external vulnerability of the country’s capacity to repay in foreign currency.

Chart N°13
External Debt as a Percentage of International Reserves from 2014 to 2024



Source: Elaboration based on data provided by the Ministry of Economy. https://www.argentina.gob.ar/datos-trimestrales-de-la-deuda

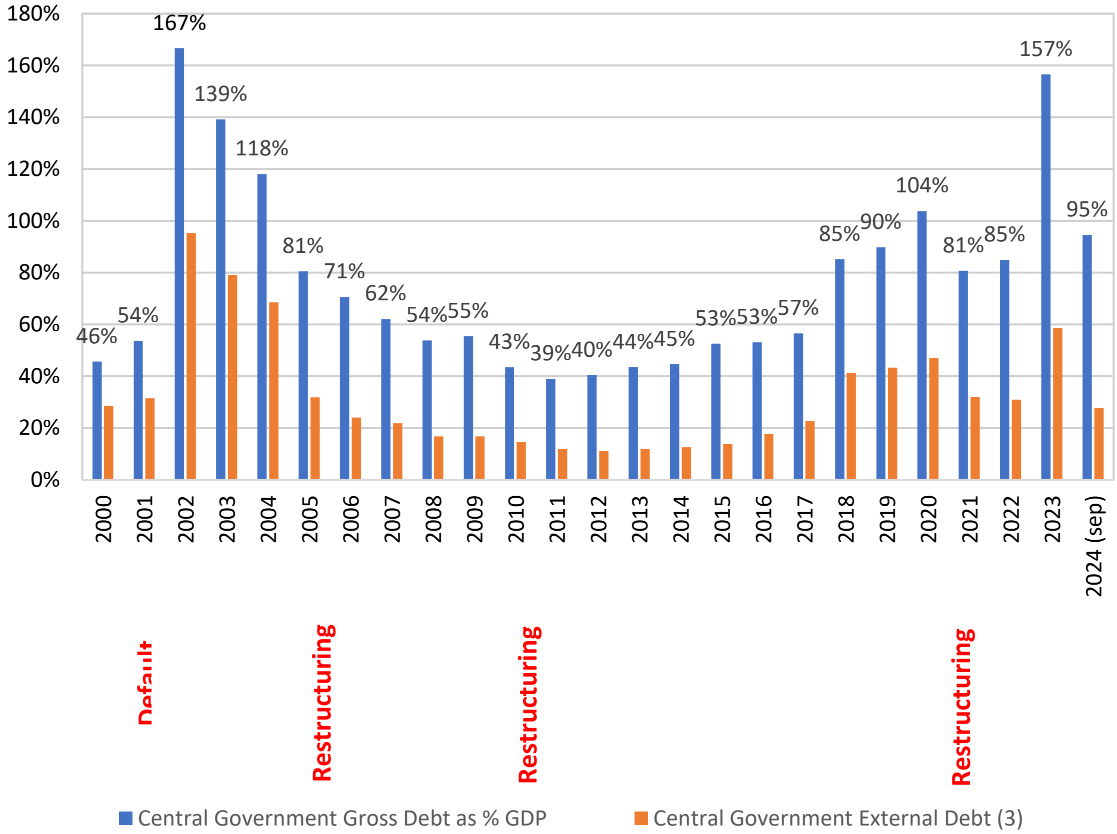
In the following chart, two key solvency indicators for Argentina are shown: the central government's gross debt as a percentage of GDP and the central government's external debt as a percentage of GDP, from the year 2000 to September 2024.

Significant peaks in the evolution of gross debt are highlighted in years of default (2001) and restructurings (2005, 2020), which coincide with sharp movements in debt levels. It is observed that, after each government debt restructuring, the debt/GDP ratio decreases, but quickly increases again, reflecting how fragile the country's fiscal space is for large borrowings.

On the other hand, external debt is lower in proportion to GDP than total debt and maintains relative stability around 15-25% of GDP for most of the period. This suggests that the increase in total debt in many years is primarily due to debt in local currency or with national institutions.

Chart No. 14:

Debt and External Debt as % of GDP from 2000 to 2024 (September)



Source: Elaboration based on data provided by the Ministry of Economy. https://www.argentina.gob.ar/datos-trimestrales-de-la-deuda

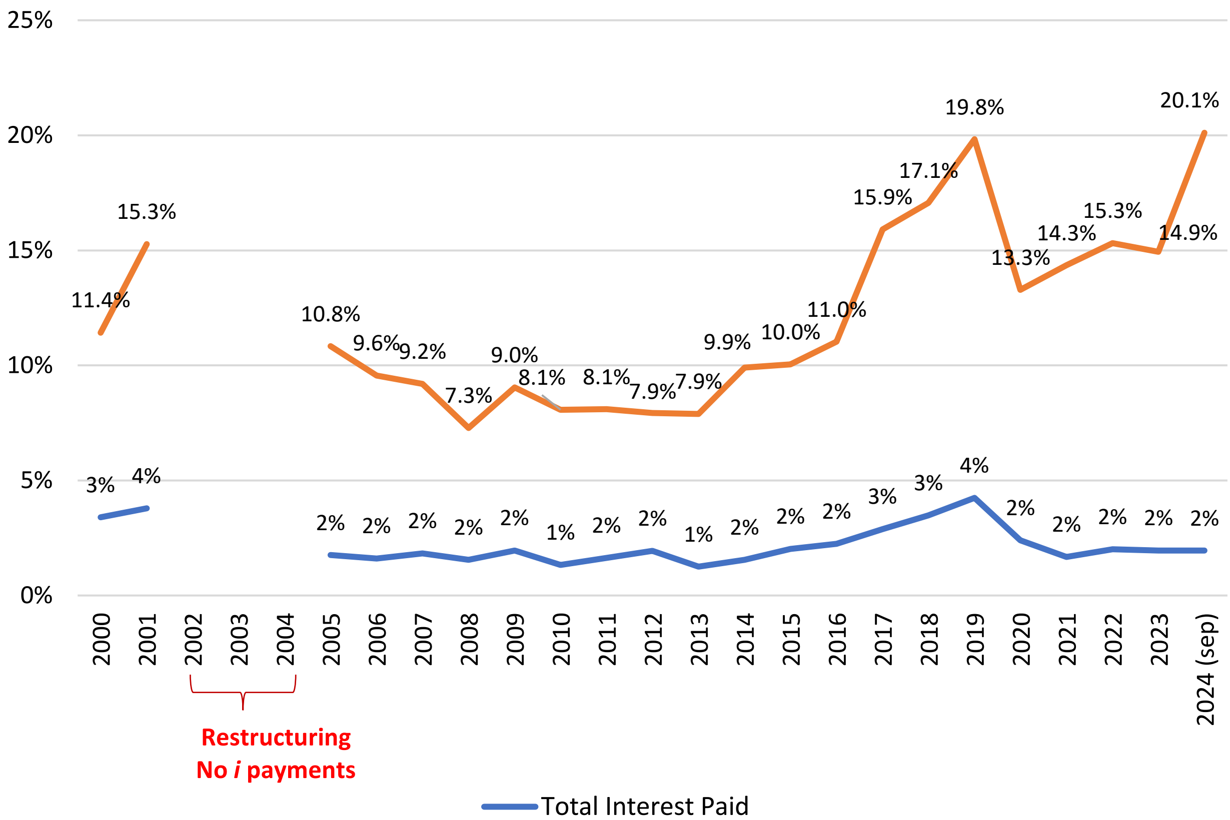
A key indicator of fiscal sustainability and the solvency of the public sector is to visualize the evolution of debt service and interest payments as a % of GDP.

In the chart, it can be seen that in 2002, debt service dropped abruptly (the orange line falls to 0%) due to the payment suspension of debt securities issued (default) in 2001, marked as "Restructuring / No payments." Afterward, interest payments remained relatively stable (between 2%-4% of GDP), indicating that the greater fiscal burden came from the amortization of principal rather than the interest on the bonds issued in that debt swap.

Ultimately, debt service payments have fluctuated over time, with relief periods following restructurings, but also with recent significant increases that may affect the country's solvency if the debt stock is not controlled or economic growth is not improved.

Chart No. 15

Debt service and interest payments as a % of GDP from 2000 to 2024 (September)

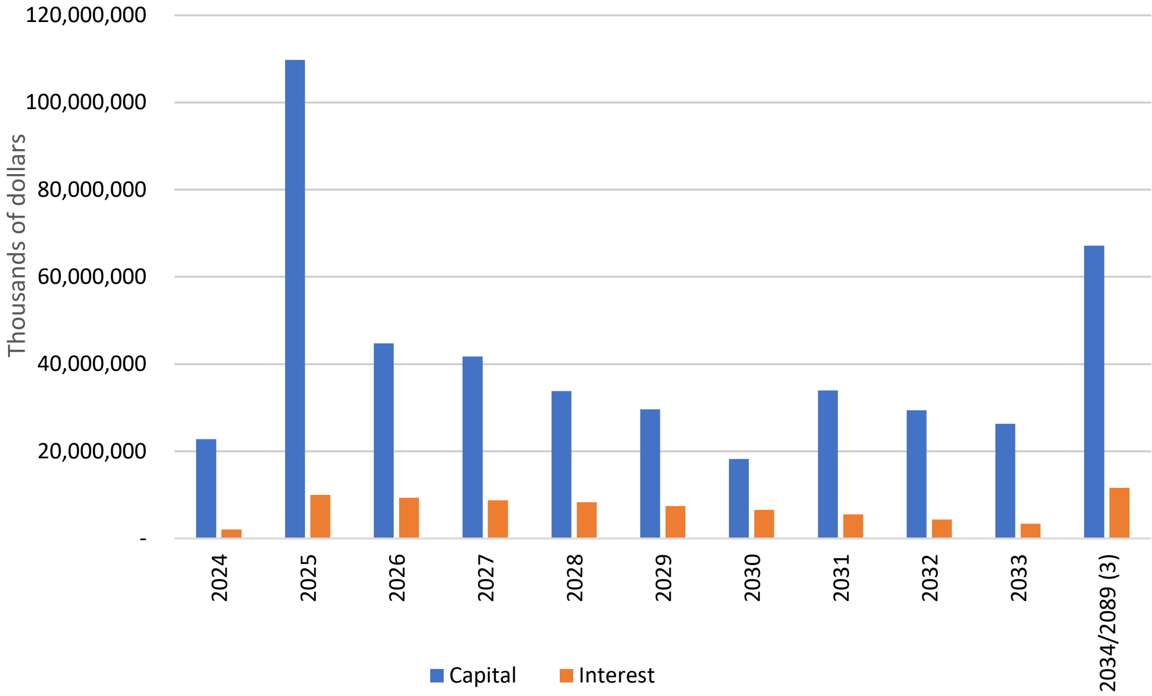


Source: Elaboration based on data provided by the Ministry of Economy. https://www.argentina.gob.ar/datos-trimestrales-de-la-deuda

Finally, it is relevant to understand the projections for debt service and interest payments in the coming years. The following chart visualizes these projections for the period from 2024 to 2089.

At first glance, the prominent bar corresponding to the year 2025 in the debt service reflects significant maturities scheduled for that year. However, it is important to note that in April 2025, a new agreement was made with the International Monetary Fund (IMF) for an amount of USD 20,000 million. This agreement included the restructuring of debt payments with the institution, which will likely redistribute the scheduled maturities for 2025 over the following years. Therefore, although the current chart shows a peak in 2025, it is likely that after the implementation of the agreement with the IMF, this peak will be smoothed out and payments will be more evenly distributed in the following years. This would contribute to greater fiscal sustainability and a more balanced management of the country's financial obligations.

Chart No. 16
Debt service and interest paid, projections for 2024-2089
In millions of USD



Source: Elaboration based on data provided by the Ministry of Economy. https://www.argentina.gob.ar/datos-trimestrales-de-la-deuda

II. Argentine History of Debt Restructuring

The following are the policies developed and implemented by the Debt Management Office (DMO) to reduce debt to sustainable levels.

2004 / 2005 Public Debt Restructuring under Foreign Legislation and 2010 Reopening

The Argentine Republic declared the suspension of payments on its public debt in late 2001, and the restructuring of the segment consisting of the Bonds was concluded in May 2005. A preliminary version of the public debt restructuring proposal was presented on September 23, 2003, at the annual meeting of the IMF and the World Bank, held in Dubai. The final version was announced on December 9, 2004, through Decree 1735/04.

The main issues and results of the exchange are summarized as follows:

- **Eligible debt[6] before the exchange**: USD 81.836 billion[7], of which USD 79.7 billion corresponded to residual capital in circulation and USD 2.1 billion to accrued and unpaid interest.
- **Operation settlement date**: June 2, 2005.
- **Issuance date of new Bonds**: December 31, 2003.
- **Cash payment to creditors for interest accrued on the new Bonds from the issuance date to the settlement date of the operation.**
- **Reduction in the number of bonds.**
- **Offer of instruments under Argentine legislation.**
- **Simplification of applicable laws**: While the eligible debt was issued under Argentine, New York, English, German, Italian, Spanish, Swiss, and Japanese legislation, the new debt offered, in addition to local legislation, New York, English, and Japanese laws.
- **Haircuts on capital debt according to the characteristics of each new bond:**

New Bond	Swap ratio per unit amount in debt restructuring	Maturity
Par	1.000%	2038
Discount	0.337%	2033
Quasi-par	0.699%	2045

- Offer of GDP-linked Bonds (GDP Warrant)
- Acceptance rate: 76.15% (23.85% holdouts)
- Debt reduction: 65.6% of the nominal value of the debt and 39.25% of the net present value (NPV).

In 2010, the invitation to participate in the debt exchange was reopened, offering holders of Discount, Par, and Global Bonds with changes in the legislation and different exchange ratios.

Currency	Legislation	Option	New securities to be issued	Currency	Legislation	Swap ratio (only aply to Parand Discount)
USD	NY UK	Discount option	Discount Bond Global 2017 GDP Warrant	USD	NY	0,337
		Par Option	Par Bond Cash payment GDP Warrant	USD	NY	1

[6] That which is considered to be modified in terms of payment or conditions.
[7] USD 79.7 billion in outstanding residual capital as of 12/31/01 and USD 2.1 billion in accrued and unpaid interest up to, but not including, 12/31/01.

USD	Argentina	Discount option	Discount Bond Global 2017 GDP Warrant	USD	Argentina NY Argentina	0,337
		Par Option	Par Bond Cash payment GDP Warrant	USD	Argentina Argentina	1
Euro (or precedent currencies)	UK German Italian Spanish NY	Discount option	Discount Bond Global 2017 GDP Warrant	EUR USD EUR	Argentina NY Argentina	0,337
		Par Option	Par Bond Cash payment GDP Warrant	EUR EUR EUR	UK UK	1
British Pound	UK	Discount option	Discount Bond Global 2017 GDP Warrant	EUR USD EUR	UK NY UK	0,478
		Par Option	Par Bond Cash payment GDP Warrant	EUR EUR EUR	UK UK	1,419
Swiss francs	Swiss	Discount option	Discount Bond Global 2017 GDP Warrant	EUR USD EUR	UK NY UK	0,216
		Par Option	Par Bond Cash payment GDP Warrant	EUR EUR EUR	UK UK	0,64
Yen	UK	Discount option	Discount Bond Global 2017 GDP Warrant	EUR USD EUR	UK NY UK	0,249
		Par Option	Par Bond Cash payment GDP Warrant	EUR EUR EUR	UK UK	0,74
Peso	Argentina UK NY	Discount option	Discount Bond Global 2017 GDP Warrant	Pesos USD Pesos	Argentina NY Argentina	0,337
		Par Option	Par Bond Cash payment GDP Warrant	Pesos USD Pesos	Argentina Argentina	1

The final settlement of the 2010 debt exchange concluded with the acceptance of over USD 12 billion in eligible bonds. Through this final stage of restructuring, and in combination with the results from the 2005 exchange, the country was able to regularize more than 90% of the debt that had been in default since 2001.

It is important to note that a group of creditors (holdouts[8]) rejected the offer and litigated against the Argentine State. In 2016, settlement agreements were reached with a group of creditors, both with and without judgments, and for this, USD 9.3 billion from new issuances that year were allocated for payment.

Although the 2005 debt exchange and its reopening in 2010 did not fully resolve the default situation, the success of the operation was evident in the broad acceptance by international creditors, which allowed for a significant reduction in the financial burden inherited from the default.

	2004/2005 Exchange			2010 Reopening		
Gross balances in millions of USD	**Pre-exchange 31/12/2004**	**Post-exchange 30/06/2005**	**Var %**	**Pre-exchange 31/12/2009**	**Post-exchange 31/12/2010**	**Var %**
Public debt stock	191.296	126.466	-34%	147.119	164.330	12%
In normal payment situation	80.928	119.130	47.20%	140.399	157.582	12.24%
Debt in deferred payment status	65.038			475.9	6.748	1318%
Debt pending restructuring		23.381		29.808	11.218	-62.36%
IV- Arrears with the Paris Club and other Bilateral Agreements	45.330	4.426	-90%	6.245	6.330	1%
Source: Fiscal Bulletin (https://www.economia.gob.ar/onp/ejecucion)						

In the year of the first debt exchange (2005), the public debt stock was reduced from USD 191.296 billion to USD 126.466 billion, representing a 34% decrease, primarily due to the haircut applied to creditors. Additionally, the portion of debt in normal payment status increased significantly (from USD 80.928 billion to USD 119.130 billion, representing a 47.2% increase).

In 2010, although the reopening of the exchange did not reduce the overall debt stock, it successfully included an additional group of bondholders, increasing the portion of debt in normal payment status. As a result, the amount of debt in default decreased by more than 60%. The operation also reduced the contingent liabilities represented by ongoing litigations, as those entering the exchange were required to renounce any existing or future litigation.

Thus, both exchange operations helped regularize a significant portion of the defaulted debt and improved the ratio of debt in normal compliance status.

[8] Law No. 27,249

2020 Public Debt Restructuring under Foreign Legislation

In 2020, Argentina launched a debt restructuring process for both debt issued under foreign legislation (Law 27,544) and debt under local legislation (Law 27,556), with the aim of issuing new public bonds that would allow for changes in the maturity profile of interest payments and principal amortizations, restoring the sustainability of public debt.

Public Debt Restructuring under Foreign Legislation

The objective established by the Law was to "modify the maturity profile of interest payments and principal amortizations to restore the sustainability of the public debt issued under foreign legislation, in accordance with Article 65 of the Financial Administration and Public Sector Control Systems Law No. 24.156 and its amendments." This article specifies that restructurings must result in improvements in the amounts, terms, and/or interest rates of the original operations.

The offer included a reduction in interest rates (coupons), a 3-year grace period without capital payments, and maturity extensions without a significant nominal haircut (new bonds maturing between 2030 and 2046).

The exchange was successful, achieving a 99% acceptance rate on a total of USD 66.295 billion in eligible bonds. As a result of the operation, a total financial relief of USD 1.443 billion was obtained, including a nominal debt reduction of USD 833 million and an additional saving of USD 610 million from the cancellation of unpaid accrued interest.

Furthermore, improvements in the maturity term and interest rates of the debt were achieved, in line with the objective outlined in the Law.

Amount of eligible securities exchanged In million of US dollars		***Amount of new securities issued In million of US dollars***	
Debt instrument	**Amount**	**Debt instrument**	**Amount**
Discount Bonds	18.258	Bonds Globales en USD 2030	16.091
Par Bonds	6.074	Bonds Globales en EUR 2030	1.392
USD 2021 Bonds	4.500	Bonds Globales en USD 2035	20.502
USD 2022 Bonds	3.250	Bonds Globales en EUR 2035	357
USD 2023 Bonds	1.750	Bonds Globales en USD 2038	11.405
USD 2026 Bonds	6.500	Bonds Globales en EUR 2038	967
USD 2027 Bonds	3.750	Bonds Globales en USD 2041	10.482
USD 5,875% 2028 Bonds	4.250	Bonds Globales en EUR 2041	1.878
USD 6,625% 2028 Bonds	1.000	Bonds Globales en USD 2046	2.092
USD 2036 Bonds	1.750	Bonds Globales en EUR 2046	296
USD 2046 Bonds	2.750	**TOTAL**	**65.462**

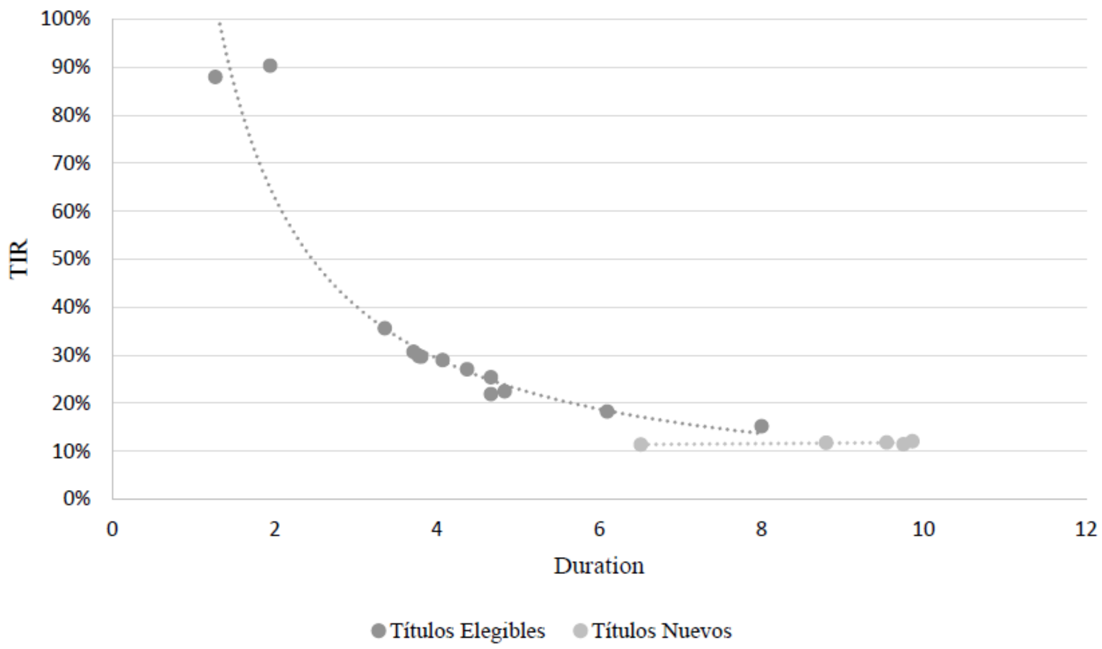
USD 2048 Bonds	3.000
USD 2117 Bonds	2.750
Euro 2022 Bonds	1.493
Euro 2023 Bonds	1.194
CHF 2020 Bonds	443
Euro 2027 Bonds	1.493
Euro 2028 Bonds	1.194
Euro 2047 Bonds	896
TOTAL	**66.295**

Swap acceptance rate	**99%**	
Debt reduction	**833**	***million US dollars***
Savings on cancelled carried interest	**610**	***million US dollars***
Total debt Reduction	**1.443**	***million US dollars***
Change in weighted average interest rate of securities (in dollars)	**-3,54%**	
Change in weighted average interest rate of securities (in EUROS)	**-4,14%**	
Change in weighted average life of securities (in dollars)	**0,15**	***in years***
Change in weighted average life of securities (in EUROS)	**3,45**	***in years***

Source: *Ministry of Economics*

This operation helped improve the debt maturity profile and ease short-term financial pressures. It also had an impact on the yield curves of the bonds, as it resulted in an improvement of the curve by mitigating the high rates associated with short-duration instruments and reversing the slope of the curve.
This effect can also be observed by comparing the yield curves of the eligible bonds and the newly issued ones.

Chart N°17
Yield curve for securities under foreign law



As a result of the operation, there was a noticeable improvement in the yield curve: it shifted downward (indicating a reduction in interest rates), extended maturities, and flattened the curve by mitigating the high rates associated with short-duration instruments (effectively reversing the curve's slope).

In conclusion, although the 2020 debt exchange did not involve a significant nominal haircut, it did represent a substantial improvement in payment conditions. It succeeded in lowering financing costs and rescheduling maturities, thereby improving the market's perception of risk.

Restructuring of Public Debt under Local Legislation

Law No. 27.556 authorized the restructuring of public debt instruments denominated in U.S. dollars and issued under the law of the Argentine Republic, through an exchange operation.

Below are the eligible instruments included in the exchange, along with the newly issued bonds.

Amount of eligible securities exchanged In million of US dollars		***Amount of new securities issued In million of US dollars***	
Debt instrument	**Amount**	**Debt instrument**	**Amount**
USD Bills – Maturity: 08/30/2019	174,9	USD Bonds 2030	12601,1
USD BILLS – MATURITY: 13/09/19	242,6	USD Bonds 2035	18468,7
USD BILLS – MATURITY: 27/09/19	587,5	USD Bonds 2038	7213,7
USD BILLS – MATURITY: 11/10/19	349,8	USD Bonds 2041	1493,3
USD BILLS – MATURITY: 25/10/19	272,3	Boncer 2026 2%	731,1
USD BILLS – MATURITY: 15/11/19	434,1	Boncer 2028 2.25%	25
USD BILLS – MATURITY: 29/11/19	346,6		**40.532,90**
USD BILLS – MATURITY: 20/12/19	134,7		

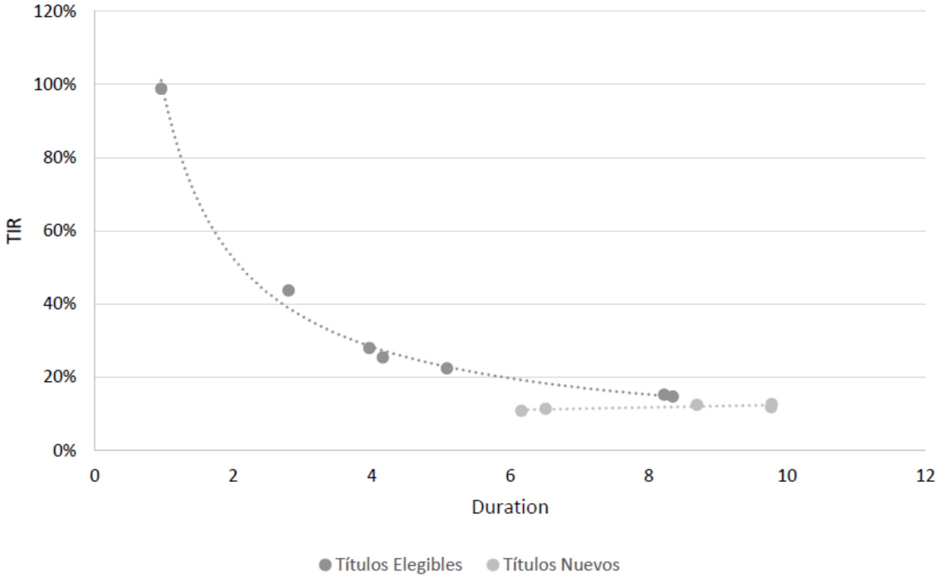
USD BILLS – MATURITY: 17/01/20	107,7
USD BILLS – MATURITY: 31/01/20	208,2
USD BILLS – MATURITY: 28/02/20	282,2
USD BILLS – MATURITY: 14/02/20	18,8
BONDS U$S 8,00% 29/05/2020	2.120,30
BONDS U$S 8,00% 08/10/2020	2.935,10
BONDS U$S 8,75% 2024	7.908,10
BONDS U$S 7,75% 2022	4.497,70
BONDS U$S 1,00% 2023	657,6
BONDS U$S 5,75% 2025	1.533,10
BONDS U$S 7,875% 2025	4.510,50
BONDS U$S 7,875% 2027	4.690,50
BONDS U$S 7,625% 2037	2.714,90
BONDS DISCOUNTS USD 2010-2033	128,5
Discount Bonds USD 8.28% due 2033	5.032,20
Par Bonds USD 2010–2038	65
Par Bonds USD Step-Up due 2038	1.194,20
Treasury Bill Linked to USD 4.25% due 12/04/2019	2,9
Treasury Bill Linked to USD 4.25% due 11/05/2019	1
Dual Bonds due 02/13/2020	67,8
National Treasury Bonds Linked to USD 4% due 08/05/2021	8,2
TOTAL	**41.227,00**

Swap acceptance rate	**98%**	
Debt reduction	**694**	***million US dollars***
Savings on cancelled carried interest	**291**	***million US dollars***
Total debt Reduction	**985**	***million US dollars***
Change in weighted average interest rate of securities (in dollars)	**4,35%**	
Change in weighted average life of securities (in dollars)	**-4,68**	***in years***

In the case of the debt restructuring under local legislation, the Argentine Government's offer combined a reduction in interest rates, short-term payment relief, and an extension of maturities, without a significant nominal haircut (2%).

Once again, an analysis of the changes in the yield curve of bonds issued under local law shows an improvement in the curve, mitigating the high rates associated with short-duration instruments and reversing the slope of the yield curve

Chart N°18
Yield curve for securities under local law



The operation succeeded in flattening and stabilizing the yield curve, while extending maturities, ultimately reducing the financial cost as perceived by the market. Similar to the case of bonds issued under foreign law, the exchange involved instruments with lower coupons and longer maturities, although the new bonds exhibit less dispersion in their yields to maturity (YTM)

III. SAI Argentina's Mandate Related to the Audit of Public Debt and Public Debt Management

Role of the Supreme Audit Institution in Relation to Its Legal Mandate: SAI Argentina – Origin and Mandate of the Auditoría General de la Nación (AGN)

The *Auditoría General de la Nación* (AGN) is a constitutionally mandated institution and is explicitly referenced in Article 85 of Argentina's National Constitution, which establishes:

"External oversight of the national public sector's assets, economic, financial, and operational aspects is the responsibility of the Legislative Branch. The examination and opinion of the Legislative Branch on the performance and general condition of public administration shall be based on the reports of the *Auditoría General de la Nación*. This technical support body of Congress, with functional autonomy, shall be composed as determined by the law governing its creation and operation, which must be approved by an absolute majority in each Chamber. The President of the AGN shall be nominated by the largest opposition party in Congress."

The AGN is responsible for legal compliance, performance, and auditing of all activities of the centralized and decentralized public administration, regardless of their organizational structure, along with other functions assigned by law. It is also mandated to intervene in the approval or rejection of accounts concerning the collection and use of public funds.

Law No. 24.156 on Financial Administration further defines AGN's role in **Title VII, Chapter I, Article 116**, establishing it as an external audit entity dependent on the National Congress. The

AGN is legally autonomous and functionally independent, with financial autonomy to guarantee its independence.

Scope of Jurisdiction

Under Article 117, AGN's jurisdiction covers **post-execution external control** of budgetary, economic, financial, and legal management; issuance of opinions on financial statements of central administration, decentralized bodies, state-owned enterprises, public utilities regulators, the City of Buenos Aires, and private entities involved in privatization processes.

Article 120 expands this mandate by allowing Congress to extend AGN's oversight to **non-state public entities or private entities with national government involvement**, as well as those receiving public funds by law or for a public purpose.

Annual Action Plan and Audit Functions

Per Article 118, AGN must propose an **Annual Action Plan (AAP)**, to be reviewed and approved by Congressional committees defined in Article 116. Within this plan, the AGN has the authority to:

- **Ensure compliance** with legal and regulatory frameworks regarding state resource usage.
- **Conduct audits** (financial, legal compliance, performance, special examinations) of the entities under its control.
- **Audit programs and projects** funded by international credit organizations, in agreement with such organizations.
- **Examine and issue opinions** on financial statements of national administration entities.
- **Audit public debt operations**, including control of resources from public credit operations and perform analyses to assess the **sustainability of public debt**.
- **Audit the Central Bank of Argentina**, independently of any external audit it may contract.
- **Conduct special reviews** of significant economic acts or contracts.
- **Review financial statements and action plans** of state-owned enterprises.
- **Establish professional requirements and standards** for independent auditors.
- **Ensure public officials** submit asset declarations.
- **Oversee compliance** with conditions attached to the gratuitous transfer of national state property.

While there is no **explicit legal mandate** to audit public debt sustainability, the broad scope of AGN's authority enables it to undertake such tasks.

Specialized Structure for Public Debt Audits

AGN has a **dedicated department for Public Debt Control**, which includes a **Division for Public Credit Operations and Debt Sustainability**[9], responsible for:

[9] Resolution No. 244/01-AGN - Institutional Planning - Organizational Structure - Annex II - Updated Text

"Planning, coordinating, supervising, and executing audits and examinations related to national public sector debt and contingent risks," and specifically,
"Analyzing the sustainability of public debt from various perspectives."

Government Oversight: Legal and Technical Framework for Audits

Law 24.156 (Art. 118) defines AGN's **technical mandate**, which aligns with **INTOSAI's ISSAI 100** and is operationalized through AGN's **Resolution 26/2015**, marking a significant reform to align national audit practices with international standards, particularly as a member of **INTOSAI** and **OLACEFS**.

Types of Government Audits (per Res. 26/2015[10]):

1. **Compliance Audits**[11]. – Verify adherence to applicable legal frameworks and sound management standards.
   Standard: AGN Resolution No. 187/2016 .
2. **Performance Audits**[12] – Assess whether projects, programs, and entities operate in line with the principles of economy, efficiency, and effectiveness.
   Standard: AGN Resolution No. 186/2016.
3. **Financial Audits**[13] – Assess whether financial information complies with applicable accounting and regulatory frameworks.
   Standard: AGN Resolution No. 185/2016.

Additionally, **public debt audits** are treated as a specialized subject, requiring specific tools and methodologies[14]:

- **Standard: AGN Resolution No. 188/2016**, which governs **audits of public debt** as a distinct and technically specialized audit area.

[10] This regulation replaced the External Audit Standards, Resolution 145/93. References to this Resolution can still be found in regulations prior to the issuance of Resolution 26/15.

[11] Available on: https://www.agn.gob.ar/sites/default/files/files/Normas%20NCEG/Normas%20de%20Control%20Externo%20de%20Cumplimiento%20Gubernamental.pdf

[12] Available on: https://www.agn.gob.ar/sites/default/files/files/Normas%20NCEG/Normas%20de%20Control%20Externo%20de%20la%20Gesti%C3%B3n%20Gubernamental.pdf

[13] Available on: https://www.agn.gob.ar/sites/default/files/files/Normas%20NCEG/Normas%20de%20Control%20Externo%20Financiero%20Gubernamental.pdf

[14] Available on: https://www.agn.gob.ar/sites/default/files/files/Normas%20NCEG/Normas%20de%20Aplicables%20a%20la%20realizaci%C3%B3n%20de%20Auditor%C3%ADas%20Especializadas%20-%20Deuda%20P%C3%BAblica.pdf

While AGN does not yet have audit manuals per audit type, Resolution 26/2015 allows the use of **INTOSAI guidelines** for:

- Public debt audits (GUID 5250),
- IT systems for debt management (GUID 5259),
- Other ISSAI-compliant audit manuals.

Depending on the **Annual Operational Plan**, public debt audits may include any combination of compliance, financial, or performance audits.

IV. Tools or Parameters Used in Debt Sustainability Analysis

Examples of Sustainability Indicators Used

Debt sustainability analysis is essential for macroeconomic stability, and SAIs can contribute using various tools. An example of such an analysis is found in the **audit of the Investment Account for Fiscal Year 2008** in Argentina.

Theoretical Basis of the Analysis:

- **Main Assumption**: The existing debt policy (debt-to-GDP ratio, D/GDP) is the foundation of the analysis.
- **Sustainability Criterion**: For a given D/GDP ratio (*d*), the required **primary surplus (*s'*)** to sustain debt payments is estimated.
- **Scenario Testing**: The analysis considers different real GDP growth rates (*g*).

Key Formula:

s′=(1+r1+g−1)·ds′ = \left(\frac{1 + r}{1 + g} - 1 \right) \cdot ds′=(1+g1+r−1)·d

Where:

- s' = required primary surplus as % of GDP
- r = real interest rate (cost of financing)
- g = real GDP growth rate
- d = debt-to-GDP ratio

This formula calculates the **primary surplus needed to maintain a constant debt-to-GDP ratio** and is based on:

1. The government must generate a surplus equal to $r \times d$ to service existing debt.
2. GDP growth influences the effective need for surplus: $s = (r - g) \times d$.

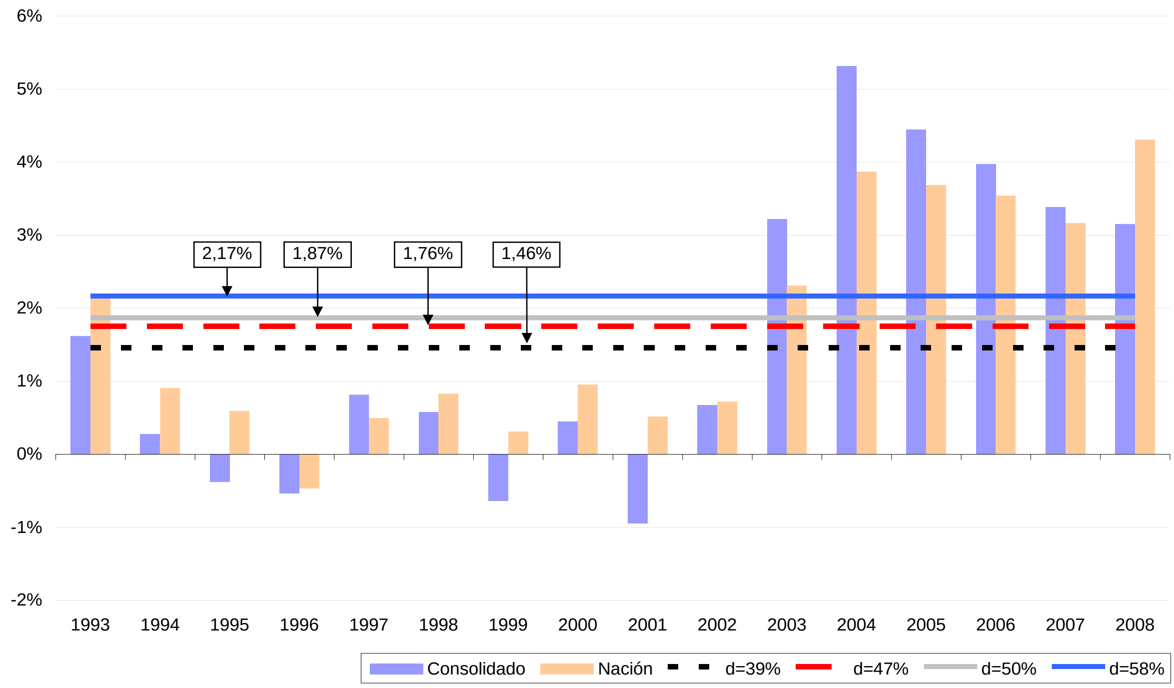
Results and Interpretation:

Using this methodology, the required primary surplus was estimated under various D/GDP ratios (39%, 47%, 50%, and 58%) for Argentina between 1993 and 2008. The results indicated that:

- Required surplus ranged from **1.46% to 2.17%** of GDP.
- Between **2003 and 2006**, actual surpluses exceeded the required level, reflecting a **sustainable payment capacity**.
- In contrast, during the late 1990s and early 2000s, **primary deficits compromised debt sustainability**.

This analysis highlights that **debt sustainability depends on both debt trends and macroeconomic context**, underlining the importance of prudent fiscal policy.

Gráfico Nº 19
Primary Surplus requested to sustain Debt as % of GDP under different D/GDP scenarios



Source: Report INVESTMENT ACCOUNT – CHAPTER ON PUBLIC DEBT. Fiscal year 2008

Debt Sustainability Analysis for Market Access Countries (DSA MAC SRDSF) – IMF

The most recent comprehensive **Debt Sustainability Analysis (DSA)** framework developed by the International Monetary Fund (IMF) is the **"Sovereign Risk and Debt Sustainability Framework for Market Access Countries" (DSA MAC SRDSF)**, approved in 2021. This framework is designed to assess sovereign risk and debt sustainability in countries that regularly access international financial markets.

The MAC SRDSF is structured around short-, medium-, and long-term modules, and includes **stress testing** and **alternative scenario analysis** to evaluate a country's fiscal resilience to adverse shocks.

Critical Variables in the DSA SRDSF

To carry out this comprehensive analysis, the DSA MAC SRDSF relies on a **set of critical variables** that assess both the country's **fiscal capacity** and its **exposure to external and domestic vulnerabilities**. These variables are categorized into five main groups:

- **Fiscal and Macroeconomic**: Structural imbalances may arise when fiscal policy is not aligned with the macroeconomic context—e.g., recession combined with high fiscal deficits.
- **Macroeconomic and Financial**: Macroeconomic instability can deepen a crisis if vulnerabilities exist in the financial system, particularly under conditions of external constraint.
- **Fiscal and Governance**: The credibility of fiscal policy depends on strong institutions. Weak governance increases sovereign risk.
- **Macroeconomic and Governance**: Institutional quality directly affects macroeconomic stability and market confidence.
- **Financial and Governance**: Inadequate regulation and oversight facilitate the transmission of financial risks with systemic impact.
- **Demochartic/Social and Fiscal**: Structural factors such as population aging or climate change create long-term pressure on public spending, challenging fiscal sustainability.

Table No. 5 (not shown here) presents illustrative examples for each group of critical variables, identified based on the IMF's DSA framework.

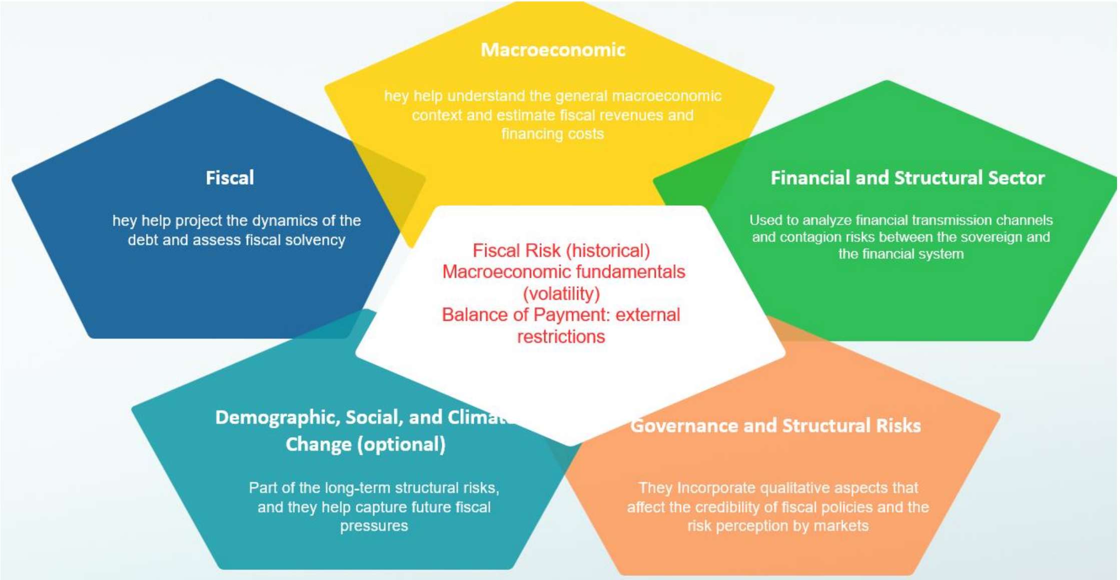
Fiscal Variables **These allow for projecting debt dynamics and assessing fiscal solvency:**	• Primary revenues, expenditures, and fiscal balance • Interest payments on existing debt and receipts • Debt levels (total, short-term, and long-term) • Amortization of existing debt (short-term and long-term) • Assumptions regarding new debt issuance (short-term and long-term) • Gross financing needs (calculated • Stock-flow adjustment • Cyclically adjusted primary balance • Historical projections of the primary balance and debt drivers • Average maturity of public debt • Debt coverage information • Intra-governmental debt holdings • Structural characteristics of debt (by creditor type, currency, residency, maturity, and legal basis)
Macroeconomic Variables **These provide insight into the overall macroeconomic context and help estimate fiscal revenues and financing costs:.**	• Real and nominal GDP, and price index (deflator) • Potential GDP and output gap • Current account balance • Bilateral nominal exchange rate • Bilateral real exchange rate • Real effective exchange rate • International reserves

	• Effective real interest rate and its growth rate • Historical projections of macroeconomic variables • Estimated exchange rate (for overvaluation analysis)
Financial Sector and Structural Variables **These help analyze financial transmission channels and the risk of contagion between the sovereign and the financial system:**	• Sovereign bond spreads • Volatility index (VIX) • U.S. long-term interest rate • U.S. inflation forecast • Share of MAC sovereigns under stress • History of sovereign stress episodes • Financial sector deposits • Credit to the financial sector and credit gap • Banking system assets • Central bank claims on subnational and local governments • Subnational and local government debt • Liabilities of state-owned enterprises (SOEs), social security, and public-private partnerships (PPPs) (optional)
Governance and Structural Risk Variables **These incorporate qualitative aspects that affect the credibility of fiscal policy and market risk perceptions:**	• Governance indicators (WGI, Kaufmann & Kraay) • Mispricing risk index • Exchange rate risk (estimated overvaluation) • Quality of projection history
Demochartic, Social, and Climate Change Variables (Optional in the analysis) **These relate to long-term structural risks and help capture future fiscal pressures:**	• Aging population indicators • Current revenue-to-GDP ratio • Benefit payments-to-GDP ratio • Pension system reserves • Investment and production plans • Commodity and non-commodity GDP • Government revenues from commodities • Climate risk index (INFORM) • CO_2 emissions per unit of output • Projections related to climate change mitigation and adaptation

Source: Own elaboration based on IMF - DSA MAC SRDSF. https://www.imf.org/en/Publications/DSA/sovereign-risk-and-debt-sustainability-analysis-for-market-access-countries

In the case of Argentina, the country faces a combination of structural imbalances and recurring vulnerabilities, particularly linked to its longstanding external constraint. The following Venn diagram highlights the critical variables—those considered to have the greatest impact on Argentina's debt-carrying capacity—at their intersection.

Chart Nº 6
Venn Diagram - A Country's Debt Capacity - Critical Variables (IMF): ex. Argentina



Source: Own elaboration based on IMF - DSA MAC SRDSF.
https://www.imf.org/en/Publications/DSA/sovereign-risk-and-debt-sustainability-analysis-for-market-access-countries

Fiscal Variable

The level of government revenues, the stock and structure of public debt, and the distribution of creditors define gross financing needs. In addition, persistent deficits and reliance on monetary (money printing) and external financing increase Argentina's vulnerability to external shocks. The recurring processes of debt restructuring and refinancing over the past 30 years underscore the importance of evaluating the maturity profile's structure and sustainability.

Macroeconomic Variable

Variables such as GDP, the current account balance, interest rates, and exchange rate significantly influence debt repayment capacity. The debt-to-GDP ratio is not only affected by GDP variations but also by currency depreciation. The recurring shortage of foreign exchange constrains growth and impacts the exchange rate, inflation, and interest rates, which have remained negative over extended periods. The instability of Argentina's macroeconomic variables shows a cyclical pattern, driven by external shocks (e.g., commodity prices and global financial flows) and internal imbalances (e.g., confidence crises and abrupt fiscal adjustments). These lead to volatility and uncertainty, which erode market confidence and increase debt rollover risk—resulting in greater fiscal exposure.

Balance of Payments – External Constraint

The inability to sustain a level of imports compatible with GDP exerts pressure on the exchange rate and the necessary stock of reserves. This not only affects economic stability and exchange rate vulnerability but also impacts the burden of foreign currency-denominated debt. Deterioration in the current account can lead to exchange rate pressures, which in turn influence interest rates and debt dynamics. Current account deficits require greater external financing, and in cases of financing interruptions or increased costs, external pressure translates into adjustment (e.g., reduced imports and GDP contraction, devaluation, or recession).

The Role of Supreme Audit Institutions (SAIs) in Sustainability Analysis

SAIs operate under a wide range of legal mandates, which is why it is crucial to clearly establish the legal framework within which such models are to be used.
According to ISSAI 100, this type of analysis would qualify as a **Special Examination**[15], since although audit procedures are performed, the purpose of this work is to produce recommendations and conclusions based on the SAI's mandate[16].

Beyond this consideration, it is essential that the SAI has its own analytical framework, validated by current literature, to monitor the projections made. It should be noted that SAIs must also recognize that the resulting models are based on historical data—fiscal, monetary, external, and financial variables—which allows them to tailor the models to the country's fiscal structure when making forward-looking assessments.

Additionally, it is critical to emphasize that SAIs should not limit themselves to the technical application of the framework proposed by the IMF. Instead, they must deepen their analysis based on sovereign, institutional, and legal information specific to the country. Therefore, SAIs should play a **complementary role** in the process, assessing repayment capacity across all creditor types. This requires strong knowledge of the country's sovereign debt portfolio—identifying critical points in its composition and linking them to short- and medium-term repayment capacity under the simulated fiscal environment.

While the DSA typically analyzes public debt in aggregate terms, SAIs must **examine the debt composition in more detail**, distinguishing between official, multilateral, bilateral, and private creditors, and assessing the institutional relationship with each. This includes analyzing maturity structures, contractual clauses, financial conditions, and potential risks related to litigation, conditionalities, or dependency on certain financiers.

Thus, while the IMF's DSA MAC SRDSF provides a solid foundation for sustainability assessments, **SAIs must broaden the analytical scope**, incorporating criteria related to actual repayment capacity by creditor type and actively contributing to the strengthening of long-term fiscal transparency, accountability, and sustainability.

[15] ISSAI 100.23 (Special Cases of Sustainability)
[16] ISSAI 100.13; 100.14; 100.16 (Mandates of SAIs)

Analytical Process of the DSA MAC SRDSF Model and the Role of the Auditor

First, the auditor must consider the total public debt issued and the projection of key macroeconomic variables. This initial data must be based on audited and properly disclosed debt balances. Second, financing assumptions must be taken into account to assess how the necessary funds might be obtained through various debt instruments.

A macroeconomic expert must validate the assumptions to ensure they are realistic and achievable, based on the country's history and past performance. This step is essential to achieving projections that are as close as possible to the intended fiscal and debt targets.

Once the financing assumptions are defined, the process continues with the **baseline assessment and realism check**. Here, the auditor plays a key role in critically reviewing macroeconomic and fiscal projections and flagging potential inconsistencies with historical data. If "realism flags" or unusual deviations are detected, the auditor should request a revision of the baseline scenario or a documented justification. Their role is to ensure the **transparency and credibility** of the analysis.

For short-term assessments, the auditor must determine whether automatic alert mechanisms were used and, in cases where expert judgment was applied, whether those adjustments align with the technical framework and supporting documentation. Similarly, at the final stage of the **debt fan chart analysis**, the auditor must verify that any additional adjustments are well-justified and based on specific, documented conditions.

In the **Gross Financing Needs (GFN)** module, the auditor must ensure consistency between the results and previously validated projections. This check also applies to **stress testing**, where transparency in the assumptions and shocks used is essential.

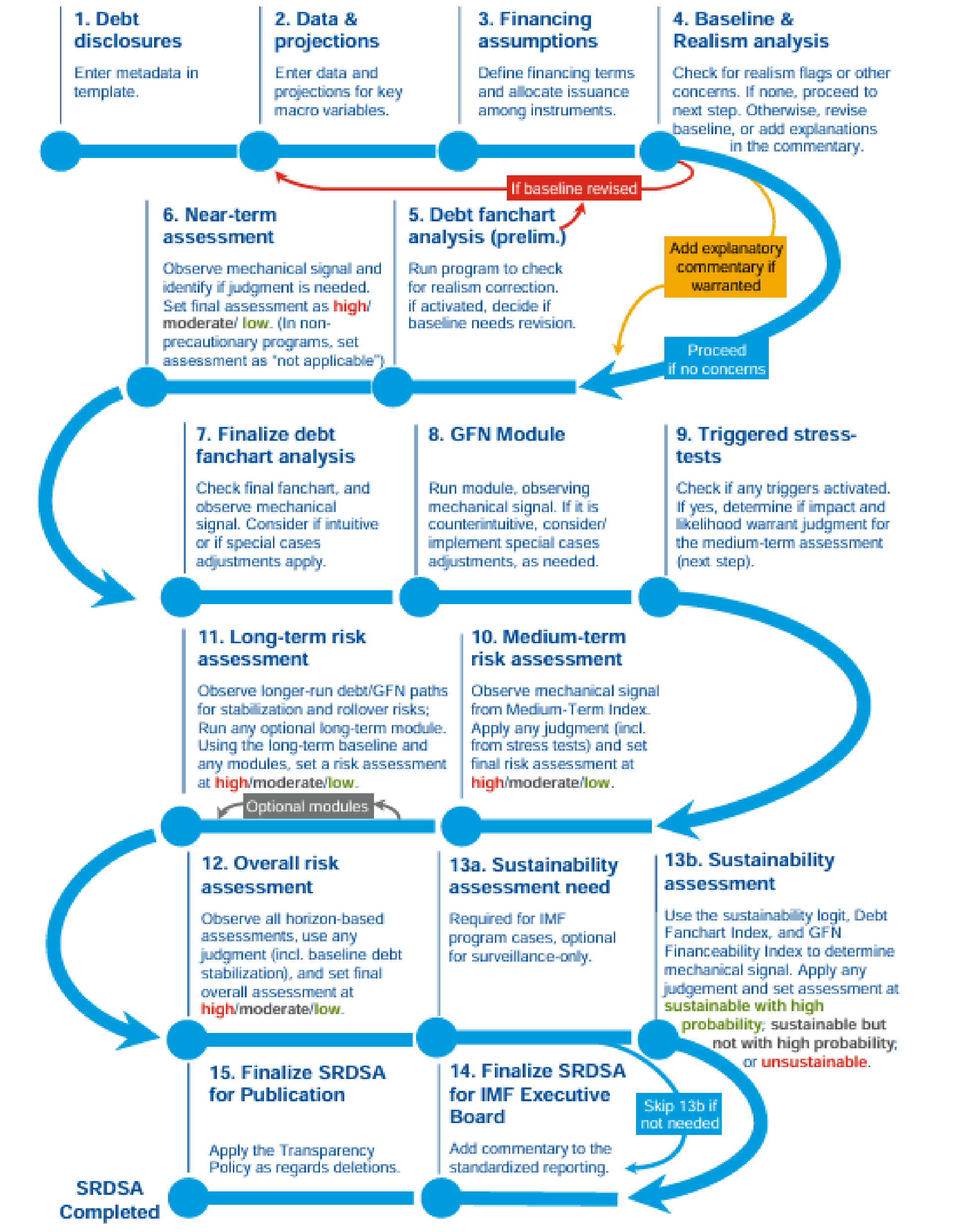
During the **medium- and long-term risk evaluations** and in the **overall risk synthesis**, the auditor ensures the methodology is correctly applied and that risk levels are supported by evidence rather than arbitrary decisions. The auditor verifies that professional judgments are well-founded and that the outcomes align with the validated data and scenarios.

When evaluating **sustainability indicators**, the auditor oversees the correct application of relevant metrics and assesses whether the final risk classification is well-supported. Finally, before submission to the **IMF Executive Board** and potential publication, the auditor performs a comprehensive validation of the report—ensuring process transparency, traceability of applied criteria, and alignment with the IMF's institutional policies.

Chart No. 7

IMF Official Flowchart – Debt Sustainability Assessment Process (DSA MAC SRDSF) for Market-Access Countries (MAC)
This diagram outlines the 15 steps in the debt sustainability evaluation process and highlights the auditor's role at each stage.

Figure AIII.1 Process for Running the SRDSF



Source: Fund staff estimates.

Source: International Monetary Fund. (2022). Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for Market Access Countries (PPEA/2022/039). Washington, D.C.: International Monetary Fund.

Examples of Audited Topics – Findings and Recommendations

Below are findings and recommendations from two oversight engagements that include references to debt strategy and debt sustainability:

1. **Performance analysis of Program 22 – Ministry of Finance (Debt Strategy)**
2. **Public debt – Arrangement with the International Monetary Fund. Impact on solvency and sustainability. Specialized audit of public debt 2018–2019**

Performance Analysis of Program 22 – Ministry of Finance (Debt Strategy)

Basic Report Data:

- **Audit subject:** Program 22 of the Ministry of Finance
- **Main topic:** Public debt strategy
- **Audit period:** 01/01/2015 – 30/06/2016
- **Type of audit:** Compliance and performance audit
- **Main audit question:** Was a debt management strategy formulated and implemented under Objective II of Program 22 during 2015 and 2016 in accordance with good practices?

Key Findings and Recommendations

Finding: There are no standardized procedures specifically related to Program 22.
Recommendation: Based on existing actions aligned with the management objectives of Program 22, design and formalize a process through official regulation and communicate it accordingly.

Finding: The audited entity treats the Multi-Year Action Plan from the Budget Submission Message as the foundational document for debt management, which does not align with the structure of a debt management strategy as defined by sound practices.
Furthermore, although the entity claims to prepare a multi-year action plan, the referenced legislation establishes a multi-year budget, which cannot be equated with an action plan or strategy.
Recommendation: While the formulation of a debt management strategy as defined by good practices is not a specific mandate of the Ministry of Finance, it is recommended that such a document be developed.

Finding: The audited entity responds that the question on the formulation of debt management guidelines is not applicable because, based on its own interpretation, it considers itself to already have a strategy. It treats the Multi-Year Budget in the Budget Submission Message—referred to as the Multi-Year Action Plan—as the base document for debt management.
Recommendation: Given the absence of formal guidelines or a debt management strategy consistent with good practices, it is recommended that, as an interim step, general guidelines be formulated to indicate the preferred direction of specific risk indicators (e.g., interest rate risk, refinancing risk, foreign currency risk).

Finding: Since the audited entity equates the debt management strategy with the budget, it assumes that publishing the budget laws fulfills the requirement to publish the strategy.
Recommendation: It is advisable to develop, document, and publish the debt management strategy or at least the related strategic guidelines.

Finding: The function of formulating a debt strategy is not clearly defined or assigned in current regulations.
Due to the practice of equating the strategy with the budget, it is unclear who is actually

responsible for developing the strategy.
Recommendation: It is recommended to explicitly define and assign the responsibility for formulating a debt strategy within the relevant regulations that establish institutional roles.

Finding: All debt financing needs estimations are linked to the budget formulation process. The variables outlined in the INTOSAI Guide are estimated across different departments and reflected in various documents, leading to fragmentation.
Recommendation: Continue estimating debt financing needs, but consolidate all relevant factors into a single document to enhance the transparency of the analysis.

Finding: As the responsibility for formulating a strategy is not clearly defined or assigned, and no strategy is developed, the audited entity does not set medium-term debt management objectives in accordance with sound practices.
Recommendation: In line with the recommendation to assign responsibility for developing the strategy, it is advised to clearly define medium-term debt management objectives either within the framework of a comprehensive strategy or, at minimum, agree upon them with the senior authority (Minister of Finance) and document them clearly.

Basic Report Data

- **Audit subject:** Arrangement with the International Monetary Fund – Impact on solvency and sustainability
- **Main topic:** Debt with international credit organizations
- **Audit period:** 2018–2019
- **Type of audit:** Performance and compliance audit
- **Main audit question:** *Was the SBA arrangement undertaken within due diligence processes and procedures that ensure efficiency and effectiveness in debt management?*

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).

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.

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.

In this respect, **no recommendation is made** regarding the need for a decree approving the operation because Law 27.612 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.

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.

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 SBA.

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.

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 procedures).

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.

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.

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.

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 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).

(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.

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. 6121 on Strengthening and Sustainability of the Public Debt.

(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 IMF, 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.

For future arrangements with the IMF, ***it is recommended*** that the PTN[17] 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

[17] National Treasury Attorney's Office

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.

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.

(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.

(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:

1) Validity period of Section 60 of the LAF 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 LI.

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 6.

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.

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

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 agreement.

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.

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.

(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.

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.

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).

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.

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.

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.

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.

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.

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 sustainability

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, 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.

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.

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).

(1) Impact on diversification by creditor

(2) Impact of the Term

(3) Rate Impact

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.