Letter of Intent

Buenos Aires, Argentina
March 3, 2022

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Ms. Georgieva,

The attached Memorandum of Economic and Financial Policies (MEFP) describes the economic and social objectives and policies of the Government of Argentina from 2022–2024. Also attached is a Technical Memorandum of Understanding (TMU) that elaborates the specific objectives that we are committed to achieving under the IMF arrangement in support of our own economic plan.

The Argentine government requests—subject to Congressional approval of *Proyecto de Ley para la Aprobación del Refinanciamiento de la Deuda entre la Népublica Argentina y el FMI*—the IMF's support for this policy program, which aims to address Argentina's large balance of payments needs—which mostly reflect the schedule of payments to the IMF resulting from Stand-By Arrangement (SBA) agreed in 2018. Our plan is carefully calibrated to Argentina's specific circumstances, notably the challenging economic and social situation which were exacerbated by the global pandemic.

As part of this support, we are formally requesting an extended arrangement under the Extended-Fund Facility (EFF) for a period of 30 months, in the amount of SDR 31,914 million (equivalent to around US$45 billion, or 1,000 percent of Argentina's quota). We intend to treat the IMF financing as budget support, specifically (i) to meet the outstanding obligations to the IMF arising from the 2018 SBA as they fall due; and (ii) to finance the primary fiscal deficit using the amount that exceeds the payments described in (i), helping us at the same time to rebuild our international reserve position. We also will seek to secure additional support from our multilateral development partners and other bilateral partners.

We consider that implementation of our economic plan will help strengthen Argentina's economic and social prospects to the benefit of every citizen. Crucially, our plan aims to sustain the ongoing economic recovery, strengthen our public infrastructure, and deepen improvements in our social and employment conditions. Achieving these will require implementation of tailor-made initiatives and policies that are designed to:

- gradually and sustainably improve public finances to secure debt sustainability without compromising the recovery, while also addressing deep social and infrastructure gaps;
- durably reduce persistent high inflation through a multi-pronged strategy involving a combination of fiscal, monetary, and price-incomes policies;

- strengthen external resilience and reserve buffers through policies that support trade surpluses, encourage net exports and long-term capital inflows, and pave the way to an eventual re-entry into international capital markets; and
- enhance the sustainability of growth through policies aimed at mobilizing domestic savings, strengthening the effectiveness of public investment in infrastructure and innovation, and encouraging the development of strategic tradable sectors.

To begin the implementation of our program, we have taken several up-front actions, as described in the MEFP. In line with our domestic law, we are submitting our economic plan—elaborated in our MEFP and TMU—to the Congreso de la Nación Argentina for approval and are working to ensure it garners wide political and social support.

We believe that these early decisive steps, along with the policies elaborated in the MEFP, are adequate to achieve the economic, financial, and social objectives of the program. Furthermore, we stand ready to take any additional measures that may be appropriate for this purpose. In addition, we will consult with the IMF according to our commitment in the MEFP (¶40).

We will adhere to the commitments laid out in the TMU and MEFP, including on data provision (TMU ¶40). In addition, and in line with Fund policies, we are committed to undertaking a safeguards assessment of the central bank and fiscal safeguards review by the time of the first review of the arrangement.

Finally, we request that you confirm that, if at any time during the duration of the extended arrangement, the Fund were to create a new facility with better financial terms and for which Argentina were to be eligible, Argentina would have the opportunity to make use of the new facility, in accordance with IMF policies and procedures.

Underscoring our commitment to transparency, we consent to the IMF's publication of this letter, the MEFP, the TMU, and the related Executive Board documents.

Yours sincerely,

/s/	/s/
Martin Guzman	Miguel Pesce
Minister of Economy of the Republic of Argentina	President, Central Bank of the Republic of Argentina

Attachment I. Argentina: Memorandum of Economic and Financial Policies

March 3, 2022

I. Macroeconomic Backdrop and Developments

1. Argentina was in the midst of a full-blown economic and social crisis by the time the new administration assumed office in late 2019. By end-2019, our economy had contracted by about 5 percent since 2017 and inflation had reached 53.8 percent. We also faced an unsustainable public debt burden, low external buffers, and limited access to capital markets. Importantly, social conditions had deteriorated sharply—poverty exceeded 35 percent, unemployment neared 10 percent, and real wages had fallen by over 15 percent relative to 2017 levels.

2. Argentina's previous Fund-supported program was in the context of a Stand-by Arrangement (SBA) for an initial amount of SDR 35.38 billion (equivalent to US$50 billion and about 1,110 percent of quota). The SBA, which was later augmented to SDR 40.71 billion (equivalent to US$56.3 billion and 1,277 percent of Argentina's quota), represented the largest lending arrangement granted by the Fund to a single country in its history. Under the SBA, five disbursements were made, and only four reviews (out of twelve expected) were completed. The fourth and final review was completed in July 2019, prior to Argentina's primary presidential elections, even in a context in which the economic crisis was clearly worsening (in Q1:2019 GDP contracted by 5.9 percent, and private consumption and investment declined by 10.7 percent and 25 percent, respectively, while inflation reached 56 percent y/y in June 2019). The fourth review brought total disbursements from June 2018 to July 2019 to SDR 31.91 billion (equivalent to US$44.1 billion and about 1,000 percent of Argentina's quota).

3. The program was intended to help Argentina overcome its crisis on the basis of four pillars: restoring market confidence; protecting society's most vulnerable; strengthening the credibility of the Central Bank's inflation targeting framework; and progressively lessening the strains on the balance of payments. None of the objectives of the program were achieved: confidence and market access were never restored; output contracted sharply and inflation increased; employment fell and poverty increased; the currency depreciated sharply; in the absence of capital flow management measures, the disbursements effectively financed capital flight of an historic size; public debt rose substantially as a share of GDP; and—due to the decision of the then-authorities to not undertake a restructuring of the foreign-currency denominated debt—pubic debt sustainability worsened. These outcomes have long-lasting consequences for the country.[1]

[1] A more extensive description of the views of the Argentine authorities is contained in the Authorities' View Section (Appendix IV) of *Argentina: Ex-Post Evaluation of Exceptional Access Under the 2018 Stand-By Arrangement* (https://www.imf.org/en/Publications/CR/Issues/2021/12/22/Argentina-Ex-Post-Evaluation-of-Exceptional-Access-Under-the-2018-Stand-By-Arrangement-511289).

4. Less than 100 days into our administration, the COVID-19 pandemic exacerbated Argentina's challenges, although important efforts were made to safeguard health and employment. The economy contracted by 9.9 percent in 2020 as global trade collapsed, and mobility restrictions weighed on activity and demand. Social indicators deteriorated further, with the pandemic especially affecting women, children, and unskilled informal workers. In response—and building on the Social Solidarity legislation of December 2019 aimed at supporting consumption and incomes, especially of people living below the poverty line—substantial fiscal resources were mobilized in 2020 to protect households and firms from the adverse effects of the pandemic. COVID -related support was channeled through extraordinary allowances and bonuses, a new emergency family income scheme for informal workers, and salary support and reduced employer payroll tax contributions for firms. Regulations were also issued to safeguard employment.

5. In parallel, we took decisive steps to strengthen debt sustainability. In September 2020, we restructured over US$82 billion in FX-debt owed to private bondholders, with the participation rate exceeding 99 percent, and securing cash flow relief of over US$35 billion during 2020–30. In addition, we supported efforts by provincial governments to restructure US$13 billion in FX debt, resulting in additional cash flow relief to the provinces of US$6.5 billion during 2020–27. Importantly, we made strengthening of the peso sovereign debt market a key priority and efforts have also been made to encourage the restructuring of FX debts held by the private sector.

6. Our efforts are starting to bear fruit—the economy grew by over 10 percent in 2021, with improvements in key macroeconomic and social indicators.

- **On the COVID front**, a very successful vaccination rollout has safeguarded our people and helped limit the impact of new variants on hospitalizations and mortality. As of early-March 2022, close to 90 percent of the population had received at least one vaccine dose, and nearly 80 percent of the population had received both doses. The expansion in health spending has been critical to safeguard the well-being of our population.
- **The economy expanded by over 10 percent in 2021, more than recovering the lost ground from 2020**. Our supportive policies, including on the health front, coupled with favorable external conditions contributed to the economic expansion. Noteworthy have been the positive dynamics of investment (up 42 percent y/y through Q3:2021) and exports (up by 13 percent through December 2021).
- **Fiscal imbalances narrowed, while priority social and infrastructure spending was expanded.** The federal primary fiscal balance fell from 6.4 percent of GDP in 2020 to 3 percent of GDP in 2021, compared to an original budget target of 4.5 percent of GDP. This was driven mostly by strong revenue performance, that included the one-off Solidarity Levy, and the unwinding of COVID support. Importantly, real spending (net of COVID) rose by over 10 percent to support the economic recovery, protect the most vulnerable, encourage research and development, and start addressing critical infrastructure gaps.
- **The domestic government bond market is being strengthened.** Net domestic (peso) market financing rose from 1.3 percent of GDP in 2020 to over 2 percent of GDP in 2021, supported by further improvements in our debt management practices, including the development of a

market makers program. This has allowed monetary financing of the deficit to fall sharply—from 7.4 percent of GDP in 2020 to 3.7 percent of GDP in 2021.

- **The trade surplus reached a near-historic high of US$15 billion**. Strong export volume growth, especially in the industrial manufacturing sector, coupled with favorable terms of trade, more than offset import dynamism coming from the recovery in private investment and consumption, resulting in an important improvement in the trade balance of goods. Nonetheless, sizeable outflows in the financial account limited reserve accumulation.
- **Social conditions are gradually improving.** The labor market is recovering—the unemployment rate fell to 8.2 percent in Q3:2021, well below the 13 percent peak of Q2:2020, labor force participation is on the rise, formal employment is above pre-pandemic levels, and real wages are beginning to recover. During the first half of 2021, the poverty rate fell to 40 percent, down 5 percentage points relative to pandemic peaks.

7. Notwithstanding this progress, important economic and social challenges persist.

- **Macroeconomic stability requires strengthening.** Persistent high inflation remains a problem, and external buffers are low. Headline inflation rose to 50.9 percent y/y at end-2021, up from 36 percent y/y at end-2020, reflecting a combination of higher world commodity prices, rising domestic demand, and difficulties in anchoring inflation expectations. Further steps are needed to improve public finances, reduce reliance on monetary financing, and strengthen reserve coverage, while also ensuring the competitiveness of the real exchange rate.
- **Deep social and infrastructure gaps remain**. Poverty rates remain high, especially among the young, with 55 percent of all children living below the poverty line. Labor market gains have not been evenly distributed as women and young adults with low skills or insufficient qualifications have been more significantly affected by the pandemic, and the share of informal and underemployed workers remains high. Importantly, public infrastructure (physical and digital) remains insufficient to support growth.
- **Challenges to sustained and inclusive growth persist**. Exports shares remain relatively low, and the export base is insufficiently diversified. Dollarization remains high and domestic capital markets underdeveloped, limiting Argentina's capacity to sustainably finance investment and growth over the medium term.
- **Balance of payment problems remain**. Argentina's balance of payment needs are mostly due to the schedule of repayments to the IMF.

II. Policy Framework and Economic Program 2022–24

8. Our primary goals are to maintain the ongoing economic and social recovery, while strengthening stability and continuing to address challenges to sustaining growth in the long-term. Achieving this will require implementation of tailor-made initiatives and policies that reflect the particularities of our social and economic structure, notably:

- **gradually and sustainably—and as such, credibly—improve public finances to secure debt sustainability without compromising the recovery**, while implementing at the same time public policies to reduce deep social and infrastructure gaps.
- **durably reduce persistent high inflation through a multi-pronged strategy** involving a combination of fiscal, monetary, and price-incomes policies.
- **strengthen our balance of payments** through policies that support reserve accumulation, trade surpluses, encourage net exports, and long-term capital inflows and pave the way to an eventual re-entry into international capital markets.
- **enhance the sustainability and resilience of growth** through reforms aimed at mobilizing domestic savings, strengthening the effectiveness of public investment in infrastructure and innovation, and encouraging the development of strategic tradable sectors.

9. To support these goals, we formally request an extended arrangement under the Extended-Fund Facility (EFF) for a period of 30 months, in the amount of SDR 31,914 million (equivalent to around US$45 billion, or 1,000 percent of Argentina's quota). We further request that the purchases under the EFF be made according to the following schedule: (i) SDR 7000 million upon approval of the arrangement by the IMF's Executive Board; (ii) SDR 3000 million at the time of the first review; (iii) SDR 3000 million at the time of the second review; (iv) SDR 4500 million at the time of the third review; (v) SDR 4000 million at the time of the fourth review; (vi) SDR 3000 million at the time of the fifth review; (vii) SDR 2500 million at the time of the sixth review; (viii) SDR 2500 million at the time of the seventh review; (ix) SDR 800 million at the time of the eight review; (x) SDR 800 million at the time of the ninth review; and (xi) SDR 814 at the time of the tenth review.

10. Our baseline macroeconomic program envisages a steady and sustained economic expansion and disinflation process. Real GDP is expected to expand by 3½–4½ percent in 2022 and converge to a potential growth rate of around 1¾ to 2¼ percent over the medium term. This expansion will be underpinned by private consumption and investment, with public policies continuing to play an important role to support employment, real incomes, and improvements in social indicators. The external current account is projected to remain in surplus, supported by a competitive real effective exchange rate (REER) and reforms aimed at boosting exports in key sectors. This, together with higher FDI and net official inflows, will support a buildup of reserves (NIR is envisaged to increase by US$15 billion over the course of the program) and strengthening of our crawling peg regime. Meanwhile, we will strive to reduce inflation to the range of 38–48 percent by end-2022 and by an additional 5 percentage points per annum through end-2024. The disinflation strategy will be underpinned by a multipronged approach involving adequately-calibrated fiscal, monetary, and price-incomes policies. These policies are expected to support money demand, which after falling in 2021, is assumed generally unchanged as a share of GDP.

Argentina: Macroeconomic Projections

		Preliminary/Tentative Proj.		
	2021	2022	2023	2024
GDP growth (avg, %)	10.2	[3.5 - 4.5]	[2.5 - 3.5]	[2.5 - 3.0]
Inflation (eop, %)	50.9	[38.0 - 48.0]	[34.0 - 42.0]	[29.0 - 37.0]
Primary fiscal balance (% of GDP)	-3.0	-2.5	-1.9	-0.9
Current account (% GDP)	1.3	0.5	0.4	0.3
Change in net int'l reserves (US$bn)[1]	-1.5	5.8	4.0	5.2

1/ Net International Reserves (NIR) are gross reserves net of swap lines, deposit insurance, reserve requirements on FX deposits, and other reserves liabilities.

11. **Our baseline is subject to important uncertainties, implying that policies may need to be recalibrated accordingly**. A re-intensification of the pandemic cannot be discarded, with the potential for the emergence of new variants, new mobility restrictions and trade disruptions. Importantly, the intensification of geopolitical risks—including those related to war—has significantly increased uncertainties around our baseline, especially for energy subsidies. In addition, global and regional conditions could weaken, complicating Argentina's outlook. Growth in our trading partners could falter, and our terms of trade could deteriorate from markedly lower world agricultural prices and even higher world energy prices. Climate-related shocks could affect our exports, with negative implications for FX inflows and fiscal revenues. Upside risks, however, cannot be discarded. External conditions could be more favorable, and the recovery could prove stronger than anticipated, especially for sectors, like services, hardest hit by the pandemic.

A. Fiscal and Financing Policy

12. **We will continue to pursue a growth-friendly improvement in public finances consistent with debt sustainability.** We have developed a multi-year fiscal consolidation strategy targeting a primary deficit of 2.5 percent of GDP in 2022 **(*quantitative performance criteria*)**, falling to 1.9 percent of GDP in 2023, and to 0.9 percent of GDP by 2024. In line with our domestic law, our financing program to meet our obligations to the IMF, including key parameters of our economic and financial policy plans, is being presented to Congress for approval prior to consideration of our Fund-supported program by the IMF's Executive Board. After the EFF arrangement request is approved by Congress, the current Budget Law will be modified by April 15 to be in line with the 2022 primary fiscal deficit target agreed under the program **(*structural benchmark*)**. Improvements in public finances will be delivered through a balanced package of revenue and expenditure measures, while ensuring real spending growth (after excluding extraordinary Covid spending) remains positive in real terms, and current spending is targeted to allow for an expansion in infrastructure and science and technology investments. The envisaged fiscal path will be financed mainly through a steady expansion of peso-denominated government securities and support from the international community, enabling zero monetary financing of the deficit by end-2024 (see ¶18). Our fiscal path, which envisages reaching primary balance by 2025

and a primary surplus of around 1¼ percent of GDP over the medium term, will help place public debt on a firm downward trajectory and support the gradual resumption of international market access starting in 2025.

13. Additional external project financing will be used to scale up capital spending and thereby help bolster economic growth and long-term development goals. The capital spending and the fiscal targets will be adjusted to reflect deviations in the disbursements of external loans for project financing from the program baseline—up to 0.2 percent of GDP in 2022 (see TMU ¶12) and comparable levels in 2023-24.

14. On the revenue front, our efforts will continue to mobilize and enhance the progressivity of taxes. In the near term, employment and wage recovery are expected to support tax collection, while tax policy measures and ongoing tax and customs administration efforts should help mobilize additional revenues over the medium term and support fiscal consolidation. In this regard, should real federal government revenues (net of related, legally-mandated, spending) prove higher-than-programmed, we commit to use this opportunity to virtuously reduce the fiscal deficit accordingly or to help secure the baseline fiscal deficit in the event of an adverse external shock, reflecting a commitment to stabilizing macroeconomic policies.

- In the area of ***tax policy***, building on earlier efforts, legislation was recently approved to increase the progressivity of the personal wealth tax regime (with an annual expected yield of 0.1 percent of GDP), and a bill was presented to congress to shift excises on petroleum products to an ad valorem basis to protect tax yields. Further enhancements are expected to ensure that property valuations better reflect actual values. To this end, and in close coordination with provincial governments, we will complete the process of updating property valuations at the federal level by end-September **(*structural benchmark*)**, so that they can begin to go into effect for fiscal year 2022. Yields, net of co-participation, from this initiative could reach 0.1 percent of GDP for fiscal year 2022 and an additional 0.2 percent of GDP over the next few years. We expect this process to reach around 400,000 taxpayers, or around 597,000 urban properties that are subject to the annual personal property tax. Finally, and as conditions allow, we will continue to build on our ongoing efforts to improve the efficiency of the tax system, including by further reducing taxes on certain value-added exports and, also, by avoiding additional taxes on financial transactions that affect domestic savings or productive investments ***(continuous structural benchmark)***. While tax payment schemes will remain necessary, tax amnesties that undermine compliance will be avoided.
- In the area of ***tax administration,*** our tax agency AFIP has developed a Strategic Plan for 2021-25, to tackle high levels of non-compliance, improve AFIP's service delivery, and strengthen information technology capabilities. We will publish this plan by end-March 2022. In this context, and in consultation with Fund staff, we will develop a detailed and time-bound action plan focused on identifying compliance gaps and improving compliance risk management of key domestic taxes and customs duties (**end-August 2022, *structural benchmark***). Yields from these administrative reforms could reach 1 percent of GDP over the

medium term and begin to bear fruit starting next year (0.3 percent of GDP net of co-participation).

15. **On the expenditure front, our efforts will focus on further reorienting spending towards public investment, notably by improving the targeting of energy subsidies.** Within our balanced approach to fiscal policy, we are committed to maintaining real positive expenditure growth and improving the efficiency and progressivity of spending, particularly in the areas of social assistance, science and technology, and public investment. The key pillars of our spending policies are as follows:

- ***Energy subsidies***. To free-up resources for higher priority areas, the baseline assumes a reduction in energy subsidies of 0.6 percent of GDP in 2022, although important uncertainties and risks exist around this baseline given rising geopolitical tensions and evolving global energy prices. This baseline is underpinned by a multipronged approach of reducing energy costs and increasing the pass-through of generation costs, while ensuring adequate protection for people in the most vulnerable situations. As a key pillar of this strategy, we will eliminate subsidies for high-income residential consumers. (see ¶29, for details of our near- and medium-term plan to strengthen the energy sector).
- ***Social assistance***. We will further strengthen our social assistance schemes to best serve those most in need, focusing on addressing child poverty and reorienting support to promote labor market inclusion, particularly for women and individuals with low skills or insufficient qualifications. To this end, the program will establish a floor on spending on our flagship support programs—*Asignación Universal para Protección Social, Tarjeta Alimentar, and Progresar*—with coverage increases if social conditions deteriorate. In addition, efforts will be made to reorient social spending towards training and employment programs, and to further strengthen budget systems to ensure that spending addresses gender inequities. To further strengthen the efficiency and targeting of our social support with respect to defined outcomes, we will work with development partners to conduct and publish a comprehensive evaluation of our social support programs and strategy to identify options for policy improvements **(end-December 2022, *structural benchmark*).**
- ***Capital and innovation spending***. We plan to continue to raise infrastructure investment to over 2 percent of GDP in 2022 (from an average of 1 percent of GDP during 2018–20) and maintain this level over the course of the program. This investment will be focused mainly on improving housing and sanitation conditions in poorer urban areas, and improving the country's road, energy, digital and logistics infrastructure. In addition, spending on science and technology will be protected and enhanced to encourage innovation.
- ***Other current spending***. To free-up resources for our key priorities, we will seek to rationalize other spending while protecting real incomes of pensioners and public sector workers. Actions will be taken to (i) limit discretionary transfers to provinces and state-owned enterprises; and (ii) manage the wage bill of the public sector, to ensure it grows consistently with the growth of the economy. Meanwhile, pension spending will be determined by the new pension update mechanism adopted in late 2020. Building on this, we will conduct and publish a study outlining

options and recommendations to strengthen the equity and long-term sustainability of our pension system, focused on the special pension regimes set forth by Law 27.546 and on mechanisms to encourage voluntarily prolonging working lives **(end-December 2022, *structural benchmark*)**.

16. Efforts are being made to improve the efficiency of public spending, cash management, and our coordination with provincial governments.

- ***Public investment management***. Building on recommendations of the IMF Public Investment Management Assessment (PIMA), prepared jointly with World Bank and IADB, we will—in consultation with IMF staff—improve the accountability of capital spending, and will seek to reinforce its governance by further centralizing the review of major public investment projects and shifting the capital investment composition towards direct investment by the national administration. In the near-term, particular emphasis will be given to the following:
  - **Reinforcing monitoring and availability of information over the use of public resources in capital projects.** To achieve these objectives, we commit to:
    a) Prepare a proposal with an action plan by the Secretary of Treasury to enhance financial and budget reporting of the entities of the national public sector other than the National Administration according to Law 25.917, Art 3 **(end-June 2022, *structural benchmark*)**. The proposal will specify the contents of the detailed monthly information to be provided to the Ministry of Economy (MECON) on: (i) the financial and physical execution of individual major investment projects financed by APN *(Administración Publica Nacional)* capital transfers; (ii) the allocation and use of earmarked taxes for individual major investment projects; and (iii) a breakdown of financial assets and liabilities held by other entities of the public sector. The proposal will identify the necessary adjustment to the current regulations.
    b) Enhance the information published in the quarterly *financial and budget execution* report by MECON on other entities of the national public sector based on the above action plan. To support the preparation of this report, relevant information systems, and processes will be enhanced. We will publish the enhanced report by the third quarter of 2022 and in parallel work towards increasing the frequency of publication in line with international standards.
  - **Improving the selection of investment projects**. We will modify the SEPIPyPPP 1/2021 Resolution enabling an annual regulation to set prioritization and selection criteria. These criteria will prioritize ongoing projects and, among major projects, those with pre-feasibility or feasibility studies. On the basis of these criteria, a regulation will be adopted to determine prioritization and selection criteria for projects to be included in the 2023 Budget **(end-June 2022, *structural benchmark*)**. In addition, in the 2023 budget formulation process, DNIP will issue Technical Qualification Reports on the projects prior to sending the budget proposal to Congress.
  - **Strengthening procurement processes**. We will update the legal framework for procurement in the Public Works Law (13,064/1947), including aspects related to selection,

awarding, and execution and sanction processes, as well as complaints, submissions and independent resolution procedures. We intend to issue this regulation by end-September 2022.

- ***Cash management.*** We will strengthen the Treasury Single Account (TSA) and develop a plan to improve the management of excess liquidity held by other entities of the national public sector, including to limit unintended reliance on monetary financing of the budget. To this end, we will define by end-June specific actions to phase in the recommendations included in the Fund's Fiscal Safeguards Review.
- ***Budgetary process.*** To enhance the transparency and credibility of the budget process, the pre-budget statement (*Informe de Avance del Proyecto de Presupuesto*) for 2023 will include a description of the outlook, as well as a qualitative assessment of risks and measures supporting the achievement of the fiscal framework. Importantly, this outlook will be updated when we submit by mid-September a Draft 2023 Budget, which will be consistent with the agreed primary deficit of 1.9 percent of GDP and include an elaboration of the underlying policies to meet the program target.
- ***Federal-Provincial Fiscal Coordination.*** We have reached agreement with 21 provincial governments on a new Fiscal Consensus which aims to: (i) enhance fiscal coordination and information exchange between the federal government and provinces; (ii) modernize and simplify the tax systems, while providing provinces greater revenue-raising incentives; and (iii) reduce fiscal imbalances and provincial debt levels. Going forward, we will explore options to revamp the Fiscal Responsibility Legislation, to review the role of the Fiscal Council, and to limit future FX borrowing by provincial governments. In this context, we will strengthen data-sharing agreements between the federal government and the provinces to ensure timely sharing of quarterly fiscal reports by all provinces.

17. Our domestic financing strategy remains focused on strengthening the peso government securities market. Our plan targets net peso financing from the private sector to the Treasury of around 2 percent of GDP per annum during 2022-24, underpinned by our appropriately-balanced fiscal consolidation plan. In this regard, and in line with the projected disinflation process, we expect to gradually reduce reliance on inflation-linked instruments, widen the portfolio of benchmark domestic securities, and lengthen the maturity profile. Building on our efforts that began two years ago, we will continue to strengthen debt management practices to establish a deep sovereign debt market and build a benchmark yield curve. To guide the implementation of these long-term objectives, we will prepare a medium-term debt management strategy (MTDS) (**end-December 2022, *structural benchmark***) with a view to publication and implementation by March 2023. In the meantime, we plan to develop an annual borrowing plan along with measures aimed at (i) streamlining the number of current instruments; (ii) enhancing the predictability of auctions; (iii) limiting the use of minimum auction pricing only to provide guidance for new instruments and for periods of market stress; and (iv) building benchmark bonds to support secondary market liquidity and price discovery. We also plan to expand the market makers program that was established a year ago by widening the eligible pool of securities, and advance our investor relations program, through the publication of semi-annual investor relations presentations (**end-July 2022, *structural benchmark***) as well as regular meetings that will provide macroeconomic developments and outlook and details of public debt performance and financing.

18. This strategy, coupled with efforts to mobilize external support, will enable an unwinding of monetary financing of the deficit. Net financing from multilateral development banks and bilateral official creditors is expected to reach 0.4 percent of GDP per annum during 2022-24, a portion of which will help finance infrastructure projects as well as programs to strengthen social protection and energy efficiency. In this context, we will work toward an agreement with Paris Club creditors on a repayment schedule for our obligations that remains consistent with our repayment capacity and debt sustainability. This official support, combined with upfront net IMF financing in 2022 (0.7 percent of GDP), will help to reduce central bank financing of the Treasury to 1 percent of GDP in 2022 ***(quantitative performance criteria)***, 0.6 percent of GDP in 2023, and zero by 2024. Besides, if budget financing conditions improve, we will aim to further reduce central bank financing to the Treasury to accelerate the rebuilding of confidence in the currency.

B. Monetary and Exchange Rate Policies

19. Persistent high inflation in Argentina is a multi-causal problem and addressing it will require a multi-pronged strategy. Durably lowering inflation will require a comprehensive package of economic policies. An important pillar will be a sustainable fiscal and financing path that helps to deliver a prompt reduction of central bank financing of the budget. Critically, this will need to be complemented by prudent and pro-active monetary policy to support the demand for peso assets and voluntary price and incomes policies to tackle challenges from strong inflation inertia and unanchored views on inflation dynamics. Meanwhile, the rate of crawl of the official exchange rate should also support external competitiveness, with a well-designed and calibrated capital flow management regime further supporting reserve accumulation.

20. Mindful of the deep economic and social costs of inflation, we have taken steps to bring down inflation and anchor views on inflation dynamics. Apart from commitments to continue to reduce the fiscal deficit and monetary financing of the budget, measures were recently taken on the monetary policy front. Specifically, in early January, the BCRA raised the effective annual policy rate (applying to 28-day *leliqs*) by 285 basis points and streamlined sterilization instruments to improve monetary policy transmission and signaling. We also raised regulated deposit rate floors and credit rate ceilings to amplify the transmission of policy rates to deposit rates (see ¶24). Moreover, in mid-February, the BCRA raised the effective annual policy rate by an additional 365 basis points to further support demand for peso assets (***prior action***).

21. This has been complemented by our voluntary price-incomes policies. A new *voluntary* price agreement (*Precios Cuidados*) was signed in mid-January with over 150 private sector participants, guarantying a maximum price increase of 2 percent per month on 1,300 key consumer staples. These price agreements will serve as an important complement to ongoing wage agreements to support real wage growth. Our incomes and price policies will be adjusted depending on evolving circumstances to tackle inertia and guide views on future inflation dynamics.

22. We will continue to pursue a prudent and proactive monetary policy. To this end, the BCRA will aim to maintain a positive real effective policy rate also consistent with a sustainable path for BCRA securities. Determination of the real interest rate will take into account coincident and forward-looking inflation measures that will be updated on a monthly basis, while taking into consideration other factors, such as the evolution of reserves. This will help ensure that, going forward, interest rates on bank term deposits remain positive in real terms to support demand for peso deposits, and the development of the domestic market for government securities.

23. In tandem, we will calibrate our exchange rate management to ensure the medium-term competitiveness of the real effective exchange rate, and support reserve accumulation. To this end and to help secure the reserve accumulation goals under the program (***quantitative performance criterion***), the rate of crawl of the official exchange rate will preserve competitiveness by keeping the real effective exchange rate in 2022 generally unchanged relative to end-2021 levels. Critically, and given Argentina's balance of payments exposure to volatile commodity prices (see ¶11), adjustments to our reserve accumulation objectives may need to be considered, in consultation with IMF staff. Meanwhile, our interventions in the official market (*Mercado Unico y Libre de Cambio, MULC*) will be consistent with our reserve accumulation objective, taking into account the variability coming from seasonal factors and temporary bouts of excessive volatility. Similarly, we will limit our intervention in the non-deliverable forward market to circumstances when forward guidance is required as implementation of the monetary policy framework evolves **(*indicative target*)**.

Monetary Operations

24. Further actions will be taken to strengthen the monetary policy implementation framework. In January 2022, to improve monetary policy operations and the transmission mechanism, the BCRA (i) raised the cap of 28-day LELIQs, thereby reducing recourse to short-term securities and increasing the average tenor of our sterilization operations; (ii) launched new 180-day LELIQs to facilitate structural liquidity management operations, support commercial banks' provision of longer duration facilities, and foster the growth of peso deposit demand; and (iii) raised bank interest rate ceilings on certain regulated lending instruments and floors on certain regulated bank deposits. To further improve the transmission mechanism, the BCRA will explore options to enhance sterilization policies and instruments.

25. The BCRA will seek to simplify the existing reserve requirements regime. In an effort to improve the transmission of monetary policy, the BCRA will publish a time-bound plan to streamline the reserve requirement regime (**end-June 2022, *structural benchmark***). The plan would seek to gradually phase out unremunerated reserve requirements for small banks and many special regimes so that reserve requirements differ mainly depending on deposit duration. As conditions normalize, the transmission of monetary policy improves and financial inclusion deepens, we will consider gradually easing the floor on commercial banks' deposit rates and lending ceiling rates. Finally, we will assess regulations allowing commercial banks to meet reserve requirements with holdings of government securities.

Capital Flow Management Policy

26. We will continue to enhance the effectiveness and fairness of our capital flow management regime. While not a substitute for warranted macroeconomic policies, measures to manage capital flows will remain a key element of our toolkit and will require recalibration as circumstances evolve. In this regard, in consultation with IMF staff, we eased certain regulations limiting securities trading in foreign exchange **(*prior action*)**. Importantly, as conditions normalize, we will seek to ease import payments regulations to support the economic recovery. Going forward, we plan to:

- Strengthen **transparency** and reduce **compliance costs**, by streamlining the FX regulatory framework and consolidating the number of regulatory documents.
- Boost our **surveillance and enforcement** of exchange control measures through (i) better data collection and upstream monitoring of operations; and (ii) improved coordination among relevant agencies (BCRA, AFIP, Customs) to enhance fraud detection.
- Improve the **penalty framework**, including by introducing authorization of administrative fines, to make the sanctioning framework more efficient and enhance the timeliness of enforcement. Relevant legislation—Foreign Exchange Criminal Law—will be submitted to congress by end-December 2022 (***structural benchmark***). Moreover, consideration will be given to expanding the BCRA's powers to regulate and monitor a wider set of transactions affecting Argentina's balance of payments.

27. A conditions-based strategy to gradually ease measures to manage capital flows will be developed. We plan to design a strategic roadmap for the gradual easing of FX controls, outlining the necessary conditions for its implementation and its objectives, also with a view to supporting the gradual resumption of international market access starting in 2025. This roadmap, which will be prepared in consultation with Fund staff, will draw on relevant international experiences while taking into consideration Argentina-specific factors, including its public debt profile, reserve coverage, and high degree of dollarization. The strategy will involve converging to a system of macro-prudential regulations that supports stable and sustainable capital flows. Our strategic roadmap will be published end-December 2022 **(*structural benchmark*).**

Central Bank Balance Sheet

28. Our macroeconomic program is consistent with a steady strengthening of the BCRA balance sheet. The projected reduction in the stock of central bank paper and the quasi-fiscal deficit (as a share of GDP) will be underpinned by the gradual unwinding of monetary financing of the budget and policies that help sustain money demand. Importantly, we plan to undertake a comprehensive analysis of BCRA's balance sheet and will draw on recommendations from the Fund's Safeguard Assessment (by the First Program Review) to develop and publish, in consultation with Fund staff, a medium-term strategy for durably improving its financial position **(end-December 2022, *structural benchmark*)**. Importantly, and in line with previous recommendations, last year the Board of the BCRA approved the first inflation-adjusted financial statements corresponding to the year 2020. Going forward, and in the context of the planned assessment, we will consider options for (i) strengthening the financial relationship with the treasury; (ii) further enhancing the BCRA's governance framework; (iii) ensuring the gradual adoption of IFRS accounting standards; and (iv) conducting monetary operations via government securities as well as other alternatives to reduce the quasi-fiscal cost of monetary policy.

C. Growth-and Resilience Policies

29. Growth-enhancing reforms will be critical to begin to address long-standing bottlenecks and lay the foundation for more sustainable and inclusive growth. Growth- and resilience-enhancing policies will seek to encourage (i) expansion and diversification of the tradable sector; (ii) investment and productivity; (iii) local and regional economic development; (iv) formal employment and labor inclusion; (v) improvements in the efficiency and sustainability of the energy sector; (vi) climate mitigation and adaptation policies; and (vii) the broader development of capital markets.

- ***Export expansion through incentives for strategic sectors.*** We are advancing legislation and regulations to encourage investment and exports in strategic sectors—including in the knowledge economy (already approved in 2020), hydrocarbons, mining, agro-industry, and automotive industry—in close consultation with relevant stakeholders. The envisaged reforms aim to strengthen regulatory predictability and incentives for investment, while seeking to minimize their fiscal and regulatory costs. Preliminary estimates suggest that these measures could increase exports by around over US$25 billion by 2030. We expect relevant legislative initiatives to be considered by congress during the course of 2022.
- ***Formal employment and inclusion.*** We are advancing various labor market initiatives to encourage formal employment and labor inclusion, especially of women and young adults with low skills or insufficient qualifications. We have significantly scaled up our flagship program *Potenciar Trabajo*, which now reaches over one million beneficiaries, to deepen labor market inclusion among the most vulnerable through jobs training programs and direct cash transfers to beneficiaries and incentives to employers. We have also established new employment support programs, including (i) "*Te Sumo*," aimed at supporting youth employment—with an initial target of 50,000 new hires—through job training programs and incentives to SMEs; (ii) "*Argentina Programa*," aimed at developing a deep pool of skilled workers—over 10,000 new graduates by end-2022—to meet the employment demands of the knowledge economy sector; and (iii) a program of incentives to encourage formal employment creation in Norte Grande. Importantly, with the strong recovery in economic activity and employment, we have been gradually unwinding the extraordinary measures introduced during the pandemic—the ban on layoffs on the basis of unexpected circumstances or lack of work has been lifted and the double severance pay for layoffs without fair cause is being phased out and will fully expire by end-June 2022.
- **Energy sector policies.** We will seek to implement a series of measures to improve the efficiency, fairness, and sustainability of the energy sector, through policies aimed at reducing energy costs and improving the targeting of government subsidies. On the basis of the near-

and medium-term actions described below, we expect that, over time, energy tariffs will better reflect cost recovery while continuing to ensure that lower-income households are protected.

- **Near term actions** focus on achieving our baseline reduction in energy subsidies in 2022, based on criteria of distributional fairness and equity. Specific actions are being taken in the following areas:

  i. *Energy costs*. Steps have been taken to expand energy production and reduce the cost of electricity generation, including through the latest Plan Gas, which roughly halved the guaranteed gas price offered at new auctions (from US$7.5 to US$3.5 per MMBTU). In addition, efforts are underway to increase investment in energy production and transportation over the coming years to meet domestic demand and reduce reliance on costly energy imports.

  ii. *Subsidy segmentation for households with greater payment capacity*. A new residential subsidy segmentation scheme has been designed to focus revisions in wholesale energy prices on consumers with the greatest ability to pay based on objective criteria. Following our institutional mechanisms, we will call a public hearing by end-April on a proposal to eliminate electricity and gas subsidies, effective June 1, from the top 10 percent of residential consumers with the greatest payment capacity. Savings from the segmentation plan could reach 0.06 percent of GDP during 2022 with additional savings in 2023 as the scheme is expanded.

  iii. *Wholesale gas and electricity tariffs*. Effective March 1, the wholesale electricity prices—PEST (*precio estacional de energia*) for all residential, and non-residential users (excluding GUDIs),[2] were updated by 28 percent and 42 percent respectively.

  Recognizing significant global energy market uncertainties and recent energy price developments, the government is committed to adapt its energy strategy to meet its broader fiscal and economic goals. As part of this commitment, we are determined to achieve reasonable energy (gas and electricity) tariff levels that are updated in an equitable and fair manner. To this effect, and following our institutional mechanisms, we will call a public hearing by end-April on a proposal to update wholesale energy tariffs effective June 1, 2022, using the following criteria **(end-April 2022, *structural benchmark*)**:

  - For *residential users*, the updates will be anchored on the average wage growth of (*coeficiente de variación salarial*)[3] as was established by Law 27.443 (which was vetoed on May 31, 2018). Specifically, (i) residential consumers who receive the *tarifa social,* will observe an energy tariff revision equivalent to 40 percent of the prior year average *coeficiente de variación salarial*; and (ii) remaining residential consumers—excluding those subject to the subsidy segmentation scheme noted above—will observe an energy tariff revision equivalent to 80 percent of the prior year *coeficiente de variación*

[2] GUDIs are non-residential large consumers of electricity, supplied by distribution companies.

[3] See TMU (¶36) for definition.

salarial. In both cases, the respective percentage increases in 2022 will include the increases applied for the whole calendar year.

- For GUDIs, energy tariffs will reflect full cost recovery, while the rest of non-residential users will have their tariff revised according to the proposal defined in the public hearing.

Reflecting the above approach that concentrates the burden on users with higher payment capacity and decisively protects users in situation of vulnerability, for 2022 we expect that the weighted average wholesale energy price will remain unchanged in real terms.[4] Similarly, additional tariff revisions for subsidized residential users will not be envisaged during 2022 and 2023, provided that the government successfully implements the segmentation scheme as defined in (ii).

- We will develop a **medium-term plan** to further reduce energy subsidies and improve the efficiency of our energy matrix, while ensuring the quality of energy services and the affordability of access for more vulnerable households. The plan would seek to decisively increase electricity and gas costs recovery over the medium term through actions to: (i) encourage private and public investments to boost energy generation and transmission, including the construction of pipelines and the expansion of LNG and renewable energy production capacity; (ii) reduce distribution losses through improvements in the efficiency of metering, billing, and collections; (iii) improve energy consumption efficiency and conservation; (iv) strengthen the targeting and progressivity of energy subsidies; and (v) ensure that over time end-user non-residential and residential energy tariffs better and more predictably reflect wholesale gas and electricity costs. These actions are consistent with our goals of gradually and fairly transitioning to a greener and more sustainable recovery and will need to be supported by enhancements in our information systems and databases. The development of this plan, which will count on the technical and financial support of our international development partners and include specific cost recovery targets, will be published for consultation by end-September 2022 (***structural benchmark***), with the final version published by end-December 2022.

- **Promoting gender equity and inclusion.** A key pillar of our growth strategy is the reduction of Argentina's large gender gaps, which were further exacerbated during the pandemic. Currently, formal sector wages for men are, on average, 30 percent higher than for women, the activity rate for women is around 50 percent, against 70 percent for men, and unremunerated household tasks are largely carried out by women (76 per cent). Our multipronged approach emphasizes the strengthening of care support systems, including through expansion of key social protection programs that target women; increasing access to child-care facilities, housing and other social infrastructure for mothers; and promoting labor market inclusion through programs such as *Registradas*, that help to formalize domestic workers (thus far 33,000 domestic workers have been registered). Also, we will promote the presence of women in strategic male dominated jobs, such as industry, construction, technology, and others. We will also ensure that adequate

[4] See TMU (¶38) for the calculation of real variables for this purpose.

fiscal resources are oriented to addressing gender inequities by building on and enhancing our gender budgeting approach. This approach was first introduced for fiscal year 2021 and identified that 15 percent of national expenditure was allocated to policies that contribute to closing gender gaps.

- ***Climate mitigation and adaptation policies.*** We are developing environmental policies to strengthen preparedness and better address the challenges of climate change and ensure progress in achieving our commitments under the Paris Agreement. Key actions include:
  - Preparation of a new Electro-Mobility Law (*Ley de Promocion de Electromovilidad*) to incentivize the production and use of renewable energy-powered vehicles (estimated to lead to the over 20,000 new jobs and over US$5 billion in new investments over the medium term). We expect this law to be considered by congress during the course of 2022.
  - Implementation of a *Green Productive Development Plan* aimed at promoting, *inter alia*, (i) investment in the knowledge economy; (ii) integration of circular economy processes; and (iii) environmental adaptation and efficiency in the use of resources. In addition, we will develop during the course of 2022 new legislation and regulatory framework governing the activity and support investment in the *hydrogen sector*.
  - Building on our experience with tagging cross-cutting policies like gender, we will include a full-fledged climate tagging system in the 2023 Budget Preparation Manual. This initiative will strengthen our project investment prioritization and selection process as well as our capacity to assess the climate impact of projects and the implications for investment of climate change. Budget documentation will include a report on climate initiatives (according to economic classification) and the list of tagged public investment projects.
- **Competition policies**. We hold the view that investment activity and private-sector job creation are critical for a dynamic economic and social environment. On this basis, we will work to strengthen the competition framework with the purpose of developing concrete proposals in the period ahead. These efforts will support our broader objectives of tackling excessive concentration, barriers to entry, and market power, thus ensuring a level playing field.
- **Encouraging financial inclusion and promoting sustainable finance.** We have relaunched the National Strategy for Financial Inclusion for 2020-2023 through the Financial Inclusion Coordination Council which is considered as a State policy. Key objectives of our strategy include: (i) expanding and improving access to financial services; (ii) promoting the use of digital means of payment, savings accounts, credit and other services, including banking sector and microfinance; (iii) enhancing financial literacy, and the protection of financial consumer rights; (iv) consolidating interoperability on digital payments; (v) contributing to reducing social gaps, expanding territoriality and federalization, and incorporating a gender perspective; and (vi) prioritizing the financial inclusion of vulnerable and excluded groups; financing SMEs and promoting the use of new technology. We are also taking important steps to promote sustainable finance as a way of increasing our investor base, considering not only financial profitability but especially social impact and positive externalities.

- **Strengthening financial resilience**. While commercial banks remain liquid and well-capitalized, strong bank oversight will continue, especially following the unwinding of pandemic-related regulatory forbearance. To further safeguard financial stability, we are taking important steps to (i) discourage the use of crypto-currencies with a view to preventing money laundering, informality and disintermediation; (ii) further support the current process of digitization of payments to improve the efficiency and costs of payments systems and cash management; and (iii) safeguard financial consumer protection.

Transparency and Governance Policies

30. To further strengthen governance, we will ensure the transparency of our COVID-related spending. To this end, and consistent with our current legal regime, we will publish information on the ultimate beneficial owner(s) of companies awarded COVID contracts by the national public administration (by end-December 2022). In parallel, we will work to reach an agreement with the provinces to establish a system for the consolidation of information on the ultimate beneficial owner(s) for all provinces, with a view to publishing the information of companies awarded COVID contracts by all provinces by end-March 2023. In this context, we plan to complete and publish the ex-post internal audit for COVID-19 spending during 2021 by the end-2022. Finally, consistent with the plans of the *Auditoría General de la Nación* (AGN), the ex-post external audits on COVID-19 spending that took place at least during 2020 will be published, once approved, by end-June 2023 ***(structural benchmark)***.

31. We will continue strengthening our AML/CFT frameworks to ensure compliance with international standards and support our anti-corruption efforts. Ahead of the AML/CFT evaluation by the Financial Action Task Force (FATF) in 2023, and with IMF support, we have developed an action plan to:

i. Finalize and adopt the national risk assessment of money laundering (ML) by end-June 2022 and consolidate the results with the already-finalized terrorist financing (TF) assessments and disseminate them with all AML/CFT stakeholders to develop mitigations strategies. Publication of a National AML/CFT Strategy is expected by end-September 2022 (***structural benchmark***), with recommendations to mitigate the risks, vulnerabilities, and threats identified in the national risk assessments.

ii. Modify, in accordance with the international standard, and considering inputs from experts, academics, relevant civil society institutions, and Fund staff, the AML/CFT legislation (Law 25.246), including to strengthen the sanctioning regime, the inventory of reporting entities subject to AML/CFT obligations, the preventive measures applicable to reporting entities, and the requirements for legal entities and legal arrangements to obtain, maintain, and update the ultimate beneficial owner information identity within the company registry(ies). We will submit the amended legislation to congress by end-May 2022 (***structural benchmark***), for its consideration by congress during the course of 2022. In parallel, the FIU will advance the preparation of the necessary implementing resolutions—including as regards non-profit reporting institutions—to facilitate prompt and full implementation of the amended legislation.

III. Program Monitoring and Safeguards

32. Monitoring. The program will be monitored through quarterly reviews, prior actions, quantitative performance criteria, indicative targets, and structural benchmarks. The quantitative and continuous performance criteria and indicative targets are set out in Table 1, and further specified in the Technical Memorandum of Understanding (TMU). The prior actions, along with proposed structural benchmarks, are set out in Table 2.

33. Standard IMF consultation clause. We are confident that our policies are adequate to achieve the objectives of the program and will take any additional measures that may become appropriate for this purpose. We will consult with the Fund on the adoption of these measures, and in advance of any revision contained in this Memorandum, in accordance with the Fund's policies on such consultation and will refrain from any policy that would not be consistent with the program's objectives and our commitments herein.

34. Financing assurances. We have secured firm net financing for the first 12 months of the arrangement. In particular, we have secured firm net financing commitments (US$2.6 billion) from our official partners during the first year of the arrangement. The includes multilateral support from the World Bank (US$0.792 billion), the Inter-American Development Bank (US$0.959 billion), the Andean Development Fund (CAF, US$0.055 billion), FONPLATA (US$0.074 billion), BCIE (US$0.058 billion). On the official bilateral front, net financing is expected from China (US$0.455 billion), and other bilateral banks (US$0.207 billion). In parallel, we have also entered into negotiations with the Paris Club toward an agreement on a repayment schedule for our obligations. We consider that there are good prospects of financing for the remainder of the program.

35. Safeguards and budget support. We understand that, in line with Fund's policy, a Safeguards Assessment and a Fiscal Safeguards Review will be completed by the time of the first program review. We will provide Fund staff with access to the BCRA's most recently completed external audit reports. We request the use of IMF financing for budget support and, in this respect, the respective roles and responsibilities for servicing the financial obligations to the Fund will be governed by a memorandum of understanding between the BCRA and the government. Furthermore, we have requested that all Fund purchases be disbursed into our SDR account to support our firm commitment to meet our obligations to the Fund as they fall due and rebuild our international reserve buffers.

36. We are continuing our efforts to resolve outstanding external arrears. In particular, we are seeking to resolve outstanding arrears to holdout creditors that did not participate in the 2005/10 debt exchange or settle under the terms provided in 2016 to resolve holdout claims. Moreover, we are gradually repaying the debt owed to the binational (Paraguayan and Argentine) entity, *Yacyreta*, as compensation for energy serviced to Argentina. The arrears to the entity that are undisputed are expected to be settled by the end of 2022, supported by an allocation made in the 2022 budget, and we are in discussions to resolve the disputed claims (resulting from a difference in views on the applicable exchange rate). Claims by the French export credit agency (US$30 million) are currently in litigation in the Argentine Supreme Court (after previous lower court rulings in favor of the Argentine government). Finally, we are also continuing our efforts to meet the other remaining outstanding sovereign arrears to private firms (totaling about US$500 million).

Table 1. Argentina: Proposed Baseline Quantitative Performance Criteria and Indicative Targets 1/ 2/

(In billions of Argentine pesos unless otherwise stated)

	Proposed Performance Criteria		Indicative Targets	
	2022		2022	
	end-Mar	end-June	end-Sept	end-Dec
Fiscal targets				
Performance Criteria				
1. Cumulative floor on the federal government primary balance 3/ 8/	-222.3	-566.8	-912.3	-1758.6
2. Ceiling on the federal government stock of domestic arrears 4/	535.9	535.9	535.9	535.9
Continuous Performance Criterion				
3. Non-accumulation of external debt payments arrears by the federal government	0.0	0.0	0.0	0.0
Indicative Targets				
4. Cumulative floor on real federal government revenues 3/ 5/	2417.3	4759.4	6929.2	8900.0
5. Cumulative floor on federal government spending on social assistance programs 3/	151.9	318.0	494.4	707.8
Monetary targets				
Performance Criteria				
6. Cumulative floor on the change in net international reserves of BCRA 6/ 8/	1.2	4.1	4.4	5.8
7. Cumulative ceiling on central bank financing of the federal government 3/	236.8	438.5	613.3	705.2
Indicative Target				
8) Ceiling on the central bank stock of non-deliverable forwards 7/	6.0	7.0	9.0	9.0

1/ Targets as defined in the Technical Memorandum of Understanding (TMU).
2/ Based on program exchange rates defined in the TMU.
3/ Flows from January 1 through December 31.
4/ The average stock of domestic arrears during Q4 2021 stood at 535.9 billion pesos.
5/ Rebased assuming CPI=100 at end-2021.
6/ In billions of U.S. dollars. The change is measured against the value of NIR on December 31, 2021, which stood at US $2.325 billion.
7/ In billions of U.S. dollars. The stock of non-deliverable forwards on December 31, 2021 stood at US $4.185 billion, as defined in the TMU.
8/ Targets subject to adjustors as defined in the TMU.

Table 2. Argentina: Proposed Prior Actions and Structural Benchmarks under the EFF Arrangement

Prior Actions	Sector	Timing
Raise the effective annual policy rate by 365 basis points	Monetary/FX Policy	Met
Ease certain regulations, in consultation with Fund staff, limiting securities trading in foreign exchange	Monetary/FX Policy	Met
Structural Benchmark		
Avoid additional taxes on financial transactions	Fiscal Structural	Continuous
Modify the current Budget Law to be in line with the 2022 primary fiscal deficit target agreed under the program	Fiscal Structural	April 15, 2022
Call a public hearing on a proposal to update wholesale energy tariffs effective June 1, 2022. For residential users, the updates will be anchored on the average wage growth of (coeficiente de variación salarial) as established by Law 27.443. For GUDIs, energy tariffs will reflect full cost recovery; the rest of non-residential users will have their tariff revised according to the proposal defined in the hearing	Structural	April-2022
Submit to congress amended AML/CFT Legislation (Law 25.246), in accordance with the international standard, and considering inputs from experts, academics, relevant civil society institutions, and Fund staff, for its consideration by congress in the course of 2022	Financial Integrity	May-2022
Prepare a proposal with an action plan by the Secretary of Treasury, in consultation with Fund staff, to enhance financial and budget reporting of the entities of the national public sector other than the National Administration according to Law 25.917, Art 3	Fiscal Structural	Jun-2022
Modify the SEPIPyPPP 1/2021 Resolution to enable an annual regulation that sets investment projects prioritization and selection criteria. Criteria will prioritize ongoing projects and, among major projects, those with pre-feasibility or feasibility studies. On this basis, a regulation will be adopted to determine prioritization and selection criteria for projects to be included in the 2023 Budget	Fiscal Structural	Jun-2022
Publish a time-bound plan to streamline the reserve requirement system and improve the transmission of monetary policy	Monetary/FX Policy	Jun-2022
Publication of semi-annual investor relations presentation to advance the investors relation program	Financing	Jul-2022
Develop, in consultation with Fund staff, a detailed and time-bound action plan focused on identifying compliance gaps and improving compliance risk management of key domestic taxes and customs duties	Fiscal Structural	Aug-2022
Complete, in close coordination with provincial governments, the process of updating property valuations at the federal level so that they can begin to go into effect for fiscal year 2022	Fiscal Structural	Sept-2022
Publish a National AML/CFT Strategy with recommendations to mitigate the risks, vulnerabilities, and threats identified in the national risk assessments	Financial Integrity	Sept-2022
Develop and publish a medium-term plan, with technical and financial support of international development partners, to further reduce energy subsidies, with specific cost recovery targets, and improve the efficiency of the energy matrix, while ensuring the quality of energy services and the affordability of access for more vulnerable households	Structural	Sept-2022
Conduct and publish, working with development partners, a comprehensive evaluation of social support programs and strategy to identify options for policy improvements	Fiscal Structural	Dec-2022
Conduct and publish a study outlining options and recommendations to strengthen the equity and long-term sustainability of the pension system, focused on the special pensions regime (set forth by Law 27.546), and on mechanisms to encourage voluntarily prolonging working lives	Fiscal Structural	Dec-2022
Develop and publish a roadmap, in consultation with Fund staff, for the gradual easing of FX controls outlining the necessary conditions and objectives	Monetary/FX Policy	Dec-2022
Develop and publish, in consultation with Fund staff, a strategy to durably improve the BCRA financial position, drawing on recommendations from the Fund's Safeguard Assessment	Monetary/FX Policy	Dec-2022
Amend and submit to congress legislation—Foreign Exchange Criminal Law—to improve the penalty framework, including by introducing authorization of administrative fines, to make the sanctioning framework more efficient and enhance the timeliness of enforcement	Monetary/FX Policy	Dec-2022
Prepare, in consultation with Fund staff, a medium-term debt management strategy (MTDS)	Financing	Dec-2022
Publication of an external ex-post audit on COVID spending that took place of at least during 2020	Governance/Structural	June-2023

Attachment II. Argentina: Technical Memorandum of Understanding

March 3, 2022

1. This Technical Memorandum of Understanding (TMU) sets out the understandings regarding the definitions of the performance criteria (PCs) and indicative targets (ITs), that will be applied under the Extended Arrangement under the Extended Fund Facility, as specified in the Memorandum of Economic and Financial Policies (MEFP) and its attached tables. It also describes the methods to be used in assessing the program's performance and the information requirements to ensure adequate monitoring of the targets.

2. For program purposes, all foreign currency-related assets, liabilities, and flows will be evaluated at "program exchange rates" as defined below, with the exception of items affecting government fiscal balances, which will be measured at current exchange rates. The program exchange rates are those that prevailed on March 2, 2022. Accordingly, the exchange rates for the purposes of the program are shown in Table 1. For the purpose of setting program PCs and ITs, inflation in 2022 is based on a point estimate of 43 percent (end of period), within the program inflation range.

Table 1. Program Exchange Rates

Argentine Pesos to the US dollar 1/	107.93
Argentine Pesos to the SDR 1/	150.08
Argentine Pesos to the Euro 1/	119.83
Argentine Pesos to the Canadian dollar 1/	85.21
Argentine Pesos to the British pound 1/	144.22
Argentine Pesos to the Renminbi 1/	17.07
Gold price (US$/ounce) 2/	1,928.72

1/ Rate published by the BCRA as of March 2, 2022.
2/ Spot price published by Bloomberg as of March 2, 2022.

3. Any variable that is mentioned herein for the purpose of monitoring a PC or IT and that is not explicitly defined, is defined in accordance with the Fund's standard statistical methodology, such as the Government Finance Statistics. For any variable or definition that is omitted from the TMU but is relevant for program targets, the authorities of Argentina shall consult with the staff on the appropriate treatment to reach an understanding based on the Fund's standard statistical methodology.

QUANTITATIVE PERFORMANCE CRITERIA: DEFINITION OF VARIABLES

Cumulative Floor on the Federal Government Primary Balance

4. **Definitions**: The Federal government (*Sector Público Nacional No Financiero*) for the purposes of the program consists of the central administration, the social security institutions, the decentralized institutions (*Administración Nacional*), and PAMI, fiduciary funds, and other entities and enterprises of the federal government.

5. **Definitions**: The primary balance of the Federal government is measured above-the-line and defined in accordance with the monthly and annual reporting of the "*Esquema IMIG*". This is equivalent to total revenues (*ingresos totales*, according to "Esquema IMIG") minus primary spending (*gastos primarios*). Revenues are recorded on a cash basis and include tax revenues (*ingresos tributarios*), revenue income (*rentas de la propiedad*), other current revenues (*otros ingresos corrientes*), and capital revenues (*ingresos de capital*). Revenues exclude any type of financial transfers from the Central Bank (including *Utilidades* and *Adelantos Transitorios*), interest income from intra-public sector holding of securities and debt obligations, proceeds from the sale of financial assets, and special drawing rights (SDRs) allocated by the Fund or received bilaterally from other IMF members.

6. Federal government primary expenditure is recorded on a cash basis and includes spending on social protection (*prestaciones sociales*), economic subsidies (*subsidies económicos*), operational expenses (*gastos de funcionamiento*), current transfers to provinces (*transferencias corrientes a provincias*), other current spending (*otros gastos corrientes*), and capital spending (*gastos de capital*), which includes capital transfers to provinces.

7. Government-funded, public-private partnerships will be treated as traditional public procurements. Federal government obligations associated with public private partnerships would be recorded transparently in budget data and measured as part of the Federal government deficit as they occur (on a cash basis).

8. Costs associated with divestment operations or liquidation of public entities, such as cancellation of existing contracts or severance payments to workers, will be allocated to current and capital expenditures accordingly.

9. All primary expenditures (including fines) that are directly settled with bonds or any other form of non-cash liabilities will be recorded as spending above-the-line and will therefore contribute to a decrease in the primary balance. This excludes the settlement of liabilities related to pensions, revenue sharing and expenditure allocation, with the provinces and the Autonomous City of Buenos Aires, associated with court proceedings that are either finalized or pending as of March 3, 2022, and payments of arrears as per ICSID or similar arbitration rulings.

10. **Measurement**: The Federal government's primary balance will be measured at each test date as the cumulative value starting from the beginning of each calendar year.

11. **Monitoring**: All fiscal data referred to above and needed for program monitoring purposes will be provided to the Fund with a lag of no more than 25 calendar days after the end of each month.

12. Adjustor for external project financing disbursements: The target for the primary balance of the federal government will be adjusted up (down) by the shortfall (excess) in the expenditure financed by disbursements of project loans from multilateral and bilateral partners, compared to the project loans in the program baseline (Table 2). The value of the adjustor would be capped at cumulative 141,000 million pesos in 2022 (equivalent to US$1.1 billion / 0.2 percent of GDP).

Table 2. Multilateral and Bilateral Project
(baseline projections)

	AR$ millions 1/
end-March 2022	38,474
end-June 2022	127,005
end-September 2022	218,952
end-December 2022	360,456

1/ Cumulative from January 1 of each year.

Ceiling on Federal Government Accumulation of Domestic Arrears

13. Definition: Domestic arrears are defined as the floating debt, that is the difference between primary spending recorded on an accrual basis (*gasto devengado*, from the SIDIF system) and primary spending recorded on a cash basis (*base caja,* from the Treasury). This excludes intra-public transfers (*transferencias figurativas*), and includes primary spending for personnel (*gasto en personal*), acquisition of goods and services (*bienes y servicios*), nonprofessional services (*servicios no profesionales*), capital expenditures (*bienes de uso*), and transfers (*transferencias*).

14. Measurement: The arrears are measured on a daily basis. The program will cap the quarterly average stock of arrears for 2022 at the Q4 2021 level of 535,881 million pesos, consistent with reducing the stock from 1.2 percent of GDP in Q4 2021 to 0.8 percent of GDP in Q4 2022.

15. Monitoring: Data recorded at daily frequency will be provided to the Fund with a lag of no more than 25 calendar days after the end of each month.

Federal Government Non-Accumulation of External Debt Payments Arrears

16. Definitions:

- **Debt**[1] will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take several forms; the primary ones being as follows:

[1]As defined in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements, attached to Executive Board Decision No. 16919-(20/103), adopted October 28, 2020.

i. loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

ii. suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

iii. leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the program, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

- Only for the purposes of this program, and consistent with the definition set out in the IMF's Balance of Payments Manual, **external debt** is determined according to the residency criterion, (and, as such, would encompass nonresident holdings of Argentine law peso and foreign currency debt).
- **External arrears**: External debt payment arrears for program monitoring purposes are defined as external debt obligations (principal and interest) falling due after March 3, 2022 that have not been paid, considering the grace periods specified in contractual agreements.

17. **Coverage**: This performance criterion covers the federal government. This performance criterion does not cover (i) arrears on trade credits, (ii) arrears on debt subject to renegotiation or restructuring; and (iii) arrears resulting from the nonpayment of commercial claims that are the subject of any litigation initiated prior to March 3, 2022.

18. **Monitoring**: This PC will be monitored on a continuous basis.

Cumulative Floor on the Change in Net International Reserves of BCRA

19. **Definitions**:

- **Net international reserves (NIR)** of the BCRA are equal to the balance of payments concept of NIR defined as the U.S. dollar value of gross official reserves of the BCRA minus gross official liabilities with maturities of under one year. Gross liabilities include disbursements from the

Fund, except for the net financing component of the program (SDR 3.166 billion), also considered to be budget support, which would increase NIR. Non-U.S. dollar denominated foreign assets and liabilities will be converted into U.S. dollar at the program exchange rates.

- **Gross official reserves** are defined consistently with the Sixth Edition of the Balance of Payments Manual and International Investment Position Manual (BPM6) as readily available claims on nonresidents denominated in foreign convertible currencies. They include the (i) monetary claims, (ii) free gold, (iii) holdings of SDRs, including all Fund disbursements (iv) the reserve position in the IMF, (v) holdings of fixed income instruments and (vi) net cash balances within the Latin American Trade Clearing System (ALADI). Excluded from reserve assets are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currency vis-à-vis domestic currency (such as futures, forwards, and options), precious metals other than gold, assets in nonconvertible currencies and illiquid assets.

- **Gross official liabilities** in foreign currencies include (i) foreign currency liabilities with original maturity of one year or less, (ii) Fund disbursements deposited in the SDR account, except for the net financing component of the program (SDR 3.166 billion), (iii) any deliverable forward foreign exchange (FX) liabilities on a net basis defined as the long position minus the short position payable in foreign currencies directly undertaken by the BCRA or by any other financial institutions on behalf of the BCRA. Neither the Federal government's foreign liabilities, nor its FX deposits at the BCRA are considered as gross foreign liabilities of the BCRA. The foreign currency swap with the People's Bank of China and with the BIS, the foreign exchange bank reserve requirements, SEDESA, ALADI and other non-resident deposits would be considered, for program purposes, as a foreign exchange liability of the BCRA with a maturity of one year or less.

20. Measurement: The change in net international reserves will be measured as the cumulative change in the stock of NIR at each test date relative to the stock on December 31, 2021.

21. Monitoring: Foreign exchange asset and liability data at the BCRA will be provided to the Fund at daily frequency within two days.

22. Adjustors:

- **Official non-project loans and grants**: The NIR targets will be adjusted upward (downward) by the surplus (shortfall) in program loan disbursements and grants from multilateral institutions (including the IBRD, IDB and CAF) and bilateral partners, relative to the baseline projection reported in Table 3. The value of the downward adjustor, i.e., in the event of a shortfall of loans and grants, would be capped at a cumulative of US$500 million in each calendar year. Program loan disbursements are defined as external loan disbursements (excluding project financing disbursements and IMF budget support) from official creditors that are usable for the financing of the general government.

Table 3. Program Loan Disbursements from Multilateral and Bilateral Sources
(baseline projection)

	(In millions of US$) 1/
end-March 2022	10
end-June 2022	700
end-September 2022	1,349
end-December 2022	1,389

1/ Cumulative from January 1 of each year.

- **Paris Club payments**: The NIR targets will be adjusted downward (upward) by the surplus (shortfall) in interest and principal payments to the Paris Club relating to the outstanding debt that was reprofiled in 2014, compared to the baseline assumptions reported in Table 4.

Table 4. Paris Club Payments (Amortization and Interest)
(baseline assumptions)

	(In millions of US$) 1/
end-March 2022	190
end-June 2022	190
end-September 2022	190
end-December 2022	190

1/ Cumulative from January 1 of each year.

Cumulative ceiling on the BCRA's Financing of the Federal Government

23. Definitions. Central bank (BCRA) financing to the government includes (i) overdraft transfers from the BCRA to the Federal Government (line *Adelantos Transitorios* in the summary account of the BCRA, as published on its website), (ii) distribution of profits (*Utilidades*), and (iii) the acquisition of government debt in the primary market or by direct purchases from public institutions.

24. Measurement: The program will cap such financing at 705,228 million pesos (1 percent of GDP in 2022) by the end of December 2022, with cumulative flows from end-December 2021 in millions of pesos. The cap for 2023 will be 0.6 percent of GDP, with zero net financing in 2024.

25. Clarification. Any decrease in the stock of *Adelantos* shall only reflect cash payments of this amount in pesos by the Treasury to the BCRA. Transfer of *Letras Intransferible*s to the BCRA will not reduce the stock of *Adelantos*.

26. Monitoring. Daily data will be provided to the Fund within two days. The flow of BCRA financing to the government will be measured at each test date as the cumulative value starting from the beginning of the calendar year.

Continuous Performance Criteria

27. Consistent with commitments in IMF arrangements, we will seek not to: (i) impose or intensify any exchange restrictions, (ii) introduce or modify Multiple Currency Practices (MCPs), (iii) conclude bilateral payment agreements that are inconsistent with Article VIII; and (iv) impose or intensify import restrictions for balance of payment reasons (continuous performance criteria).

QUANTITATIVE INDICATIVE TARGETS: DEFINITION OF VARIABLES

Cumulative Floor on Real Federal Government Revenues

28. **Definition**: Federal government revenues are defined as *ingresos totals* (according to "Esquema IMIG" and as defined above).

29. **Measurement**: "Real" federal government revenues will be measured as nominal monthly revenues deflated by the corresponding monthly headline consumer price index published by INDEC (*nivel general del Índice de precios al consumidor (IPC)*). Real federal government revenues at each quarterly test date, will be measured on a cumulative basis starting from the beginning of the calendar year, and compared with the program baseline projection.

30. **Monitoring**: As with all fiscal data, federal government revenue data will be provided to the Fund with a lag of no more than 25 calendar days after the end of each month.

Cumulative Floor on Federal Government Spending on Social Assistance Programs

31. **Definition**: Social spending for the purpose of the program is computed as the cumulative sum of all federal government spending (both recurrent and capital) on the following social assistance programs:

- *Asignación Universal para Protección Social, which includes the following sub-programs: Asignación Universal por Hijo, Asignación por Embarazo, and Ayuda Escolar Anual*
- *Tarjeta Alimentar*
- *Progresar*

32. **Monitoring**: Data will be provided to the Fund with a lag of no more than 25 calendar days after the end of each month.

Cumulative Ceiling on the change in the BCRA's stock of non-deliverable forwards (NDF)

33. **Definitions**: The stock of net non-deliverable forwards (NDF) will be defined as the net of the U.S. dollar notional value of all long and short position contracts entered by the BCRA involving the Argentinian peso, either directly or through any institution they use as their financial agent.

34. Measurement: The stock of NDF in billions of US$ will be measured at each test date and will be capped at US$9 billion by end-2022. The stock of NDF stood at US$4.185 billion on December 31, 2021.

35. Monitoring: This indicative target will be monitored on a quarterly basis. Daily data will be provided to the Fund within two working days.

OTHER DEFINITIONS RELEVANT FOR PROGRAM CONDITIONALITY

Revisions to energy bills for residential consumers

36. In the context of the authorities' energy subsidy reduction plan, revisions to energy bills for residential consumers (excluding those subject to the subsidy segmentation scheme) will be anchored on average wage growth as defined by the Salary Variation Coefficient (*Coeficiente de Variacion Salarial (CVS)*), as established by the vetoed Law 27.443. This coefficient index is published by INDEC and estimates the evolution of salaries paid, covering the registered private sector, the unregistered private sector and the public sector. The CVS increased by 53.4 percent from end-December 2020 to end-December 2021.

Calculation of the real change in wholesale energy prices

37. Definition: Energy wholesale prices are defined as the pass-through prices paid by distributors for electricity and gas: the precio estacional (PEST) and the precio del gas natural en punto de ingreso al sistema de transporte (PIST), respectively. These prices can vary depending on user category:

- For electricity (PEST), the universe of users will comprise all users supplied by distributors separated into the following categories: (i) residential users from whom subsidies are eliminated; (ii) residential users who receive the social tariff (*Tarifa Social*); (iii) other residential users, not in categories (i) or (ii); (iv) large non-residential users (GUDIs), and (v) other non-residential users not in category (iv).

- For natural gas (PIST), the universe of users will cover all users that are supplied with natural gas at the regulated PIST price with categories including the following: (i) residential users from whom subsidies are removed; (ii) residential users who receive the *Tarifa Social*; (iii) other residential users, not in categories (i) or (ii); and (iv) non-residential users.

38. Measurement:

- For program purposes, the PEST and the PIST will be measured as weighted averages of the actual PESTs/PISTs charged to different categories of subsidized users, with the weights based on estimates of the number of users in each category.

- The weighted average energy wholesale price will be calculated as an average of the PEST and the PIST, as defined above for program purposes, using weights of 0.7 and 0.3, respectively.

- For 2022, the annual real change in the weighted average wholesale energy price will be calculated as the average annual projected change in the nominal price (based on implemented values of the PEST and PIST), deflated by projected average annual inflation of 48 percent[2] for 2022, under the program.

39. **Monitoring**: For each category of user described above, data will be provided to the Fund on the estimated number of users in each category and the actual values of the PEST and the PIST.

OTHER INFORMATION REQUIREMENTS

40. In addition to providing any data and information staff request to monitor program implementation, the authorities will also provide the following data so as to ensure adequate monitoring of economic variables:

A. Daily

- Nominal exchange rates; total currency issued by the BCRA; deposits held by financial institutions at the BCRA; total liquidity assistance to banks through normal BCRA operations, including overdrafts; interest rates on overnight deposits and on 7-day repurchase and reverse repurchase agreements.
- Aggregated data on banks' foreign exchange positions by currencies and foreign currency accounts with the BCRA, provided in the following categories: public national; public provincial; private domestic; private foreign; and small banks.
- Daily data on BCRA sales and purchases of securities settled in different currencies will be provided to the Fund with a weekly frequency, no more than two business days following the end of the considered week.
- BCRA activity in the NDF market.

B. Weekly

- BCRA balance sheet
- Daily data on sales and purchases of securities settled in different currencies, recorded and provided by the *Comision Nacional de Valores,* including trading by the BCRA. This information will be transmitted by the BCRA and will include a report of the daily estimation of total stocks and implicit exchange rate of the most representative securities transacted in the CCL and MEP modalities and operations.

C. Fortnightly

- Interest rates on domestic debt instruments including LELITE, LEDES, LECER, LEPAS, BONAR, BONTE, BONAD and BONCER (at different maturities).

[2] Projected end-of-period inflation in 2022 is 43 percent (see ¶2).

D. Monthly

- Federal government operations including monthly cash flow from the beginning to the end of the current fiscal year (and backward revisions as necessary), with a lag of no more than 25 days after the closing of each month, according to both the format of the *Informe Mensual de Ingresos y Gastos* (IMIG) and to the format of the *Cuenta Ahorro Inversion Financiamiento* (AIF). Specific reporting will include:
    - Revenues from sales of physical assets, and 12-month projections for future sales of such assets.
- Fiscal financing sources (below-the-line), including BCRA transfers, issuance of domestic public securities, financing from within the non-financial public sector, external financing, and other financing schemes. Data to be provided with a lag of no more than 25 days after the closing of each month. Detailed quarterly financing plan for the coming twelve months, including the aforementioned sources, to be provided one month in advance.
- External financing received and projections for the coming four quarters, with loans and grants categorized by program and project. Data to be provided with a lag of no more than 25 days after the closing of each month.
- On federal debt:
    - Domestic and external debt service (amortization and interest payments) of the federal government, with a lag of no more than 25 days after the closing of each month. Projected monthly federal government debt amortization/repayments and interest payments (local currency and FX bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans). This would include both direct and guaranteed debt. In the case of issuance of government guaranteed debt, the name of the guaranteed individual/institution shall be included.
    - Information on the stock of external arrears will be reported on a continuous basis.
    - Federal government debt stock by currency, as at end month, including by (i) creditor (official, commercial domestic, commercial external; (ii) instrument (local currency and FX denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans); and (iii) direct and guaranteed.
    - The balances of the (federal) government at the central bank and in the commercial banking system needed to determine the cash position of the (federal) government.
- Required and excess reserves of the banking sector in local and foreign currency.

- Deposits in the banking system: current accounts, savings and time deposits within six weeks after month end. Average monthly interest rates on loans and deposits within two weeks of month end; weighted average deposit and loan rates within six weeks after month end.

- Balance sheets of other financial corporations (non-deposit taking), including holdings of federal and provincial debt and of the BCRA instruments within one month after month end.

- Data on the total loans value of all new federal government-funded public private partnerships.

E. Semi-annual

- Federal government expenditures to the provinces and the Autonomous City of Buenos Aires related to the settlement of liabilities associated with pensions, revenue sharing and expenditure allocation, as well as payments of arrears as per ICSID or similar arbitration rulings.

- On provincial debt:

  - Quarterly data on the provincial government debt stock by currency, provided within six months of the closing of each semester (i.e., end-June and end-December), including by (i) creditor (official, commercial domestic, commercial external; (ii) instrument (local currency and FX denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans); and (iii) direct and guaranteed.

  - Quarterly domestic and external debt service (amortization and interest payments) of the provincial governments, provided within six months of the closing of the previous semester (i.e., end-June and end-December).

  - Quarterly projections for the following semester for provincial government debt amortization/repayments and interest payments, at least 30 days before the end of each semester (i.e., end-June and end-December). This would include local currency and FX bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans), and both direct and guaranteed debt. In the case of issuance of government guaranteed debt, the name of the guaranteed individual/institution shall be included.